Audit, Finance & Administration

Open Meeting

Friday, June 10, 2022 immediately following Operations Committee Meeting

Virtual Meeting

211 North Broadway, 6th Floor

St. Louis, MO, 63102

Audit, Finance & Administration Committee, Open Meeting - June 10, 2022

Notice of Meeting and Agenda

1. Call to Order	Approval	Chair Beach
2. Roll Call		M. Bennett
3. Public Comment	Information	Chair Beach
4. Approval of Minutes of the March 18 , 2022, Audit, Finance & Administration Committee, Open Meeting	Approval	Chair Beach
A. Draft Minutes - March 18, 2022 - Audit, Finance and Administration Committee - Open Meeting - 4		
5. Contract Award: Audit Services - Bi-State Development (BSD) Pension Plans and 401(k) Retirement Savings Program	Approval	T. Curran
A. Briefing Paper - 11		
6. Contract Award: Financial Advisory Services	Approval	T. Curran
A. Briefing Paper - 13		
7. Collected Board Policies, Chapter 50 - Purchasing Revisions	Approval	T. Curran
A. Briefing Paper - 16		
B. Current Chapter 50 - Purchasing - 18		
C. Red-lined Version, Chapter 50 - Purchasing with Proposed Revisions - 28		
D. Clean Copy, Chapter 50 - Purchasing with Proposed Revisions - 39		
8. Collected Board Policies, Chapter 30 – Audit, Finance, and Budget	Approval	C. Messner
A. Briefing Paper - 49		
B. Current Chapter 30 - Audit Finance Budget - 50		
C. Red-lined Version, Chapter 30 - Audit Finance Budget, with Proposed Revisions - 78		
D. Clean Copy, Chapter 30 - Audit Finance Budget, with Proposed Revisions - 106		
9. Draft - Internal Audit Policies and Procedures Manual Revision 4	Approval	C. Messner
A. Briefing Paper - 135		
B. Current IAD Policies & Procedures Manual - 136		
C. Red-lined Version, IAD Policies & Procedures Manual with Proposed Revisions - 198		
D. Clean Copy, IAD Policies Procedures Manual with Proposed Revisions - 262		
10. Internal Audit Follow-Up Summary – 3rd Quarter FY2022	Information	C. Messner
A. Briefing Paper - 324		

11. Internal Audit Status Report – 3rd Quarter FY2022	Information	C. Messner
A. Briefing Paper - 327		
B. Attachment-FY2022 - Quarterly Status Report - 3rd Qtr - 328		
12. Internal Audit State Safety Oversight Status Report - 1st Quarter Calendar Year 2022	Information	C. Messner
A. Briefing Paper - 332		
B. Attachment 1- CY2022 - SSO Quarterly Status Report - 1st Qtr - 334		
C. Attachment 2- Final IAD SSO SOP - 335		
13. Quarterly Financial Statement	Information	T. Fulbright
A. Quarterly Financial Statement Third Quarter Ending March 31, 2022 - 349		
14. Treasurer's Report	Information	T. Fulbright
A. Treasurer's Report - Third Quarter Ending March 31, 2022 - 420		
15. Treasury Safekeeping Accounts Audit ending March 31, 2022	Information	C. Messner
A. Briefing Paper - 430		
B. Attachment 1-Summary of Cash Verification & Safe Kept Balances - 432		
C. Attachment 2-Treasury Safekeeping Quarterly Accounts Verification - 433		
D. Attachment 3-Fuel Hedge Program Actual Results - 434		
16. Procurement Report	Information	T. Curran
A. Quarterly Procurement Activity Report - 435		
17. Unscheduled Business	Approval	Chair Beach
18. President/CEO Report	Information	T. Roach
19. Call for the Dates of Future Board & Committee Meetings	Information	M. Bennett
20. Adjournment	Approval	Chair Beach

BI-STATE DEVELOPMENT
AUDIT, FINANCE & ADMINISTRATION COMMITTEE MEETING
OPEN SESSION MINUTES
(Virtual Meeting)
March 18, 2022

Immediately following Operations Committee Meeting

Audit, Finance & Administration Committee Members participating via Zoom

Terry Beach, Chair
Herbert Simmons
Fred Pestello
Nate Johnson
Sam Gladney – Absent

