

**BI-STATE DEVELOPMENT
AUDIT COMMITTEE MEETING
OPEN SESSION MINUTES
JANUARY 22, 2016**

Committee Members in Attendance

Missouri

Constance Gully, Chair
Kelley Farrell
Vincent C. Schoemehl (present @ 8:10a.m.)

Illinois

David Dietzel (absent)
Jeffrey Watson (absent)

Other Commissioners in Attendance

Tadas Kicielinski (via phone)
Irma Golliday (via phone)

Staff in Attendance

John Nations, President & CEO
Barbara Enneking, General Counsel and Deputy Secretary
Shirley Bryant, Certified Paralegal
Jim Cali, Director, Internal Audit
Rita Marion, Sr. Administrative Assistant
Kathy Klevorn, Sr. Vice-President and Chief Financial Officer
Patti Beck, Director of Communications
Mark Vago, Controller
Kathy Brittin, Director, Risk Management, Safety & Claims
Angela Staicoff, Internal Auditor
Kelli Fitzpatrick, Internal Auditor, Part-Time
Tammy Fulbright, Director, Treasury Services
Amy Olden, Internal Audit Intern
Jonathan Frederick, Director, Accounting & Budget
Michael Gibbs, Accountant Business Enterprises
Charles Stewart, Vice President, Pensions & Insurance
Karl Tyminski, Internal Auditor, Part-Time
Kent Swagler, Director of Corporate Compliance
Andrew Ghiassi, Manager, Safety & Loss Control
Sheila Hockel, Manager, Emergency Preparedness
Larry Jackson, Executive Vice President for Administration
Kerry Kinkade, Acting Vice President Chief Information Officer
Barbara Georgeff, Director of Executive Services

Others in Attendance

Elliott Davis, Fox 2 News
Kelsey Brandon
Terry Turnbough
Jaman Black
De'Sen Mayes
Dorsche Hopson
Alexis Khammanyuonn

1. Call to Order

8:00 a.m. Chair Gully called the Open Session Audit Committee Meeting to order at 8:00 a.m.

2. Roll Call

8:00 a.m. Roll call was taken.

3. Public Comment

8:00 a.m. Commissioner Gully welcomed students from Hickey College Accounting Program who were in attendance to observe the Audit Committee meeting process. Ms. Bryant reported that no requests from the public had been received for this meeting.

4. Minutes from October 23, 2015 Audit Committee Meeting - Open Session

8:01 a.m. The October 23, 2015, Open Session Audit Committee Meeting minutes were provided in the Committee packet. A motion to approve the minutes was made by Commissioner Farrell and seconded by Commissioner Kicielinski. **Motion passed unanimously.**

5. September 30, 2015 Financials

8:01 a.m. The September 30, 2015 Financials were provided in the Committee packet. Mark Vago, Controller, provided a brief overview. The combined schedule of revenues and expenses shows all business entities are in a positive state except for the Research Institute (the “**Institute**”), which shows a negative \$74; however, the Institute received a \$39,000 grant in the second quarter that was not reflected in the first quarter financials. Executive Services stayed relatively stable with income before depreciation of \$326,000; the Gateway Arch revenue was \$555,000; the Riverfront Attractions revenue was \$582,000 with expenses of \$572,000 for a \$10,000 gain; the St. Louis Downtown Airport revenue was \$364,000 with expenses staying stable at \$309,000 for a \$55,000 gain; Metro Transit Systems revenue was \$77 million with expenses of \$72 million for a total net of \$5 million; the Freight District revenue was \$111,000, with total expenses of \$73,000 resulting in a gain of \$37,000; the Arts in Transit revenue was \$26,000. The combined revenue for Bi-State enterprises was \$6.4 million. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

6. September 30, 2015 Performance Indicators

8:05 a.m. The September 30, 2015 Performance Indicators Report was provided in the Committee packet. Mark Vago, Controller, provided a brief overview. The Metro System profile shows that the average weekday ridership and passenger boardings are down slightly from the prior year. The average fare and farebox recovery is also down slightly. The St. Louis Downtown Airport fuel sales are up and the average based aircraft, compared to last year, was also up. This report was informational only, and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

