

**RECOMMENDATION PAPER TO THE
EXECUTIVE AND GOVERNANCE COMMITTEE**

**AMENDMENT OF BYLAWS TO CLARIFY REQUIREMENTS
FOR DISCUSSION OF AUDIT-RELATED MATTERS
IN EXECUTIVE SESSION**

September 2013

RECOMMENDATION

The Office of Audit requests that the Executive and Governance Committee approve and recommend to the Board of Directors the adoption of an amendment of the *Airports Authority Bylaws, Article IX, Transaction of Business, Section 3(g)*, which addresses audit-related matters that may be discussed by the Board or its Committees in executive session, to implement a recent recommendation made by the Department of Transportation's Office of Inspector General (OIG).

DISCUSSION

Prior to November 2012, the Airports Authority Bylaws permitted "*audit matters*" to be discussed in executive session. In its November 1, 2012, report, the OIG recommended that the Airports Authority amend the Bylaws to more precisely state the topics that may be discussed in executive session. Amendments to the Bylaws implementing this recommendation were considered by the Audit-Legal Committee at its meeting in November 2012 and adopted on January 16, 2013 by the Board of Directors. The amendments revised Article IX, Section 3(g) to limit the discussions of audits or audit reports that may be held in executive session to discussions of the following four matters:

1. Airport security and information security audits;
2. Personally identifiable information or sensitive information in personnel actions and procurement matters, including vendor proprietary information and employee names, unique titles, or recommendations to discipline or terminate employees;
3. Matters involving litigation, whether actual or potential, that may invoke the attorney-client privilege; and
4. Discussions with the financial statement auditors and the Vice President of Audit where the professional standards applicable to such auditors, when conducting a financial statement audit, require the discussion to be held in executive session.

Recently, based on its review of these January 2013 Bylaws amendments, the OIG has recommended that Section 3(g) be amended to delete the phrase "Vice President of Audit" and to identify the "professional standards" that are referenced in the section (i.e., the

American Institute of CPAs' Statement on Auditing Standards (AU-C Section 260), "The Auditor's Communication With Those Charged With Governance," or any successor standards.) The Office of Audit supports this OIG recommendation. A redlined version of the recommended amendment to Article IX, Section 3(g) is attached.

CONCLUSION

For these reasons, it is recommended that the Executive and Governance Committee approve and recommend to the Board of Directions the adoption of the attached amendment to Article IX, 3(g) of the Bylaws.

Prepared by:

Office of Audit
September 2013

Attachment

BYLAWS

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ARTICLE IX

Transaction of Business

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Section 3. Executive Session. All regular, special and committee meetings of the Board shall be open to the public, except that at any time the presiding officer may, without objection, order that the Board or Committee consider a matter or matters in the categories described below in executive session closed to the public. Before an executive session begins, the presiding officer shall announce the matters to be discussed. At the discretion of the presiding officer, others who can contribute to the discussion, including appropriate employees, outside counsel and consultants, may attend an executive session, with the understanding that they are honor bound not to divulge what takes place there. Only the following items or matters may be considered in the executive session:

a. Personnel matters such as employment, appointment, assignment, promotion, demotion, performance appraisal, discipline, resignation, salaries and benefits, and interviews of Directors, officers, and employees of the Authority, and applicants for the same.

b. Personal matters not directly related to the Authority's business in order to protect the privacy of individuals.

c. Existing or prospective contracts, business or legal relationships to protect proprietary or confidential information of the Authority, any person or company; the financial interest of the Authority; or the negotiating position of the Authority.

d. Financial matters, including the indebtedness of the Authority and the investment of Authority funds, particularly where competition or negotiation is involved. The annual budget may be discussed in executive session in its earliest stages, but should otherwise be dealt with in open session, From time to time certain sections may be considered in executive session, particularly where public

discussion could compromise the Authority's relationships with its employees or tenant airlines.

e. Consultation with legal counsel and briefings by staff, consultants and/or attorneys, pertaining to actual or potential litigation, pending or proposed legislation, compliance with a specific constitutional, statutory or judicially imposed requirement, or other legal matters, and discussions of such matters by the Board without the presence of counsel, staff, consultants, or attorneys.

f. Discussion of security plans and other law enforcement measures for the protection of the public from terrorism and aircraft hijacking.

g. Discussion of the following matters and information presented in or by audits or audit reports: matters involving airport security and information security; personally identifiable information or sensitive information in personnel actions and procurement matters, including vendor proprietary information and employee names, unique titles, or recommendations to discipline or terminate employees; matters related to actual or potential litigation involving the Airports Authority that may invoke the attorney-client privilege; and matters that the professional standards applicable to financial statement auditors ~~and the Vice President of Audit~~, when conducting a financial statement audit, require to be discussed in executive session.¹

¹ [These professional standards are set out in the American Institute of CPAs' Statement on Auditing Standards, AU-C Section 260, "The Auditor's Communication With Those Charged With Governance," or any successor standards.](#)

Proposed Resolution

Amending Bylaws to Clarify Requirements for Discussion of Audit-Related Matters in Executive Session

WHEREAS, In January 2013, the Airports Authority Bylaws were amended to implement certain recommendations made by the Department of Transportation's office of Inspector General relating to the discussion in executive session of audit-related matters by the Board of Directors and Board committees;

WHEREAS, The Bylaws amendments adopted in January 2013 amended Section 3(g) of Article IX to limit the discussion of audit-related matters that may occur in executive session and to define those limits;

WHEREAS, Following its review of these Bylaws amendments, the Office of Inspector General has recommended that a further amendment be made to Section 3(g) of Article IX to include an identification of the "professional standards applicable" to auditors that are referenced in the section;

WHEREAS, An amendment to Section 3(g) of Article IX implementing the Office of Inspector General recommendation (attached to this Resolution) was approved, and recommended to the Board of Directors for adoption, by the Executive and Governance Committee at its meeting in September 2013; now, therefore, be it

RESOLVED, That the Airports Authority Bylaws be amended deleting current Section 3(g) of Article IX and inserting in place thereof a new Section 3(g) as set out in the attachment to this resolution.

*For Consideration by the Executive and Governance Committee
and the Board of Directors on September 18, 2013*

Attachment

BYLAWS

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Transaction of Business

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c. Existing or prospective contracts, business or legal relationships to protect proprietary or confidential information of the Authority, any person or company; the financial interest of the Authority; or the negotiating position of the Authority.

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f. Discussion of security plans and other law enforcement measures for the protection of the public from terrorism and aircraft hijacking.

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