SUMMARY STATEMENT

TITLE: DRPA Audit Committee Charter
SUBJECT: DRPA Audit Committee Charter

COMMITTEE: Audit Committee

COMMITTEE MEETING DATE: November 10, 2010

BOARD ACTION DATE: November 17, 2010

PROPOSAL: That the Board adopt the Audit Committee Charter (attached) as approved by the Audit Committee on November 10, 2010.

PURPOSE: To adopt the Audit Committee Charter which defines the Committee’s purpose, powers, composition and responsibilities pursuant to Resolution DRPA-10-040 (amended).

BACKGROUND: Pursuant to Authority Resolution No. 10-040, the Audit committee is a standing committee of the Board of Commissioners. The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility relating to: (1) the Authority’s internal and external audit process, the financial reporting process, and the system of risk assessment and internal controls over financial reporting; (2) compliance with applicable laws, policies, and accounting and auditing standards; (3) the communication between the Authority’s management, internal and external auditors, experts, other advisors, and the Board.

In discharging its responsibilities, the Committee is not itself responsible for the planning or conduct of audits or for any determination that the Authority’s financial statements are complete and accurate or in accordance with generally accepted accounting principles. This is the responsibility of staff.

The attached charter defines the governance of the Authority’s Audit Committee.

SUMMARY:

Amount: N/A
Source of Funds: N/A
Capital Project #: N/A
Operating Budget: N/A
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: N/A
Other Parties Involved: N/A
RESOLUTION

RESOLVED: That the Board adopt the “Audit Committee Charter” attached hereto as discussed and approved at a public meeting of the Audit Committee on Wednesday, November 10, 2010.

SUMMARY:

Amount: N/A
Source of Funds: N/A
Capital Project #: N/A
Operating Budget: N/A
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: N/A
Other Parties Involved: N/A

CFO
This Audit Committee Charter was adopted by the Board of Commissioners (“Board”) of the Delaware River Port Authority (“Authority”), on this ____ day of __________, 2010 to provide independent advice, assistance, and recommendations to the Board in the oversight of the internal and external audit and related functions of the Authority.

PURPOSE

Pursuant to Authority Resolution No. 10-040, the purpose of the Audit Committee shall be to (1) ensure that the Board fulfills its responsibilities for the Authority’s internal and external audit process, the financial reporting process, and the system of risk assessment and internal controls over financial reporting; (2) ensure that the Board complies with applicable laws, policies, and accounting and auditing standards; and (3) provide an avenue of communication between the Authority’s management, internal and external auditors, experts, other advisors, and the Board.

POWERS OF THE AUDIT COMMITTEE

The Audit Committee shall have the following duties and responsibilities:

- Oversee the work of any internal or external auditor employed or retained by the Authority.
- Recommend to the Board the appointment and compensation of internal and external auditors, experts, and other advisors as the Audit Committee may deem appropriate.
- Develop objectives for audits of the Authority and pre-approve all auditing services.
- Conduct or authorize audits or investigations into any matters within its scope of responsibility.
- Resolve any disagreements between the Authority and its internal or external auditors.
- Ensure that the Audit Committee has unrestricted access to company personnel and documents.
- Enact and review the procedures for the receipt, retention, and treatment of complaints received by the Authority regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization.
- Evaluate whether the Authority has in place the necessary and appropriate processes that will provide the Audit Committee members with adequate information from the Authority in order for them to be well informed with respect to the Authority’s financial operations and performance.
COMPOSITION

The Audit Committee shall be established as set forth in and pursuant to Authority Resolution No. 10-040. The Audit Committee shall consist of at least three (3) and no more than six (6) members of the Board who are independent of Authority operations. The Board will appoint the Audit Committee members. The Auditor General of the Commonwealth of Pennsylvania or his/her designee shall serve ex-officio as chairperson of the Audit Committee.

Audit Committee members shall be prohibited from being an employee of the Authority or an immediate family member of an employee of the Authority. In addition, Audit Committee members shall not engage in any private business transactions with the Authority or receive compensation from any private entity that has a material business relationships with the Authority, or be an immediate family member of an individual that engages in private business transactions with the Authority or receives compensation from an entity that has material business relationships with the Authority.

Ideally, all members on the Audit Committee shall possess or obtain a basic understanding of governmental auditing and financial reporting.