Other Commissioners participating via Zoom

Rose Windmiller
Derrick Cox – Absent
Irma Golliday
Vernal Brown
Debra Moore

Staff participating via Zoom

Taulby Roach, President and Chief Executive Officer
Brenda Deertz, Director of Executive Services
Barbara Enneking, General Counsel
Myra Bennett, Manager of Board Administration
Thomas Curran, Executive Vice President – Administration
Tammy Fulbright, Executive Vice President and Chief Financial Officer
Mary Lamie, Executive Vice President of Multi Modal Enterprises
Crystal Messner, Chief Audit Executive
Chris Poehler, Assistant Executive Director Engineering Systems
Charles Stewart, Executive Vice President Organizational Effectiveness

Others participating via Zoom

Brett Runge, ASL Interpreter
Erin Stumpf, ASL Interpreter

1. **Open Session Call to Order**
   9:07 a.m. Chair Beach called the Open Session of the Audit, Finance & Administration Committee Meeting to order at 9:07 a.m.

2. **Roll Call**
   9:07 a.m. Roll call was taken, as noted above.

3. Public Comment

9:08 a.m. Chair Beach asked Myra Bennett, Manager of Board Administration, if any public comment cards were received for today's meeting. Ms. Bennett noted that no public comments were submitted.

4. Minutes of the January 28, 2022 Audit, Finance & Administration Committee, Open Meeting

9:08 a.m. Chair Beach noted that the minutes of the January 28, 2022 Audit, Finance & Administration Committee, Open Meeting were provided in the Committee packet for review. Being no revisions, a motion to approve the minutes, as presented, was made by Commissioner Windmiller and seconded by Commissioner Johnson. **The motion passed unanimously.**

5. Contract Authorization – Third Party Oracle Support

9:09 a.m. A briefing paper was included in the meeting materials, presenting to the Operations Committee, for discussion, acceptance, and referral to the Board of Commissioners for approval, authorization to pursue and sign a competitively bid contract for Oracle Support that does not exceed $325,000 per year, and $1,625,000 in total over 5 years. Tom Curran, Executive Vice President Administration, gave an overview of this item, noting that Bi-State Development operates a substantial footprint of Oracle software, databases, and tools. He stated that the primary back office business systems run as part of the Oracle E-Business Suite, and the Agency has many Oracle databases, used by other applications. He reported that the Agency has used Oracle Corporation for maintenance and support of our Oracle environment for many years; however, beginning in 2005, firms began working to provide Oracle support, outside of the Oracle Corporation. This was to fulfill the need of companies who felt paying Oracle was no longer in their best interest. Mr. Curran stated that in February, an RFP was issued to obtain proposals for third party, Oracle support services, and vendors are currently preparing proposals. He stated that staff feels that third party support services will result in substantial savings for the Agency; however, there will be a six to eight week time period needed for the changeover. Chair Beach stated that Oracle has been going through a significant period of growth, and has experienced "growing pains". Commissioner Windmiller asked if there is a significant third party vendors providing this type of support service. Mr. Curran stated that the Agency received interest from four vendors, and anticipates that he will receive at least two proposals. Commissioner Moore asked if other transit agencies use this provider, and if they are having similar concerns regarding service. Mr. Curran stated that our organization has been having issues with support services for some time, and has discussed the situation with Jacksonville Transit, who recently moved to a third party vendor, and has had a positive experience with the change. Commissioner Windmiller asked if the Agency has communicated their dissatisfaction to Oracle. Mr. Curran stated that our concerns have been communicated, and they are aware that the Agency is very unhappy with their response time.

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A motion to accept this agenda item, as presented, and recommend it to the Board of Commissioners for approval, was made by Commissioner Windmiller and seconded by Commissioner Moore.

The motion passed unanimously.

6. 2022–2025 EEO/AA Program Submission

9:16 a.m. A briefing paper was included in the meeting materials regarding a request that the Committee accept, and forward to the Board of Commissioners for approval, the EEO/Affirmative Action (EEO/AA) Program Submission. Tom Curran, Executive Vice President of Administration, gave an overview of this item, noting that as a direct recipient of FTA funding, the Agency is required to submit an EEO/AA Program to the FTA Office of Civil Rights every four (4) years. He noted that an EEO/AA Program is a detailed set of procedures and employment information designed to ensure entities meet the EEO requirements set forth in FTA Circular 4704.1A Equal Employment Opportunity (EEO) Requirements and Guidelines for Federal Transit Administration Recipients. Mr. Curran stated that, according to the Program itself, the Board of Commissioners has the responsibility for reviewing the contents of the EEO/Affirmative Action Program, prior to submission to the FTA.

