

Board of Airport Commissioners

Audit and Ethics Committee

Guidelines

Authority

The Audit and Ethics Committee (Committee) of the Board of Airport Commissioners (BOAC) of Los Angeles World Airports (LAWA) is a standing committee of BOAC. It was established pursuant to Resolution No. 21520, adopted August 28, 2001, which allows the President of the BOAC to establish both standing and ad hoc committees of the Board. Resolution No. 22817, adopted October 17, 2005, established the Office of Ethics and Business Conduct and stated that this Office will report to both the Executive Director and to the Audit and Ethics Committee of the BOAC.

Mission

To assist the BOAC in fulfilling its oversight responsibilities for (1) the ethics program, (2) the internal audit program, (3) integrity of LAWA's financial statements and (4) compliance with legal and regulatory requirements.

Membership and Voting

The Committee is composed of three members of the Board appointed by the Board President. The Committee members elect one member as Chair and another as Vice Chair once per year. Members will serve terms of two years.

When matters before the Committee require approval, a majority vote will constitute approval.

Committee members with potential conflicts of interest on any topic before the Committee must disclose the conflict, provide the BOAC President with a written explanation of the nature of the conflict and recuse him/herself from voting on the matter.

Responsibility

The Committee will provide the oversight necessary to guide senior management, the Ethics Officer and LAWA's employees in their collaborative efforts to adhere to activities that encourage and reinforce LAWA's good business practices, standards of ethical behavior and maintenance of regulatory requirements.

The Committee will review internal audits (including management, compliance, social responsibility and performance audits) and will assure the existence of adequate internal controls within LAWA with respect to ethics and compliance activities. The Committee will monitor LAWA's ethics program and other policies, procedures and processes to ensure compliance with established standards. The tone will be one of support and respect for adherence to LAWA's Code of Ethics and zero tolerance for any unethical, non-compliant, or illegal activities committed by LAWA employees, officers, directors, agents or business associates.

Meetings

The Committee meets once per month or as needed. A quorum of the Committee will consist of two members. Meetings are subject to the Brown Act. The Committee's agenda is developed by the LAWA Ethics Officer in consultation with the Chair of the Committee, the Executive Director and the BOAC Secretary.

Reports will be provided on an as-needed basis by the Ethics Officer, Internal Audit Manager and the Chief Financial Officer

The opportunity for the Ethics Officer, the Internal Audit Manager or external public accountants to meet with the Committee or the entire Board as needed is not to be restricted.

Minutes

The minutes of each meeting will be prepared and sent to Committee members and approved at subsequent meetings. Copies of the approved minutes will be distributed to the full Board of Airport Commissioners.

Specific Duties

The Committee has the following specific duties:

Internal Audit

1. Internal audit

Review and approve the annual work plan. Review risk assessment studies and internal audit reports. Subsequent to review and discussions of internal audits, direct staff and management to take action where necessary and implement audit recommendations. The staff shall update the Committee on compliance with the Institute of Internal Auditors Standards and Practice Advisories.

2. Annual financial audit

Review the independence of outside independent accountants and auditors. Receive and review auditor's management letter and the audit with the external public accountants and with LAWA management. Provide oversight for the outside financial auditors.

3. **Tenant audit**
Review audits of revenue collected from tenants and airlines whose payments are audited by Finance's Revenue Audit Section.
4. **Consulting**
When needed, review any work by the internal auditors which might be classified as management consulting or providing advice to management on governance, organization, processes, controls and performance measures.
5. **General Overview**
Review periodically with the City Attorney legal and regulatory matters that may have a material impact on LAWA's financial statements, compliance policies and programs. At least annually, hold meetings with management and the Internal Audit Manager to discuss significant risks and exposures and the steps being taken to minimize them. Periodically, review reports by management and the Internal Audit Manager on the adequacy of internal controls, including information system controls. Review reports on implementation of audit recommendations.

Ethics Office

1. **Referral and Resource for Ethics Hotline and Inquiries**
Ensure appropriate resources are dedicated for referrals, communication of office operations, and marketing/communication materials. Ensure confidentiality process and anonymous reporting capabilities are identifiable and available at all times.
2. **Ethics and Compliance Training**
 - a.) Monitor the types of ethics training planned for implementation (i.e. ethics awareness, ethical decision-making) and monitor on-going training as well as post-training evaluations.
 - b.) Monitor development of compliance-based training, including development of web-based self-directed training and future training systems which may incorporate other divisions such as Human Relations and Administration.
3. **Enforcement of Ethics Violations**
 - a.) Monitor the investigation of ethical complaints and/or violations and advise the Ethics Officer of recommended action.
 - b.) When necessary, review case disposition, investigate procedures or provide guidance on sensitive recommendations as determined by the Ethics Officer. Ensure the enforcement of corrective measures.
4. **Organizational Ethics Implementation**
 - a.) Ensure that the Code of Ethics is updated on an annual basis.
 - b.) Monitor progress of the implementation of the LAWA's Code of Ethics in areas such as employee recruitment and selection, annual evaluations, and operational policies and procedures.

5. Coordination and Compliance with City Ethics Commission

Review the biannual evaluation of the LAWA Conflict of Interest Code. Monitor compliance of LAWA designated personnel to file mandatory financial disclosure statements, statements of City-related business and any other similar public filing required by law.

The Committee may conduct investigations in the areas listed above as needed. It may also hold closed sessions with internal or external auditors, ethics officers, management, or attorneys pursuant to Brown Act requirements. Auditors or ethics officers will report to the Committee any problems in completing audits or investigations. The Committee will assure that staff and managers in the Internal Audit and Ethics functions are able to examine any topic, files, reports or other items necessary to complete their work.

The Committee will review audit findings and recommendations and ethics investigations. Documents will be sent to the Committee members and discussed at meetings. The Chair of the Committee will make periodic reports to the BOAC. If necessary, LAWA management may bring findings and recommendations directly to the BOAC. The Committee will report at the end of every fiscal year to the BOAC regarding its activities during the year.

The Committee will be briefed by the Ethics Officer, Internal Audit Manager or other staff on the status of audits conducted of LAWA by the Los Angeles City Controller or other auditors.

Resources

The Committee will have access to the City Attorney for advice on any audit or ethics topic. A representative of the City Attorney's LAWA Office will be present at all Committee meetings.

The Committee may occasionally need to use the services of outside audit, ethics, compliance, legal, financial, or other experts who are independent of LAWA and its contracted experts. All services, except legal, will be arranged by the Executive Director's Office and will be funded by the Executive Director's budget. Legal services will be arranged by the City Attorney's Office.

Periodic Review of these Guidelines

These guidelines are a living document. They will be reviewed and updated annually as needed.