The Audit Committee shall have access to the services of at least one “financial expert.” This financial expert shall have (1) an understanding of generally accepted accounting principles, generally accepted government auditing standards, financial statements, and financial, performance, and forensic auditing; (2) experience in preparing or auditing financial statements of comparable entities; (3) experience in applying such principles in connection with the accounting for estimates, derivatives, etc.; (4) experience with internal accounting controls; (5) an understanding of audit committee functions; and (6) a significant amount of time to devote to the Audit Committee. The Audit Committee shall use a member of the Authority’s staff as its “financial expert” to the extent possible and obtain advance approval of the Board for any outside expert that would require compensation by the Authority.

MEETINGS

The Audit Committee shall meet at least four times a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in this charter.

All Committee members are expected to attend each meeting, in person or via telephone or videoconference. The Audit Committee may invite other individuals, such as members of management, auditors, or other experts or advisors to attend meetings and provide pertinent information, as necessary. All Board members are welcome to attend and participate in Committee meetings.

The Audit Committee shall meet with the Authority’s external auditors at least annually to discuss the financial and performance audits of the Authority. The Audit Committee shall also meet with the Authority’s internal auditors at least annually.
Meeting agendas will be prepared for every meeting and provided to the Audit Committee members along with briefing materials at least five (5) business days before the scheduled Audit Committee meeting. The Audit Committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings will be recorded and copies distributed to Committee members for their approval. Following approval by the Committee, copies of the minutes shall be provided to the Board and appropriate Authority officers and staff. The Corporate Secretary’s Office will retain all documents pertaining to the Audit Committee per the Authority’s record retention schedule (Policy #212, “Records Management Program”).

**RESPONSIBILITIES**

The Audit Committee shall have duties and responsibilities related to: (a) the external auditors and required financial and performance audits; (b) the Authority’s internal auditors; (c) oversight of management’s internal controls, compliance, and risk assessment practices; (d) special investigations, forensic audits, and whistleblower policies; and (e) miscellaneous issues related to the financial practices and performance of the Authority.

Although the Audit Committee has the responsibilities set forth in this charter, it is not the responsibility of the Audit Committee to directly conduct audits or investigations or oversee the preparation of the Authority’s financial statements and disclosures in accordance with generally accepted accounting principles and applicable rules and regulations. These tasks are the responsibility of the Authority’s management, internal and external auditors, experts, and other advisors. The Audit Committee has an oversight responsibility to ensure that the Authority’s objectives are achieved.

**A. Financial Audits**

The Audit Committee shall:

- Recommend to the Board the appointment and compensation of external auditors, experts, and other advisors as the Audit Committee may deem appropriate to conduct required financial audits of the Authority and pre-approve all audit services provided by the external auditors.
- Review and approve the audit plans and scope of the financial audits conducted by the external auditors.
- Conduct evaluations of the external financial auditors and report such evaluations to the Board.
- Establish procedures for the engagement of the external financial auditors to provide permitted audit services. The Authority’s external auditors shall be prohibited from providing non-audit services unless they have received advance written approval from the Audit Committee. Non-audit services include tasks that directly support the Authority’s
operations, such as bookkeeping or other services related to the accounting records or financial statements of the Authority, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.

- Review and approve the Authority’s audited financial statements, associated management letter, report on internal controls, and all other auditor communications.

- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.

- Meet with the external auditors on a regular basis to discuss any significant issues that may have surfaced during the course of the financial audits.

- Review and discuss any significant risks reported in the external financial audit findings and recommendations and assess the responsiveness and timeliness of management’s follow-up activities pertaining to the same.

- Review the results of external financial audits and recommend to the Board procedures for implementing accepted recommendations of the auditors.

B. Management and Performance Audits

The Audit Committee shall:

- Recommend to the Board the appointment and compensation of external auditors, experts, and other advisors as the Audit Committee may deem appropriate to conduct the required management/performance audits and pre-approve all audit services provided by the auditors.

- Review and approve the audit plans and scope of the management/performance audits conducted by the external auditors.

- Conduct evaluations of the external management/performance auditors and report such evaluations to the Board.

- Establish procedures for the engagement of the external management/performance auditors to provide permitted audit services. The Authority’s external management/performance auditors shall be prohibited from providing non-audit services unless they have received advance written approval from the Audit Committee. Non-audit services include tasks that directly support the Authority’s operations, such as bookkeeping or other services related to the accounting records or financial statements of the Authority, financial information systems design and implementation, appraisal or
valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.

- Meet with the external management/performance auditors on a regular basis to discuss any significant issues that may have surfaced during the course of the audit.