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A motion to accept this agenda item, as presented, and recommend it to the Board of Commissioners for approval, was made by Commissioner Moore and seconded by Commissioner Golliday.

The motion passed unanimously.

7. Bi-State Development FY2023 Operating Budget and FY2023-2025 Capital Budget

9:18 a.m. A briefing paper was included in the meeting materials regarding a request that the Committee accept, and forward to the Board of Commissioners for approval, the Bi-State Development FY 2023 Operating Budget; the Bi-State Development FY 2023 – FY 2025 Capital Budget; the three-year Transportation Improvement Plan; grant resolutions required to apply for federal and state funding necessary to support the Bi-State Development's projects and programs; and authorization of management to seek grants and/or appropriations from federal programs, the City of St. Louis, St. Louis County, and the states of Missouri and Illinois.

President and CEO, Taulby Roach, referenced slide 2 of the presentation, contained in the packet, noting the trend lines related to Transit System Cost Stabilization. He stated that the flattening of this line is essential to the sustainability of the organization, and he noted the flattening of the line that has occurred over the past 4 years, under his leadership. He stated that he is very happy with the progress that has been made. Tammy Fulbright, Executive Vice President/Chief Financial Officer, noted that previously, the organization was operating at a 3% growth rate, which was not sustainable. She stated that it is important to maintain the current trend, in order to maintain funding. Ms. Fulbright reviewed the Metro Transit Statement of activities, including projected revenues and expenses, as well as funding partners, revenue sources, and the Capital Budget. Ms. Fulbright gave an overview of projected revenues and expenses for the Gateway Arch, Riverfront Attractions, Downtown Airport, St. Louis Regional Frieghtway, and Executive Services. She also provided an overview of Internal Service Funds including Health Self-Insurance, Casualty Self-Insurance, and Workers Compensation Self-Insurance.

Commissioner Moore posed questions as to why the revenues from St. Clair County are high, however, ridership is not as high, compared to St. Louis City. Ms. Fulbright invited Commissioner Moore to contact her to discuss the allocation process in greater detail. President & CEO Roach stated that he would be glad to present the model for review. Commissioner Beach asked if the proposed budget will be presented to the full Board in April for approval. Mr.

Roach confirmed that this is correct. He added that the budget would then be presented to all of the Agency's partners individually, for approval.

A motion to accept this agenda item, as presented, and recommend it to the Board of Commissioners for approval, was made by Commissioner Johnson and seconded by Commissioner Pestello. (Commissioner Simmons and Commissioner Moore abstained from the vote.)

The motion passed.

8. FY 2022 External Audit – Client Service Plan from Rubin Brown

9:34 a.m. A briefing paper was included in the meeting materials regarding the FY2022 External Audit, Client Service Plan from Rubin Brown for Bi-State Development (BSD). Tammy Fulbright, Executive Vice President and Chief Financial Officer, gave an overview of this item, noting the scope of work included in the plan.

This item was presented for information only.

9. Treasurer's Report

9:35 a.m. A Treasurer's Report was included in the meeting materials. Tammy Fulbright, Executive Vice President and Chief Financial Officer, gave an overview of this item, noting that the Feds recently raised rates, which should increase interest income on investments. In addition, she reviewed figures regarding the fuel hedge, noting that this process is working to control fuel costs for the Agency. Commissioner Windmiller thanked Ms. Fulbright for her update on the fuel hedge.

This item was presented as information only.