7. Internal Audit Status Report – Second Quarter

8:06 a.m. The Internal Audit Status Report, second quarter was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. The status report has been modified and now incorporates columns to show the start and completion of an audit. During this second quarter the Internal Audit Department (**IAD**) completed eight (8) audits, most of which were safety and oversight audits. IAD also provided a great deal of assistance to Charles Stewart, Vice President of Pension & Insurance, in the creation of the Internal Service Fund. IAD lost an intern, Antwuan Donley, who secured a fulltime position at BKD, CPA firm. IAD now has a new intern, Amy Olden, who is in the Master’s Program at Lindenwood University. This report was

informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

8. Treasury – Safekeeping Quarterly Accounts Audit, Ending September 30, 2015

8:08 a.m. The Treasury – Safekeeping Quarterly Accounts Audit, ending September 30, 2015 was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. Per Board Policy, the Internal Audit Department is required to perform a quarterly audit of the Treasury Safekeeping Accounts. IAD reviewed the Treasurer's Report, identified the securities classified under the Safekeeping Accounts criteria, contacted each bank custodian to verify the existence of the Securities and to confirm account balances. In accordance with the new GASB Statement No. 72 *Fair Value Measurement and Application*, IAD performed an examination of each bank safekeeping custodian's account confirmation as compared with the fair values for each investment in the Treasurer's Report. A chart has been provided to show the individual values, the commodities and the custodians of the Safekeeping assets as part of this report. IAD has determined that the Safekeeping Accounts exist, and their respective balances have been fairly presented. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

9. Internal Audit Follow-Up Summary, Second Quarter FY 2016

8:09 a.m. The Internal Audit Follow-Up Summary, second quarter FY2016 report was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. The most important part of an audit is the follow up to monitor the disposition of audit results communicated to management. This report is a comprehensive overview highlighting the current implementation status of recommendations issued in prior audit reports. IAD has determined that there were no outstanding or overdue issues, and management has been very cooperative in implementing the recommendations according to the timetables that were established. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

**** 8:10 a.m. Commissioner Schoemehl joined the meeting.**

10. Unscheduled Business

8:10 a.m. There was no unscheduled business.

11. Call of Dates for Future Committee Meetings

8:11a.m. The next Board meeting is scheduled for Friday, February 26, 2016 at 8:00 a.m.; the next Business Services & Economic Development Committee meeting is scheduled for Friday, March 11, 2016, at 8:00 a.m.; the next Operations Committee meeting is scheduled for Tuesday, March 15, 2016, at 8:00 a.m.; and the next Audit Committee meeting is scheduled for Friday, May 20, 2016, at 8:00 a.m.

12. Executive Session - If such action is approved by a majority vote of the Bi-State Development's Board of Commissioners who constitute a quorum, the Board may go into closed session to discuss legal, confidential, or privileged matters under §610.021(1); RSMo; leasing, purchase or sale of real estate under §610.021(2); personnel actions under §610.021(3); discussions regarding negotiations with employee groups under §610.021(9); sealed bids, proposals and documents related to negotiated contracts under §610.021(12); personnel records or applications under §610.021(13); records which are otherwise protected from disclosure by law under §610.021(14); records relating to hotlines established for

reporting abuse and wrongdoing under §610.021(16); or confidential or privileged communications with the District's auditor, including auditor work products under §610.021(17).

8:11 a.m. Pursuant to the requirements of Section 610.021(1), 610.021(2), 610.021(14), and 610.021(16) of the Revised Statutes of Missouri, Chairman Gully requested a motion to allow the Committee to go into closed session. A motion to go into Executive Session was made by Commissioner Farrell and seconded by Commissioner Schoemehl. A roll call vote was taken and the Commissioners present, Gully, Farrell, Schoemehl, Golliday and Kicielinski voted to approve this agenda item. **Motion passed unanimously, and the Open Session meeting was adjourned.**

Deputy Secretary to the Board of Commissioners
Bi-State Development