- Review and discuss any significant risks reported in the external management/performance audit findings and recommendations and assess the responsiveness and timeliness of management’s follow-up activities pertaining to the same.

- Review the results of external management/performance audits and recommend to the Board procedures for implementing accepted recommendations of the auditors.

C. Internal Audits

The Audit Committee shall:

- Review with management and the Internal Audit Director, the charter, activities, staffing, and organizational structure of the internal audit function. The Audit Committee shall recommend to the Board the appointment, dismissal, compensation, and performance reviews of the Internal Audit Director.

- Ensure that the internal audit function is organizationally independent from Authority operations.

- Review and approve the reports of internal auditors.

- Review and approve the annual internal audit plan and scope of audits conducted by the internal auditors.

- Review the results of internal audits and recommend to the Board procedures for implementing accepted recommendations of the internal auditors.

- Conduct evaluations of the internal auditors and report such evaluations to the Board.

D. Internal Controls, Compliance and Risk Assessment

The Audit Committee shall:

- Review management’s assessment of the effectiveness of the Authority’s internal controls and review the report on internal controls by the external auditor as a part of the financial audit engagement.
E. Special Investigations/Forensic Audits

The Audit Committee shall:

- Ensure that the Authority has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest, or abuse by Board members, officers, or employees of the Authority or any persons having business dealings with the Authority or breaches of internal control.

- Develop procedures for the receipt, retention, investigation, and/or referral of complaints concerning accounting, internal controls, and auditing to the appropriate body.

- Request and oversee special investigations/forensic audits as needed and/or refer specific issues to the appropriate law enforcement office, other government agency, or other entity for further investigation.

- Review all reports delivered to it by a law enforcement office, other government agency, or other entity and serve as a point of contact with such entities.

- Recommend to the Board the appointment and compensation of external auditors, experts, and other advisors as the Audit Committee may deem appropriate to conduct forensic audits and pre-approve all audit services provided by the auditors.

- Review and approve the audit plans and scope of the forensic audits conducted by the external auditors.

- Conduct evaluations of the external forensic auditors and report such evaluations to the Board.

- Establish procedures for the engagement of the external forensic auditors to provide permitted audit services. The Authority’s external forensic auditors shall be prohibited from providing non-audit services unless they have received advance written approval from the Audit Committee. Non-audit services include tasks that directly support the Authority’s operations, such as bookkeeping or other services related to the accounting records or financial statements of the Authority, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.

- Meet with the external forensic auditors on a regular basis to discuss any significant issues that may have surfaced during the course of the audit.
• Review and discuss any significant risks reported in the external forensic audit findings and recommendations and assess the responsiveness and timeliness of management’s follow-up activities pertaining to the same.

• Review the results of external forensic audits and recommend to the Board procedures for implementing accepted recommendations of the auditors.

F. Compliance

The Audit Committee shall:

• Review the effectiveness of the system for monitoring compliance with laws and policies and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

• Review the findings of any examinations by regulatory agencies and any auditor observations.

• Review the process for communicating the code of conduct to Authority personnel and for monitoring compliance therewith.

• Obtain regular updates from management and the Authority’s legal counsel regarding compliance matters.

G. Reporting Responsibilities

The Audit Committee shall:

• Regularly report to the Board about Committee activities, issues, and related recommendations.

• Provide an open avenue of communication between internal auditors, the external auditors, and the Board.

• Provide annually to the Authority’s Board a written report of how the Committee has discharged its duties and met its responsibilities as outlined in this charter, describing the Committee’s composition, responsibilities, and how they were discharged, including approval of non-audit services. The report will be provided to the Board no later than January 15th of each year for the prior year. The Committee shall also provide other written and/or verbal reports to the Board as deemed necessary or appropriate by either body.

• Review any other reports the Authority issues that relate to Committee responsibilities.
H. Other Responsibilities of the Audit Committee

The Audit Committee shall:

- Obtain any information and training needed to enhance the understanding of Committee members, and the Committee as a whole, of the role of the internal and external auditors, government auditing, the risk management process, internal controls, and a certain level of familiarity with financial reporting standards and processes.

- Review the Committee’s charter annually, reassess its adequacy, and recommend any proposed changes to the Board. The charter will be updated as applicable laws, policies, and accounting and auditing standards change.

- Evaluate the Committee and individual members’ performance on a regular basis.

- Perform other activities related to this charter as requested by the Board.