10. Treasury Safekeeping Accounts Audit, Ending December 31, 2021

9:36 a.m. A briefing paper was included in the meeting materials regarding this item. Crystal Messner, Chief Audit Executive, gave an overview of this item, noting that this audit serves as checks and balances for the Treasurer's Report. Ms. Messner stated that IAD has determined that the Safekeeping Accounts exist, and the respective balances and credit ratings reported in the Treasurer's Report as of December 31, 2021 are fairly presented. She stated that IAD also reviewed the reasonableness of information provided in the Treasurer's Report related to the Diesel Fuel Hedging Program. She noted that the review of this program activity is new to this report and is a part of IAD's effort to provide enhanced audit services. She reported that this review focused on the reported results of the Fuel Hedging Program for the current year and the life of the program, April 1, 2004. Ms. Messner reported that the reported Fuel Hedge Program life-to-date information was also fairly stated, given the dollar volume involved; however, the life-to-date Total Fuel Cost information was understated and the Realized Gain information was overstated, as noted in Attachment 3.

This item was presented for information only.

11. Quarterly Financial Statements

9:38 a.m. Quarterly Financial Statements were included in the meeting materials. Tammy Fulbright, Executive Vice President and Chief Financial Officer, gave an overview of this item, reviewing revenues and expenses for each of the Agency's Enterprises. Commissioner Moore posed questions regarding the bond refunding, asking if those are taxable bonds. Ms. Fulbright stated that they are taxable bonds; however, the refunding saved approximately $30,000 to $32,000 per year. Commissioner Simmons posed questions regarding CARES funding, noting that this funding will not be available in the future, and asking if this future impact has been taken into consideration. Ms. Fulbright stated that this issue has been taken into consideration, and that is where fiscal responsibility for each department comes into the planning process. Commissioner Simmons thanked Ms. Fulbright for her work.

This item was presented as information only.

12. Procurement Report

9:42 a.m. A Procurement Report was included in the meeting materials. Thomas Curran, Executive Vice President Administration, gave an overview of this item, noting that relative to the total spend, the percentage of non-competitive procurements declined from 10.2% of overall spending in the second quarter to 7.4% in the third quarter. He reported that the reduction in the ratio of non-competitive to competitive spending has also reduced the twelve-month rolling average of non-competitive spending compared to total procurement spending, dropping from 14.4% in the second quarter of FY 2022 to 8.0% in the third quarter. Mr. Curran noted that he expects that due to the recent approval of several significant sole source contracts that there will be a change to this pattern in the near future. Commissioner Simmons posed questions regarding recent purchasing issues. Mr. Curran stated that the Agency has encountered issues related to workforce issues, as well as supply chain issues; however, the Agency has tried to alleviate some of these issues by ordering materials and supplies sooner.

This item was presented as information only.

13. Pension Plans, 401(k) Retirement Savings Program and OPEB Trust Investment Performance Update as of December 31, 2021

9:44 a.m. Pension Plans, 401(k) Retirement Savings Program and OPEB Trust Investment Performance updates were included in the meeting materials regarding this item. Charles Stewart, Interim Executive Director Metro Transit / Executive Vice President Organizational Effectiveness, gave an overview of this item. He noted that, with regard to the BSD 401(k) Retirement Savings Program, the total assets were $87.5M, as of the end of calendar year 2021, which is up $10.3M in combined contributions and investment earnings from calendar year end 2020, which was $77.2M. He added that allocations to individual funds and asset types remain relatively unchanged over the last year. The Vanguard Index Fund has significant participation with ~$16.7M in participant money, or 19% of total assets. The T. Rowe Price Stable Value Fund (7%) and Dodge & Cox Balanced Fund (8%) both also have significant participation. Fixed income manager, MetWest Total Return, has seen positive inflows and has current participant exposure of ~$1.2M. He stated that the T. Rowe Price Lifecycle Funds continue to grow in popularity, and approximately 39% of participant money is now held in these funds.

Mr. Stewart stated that as of December 31, with regard to the Salaried Pension Plan, total Plan assets were $102.3M, up by $7.7M since the beginning of the calendar year. Cash flows were slightly negative in the fourth quarter at -$0.8M, and year-to-date cash flows were negative at -$2.7M. He stated that this Portfolio gained +2.2% during the calendar year 2021, bringing the performance for the full year to +11.1%. Since inception dating back to 1988, the Total Portfolio has gained +7.9%, outpacing its benchmark by 40 basis points, and the Portfolio also outperformed its current actuarial return target of 6.0%. He stated that the Portfolio was rebalanced earlier this year, and it is in line with target asset allocations.

With regard to the IBEW Pension Plan, Mr. Stewart reported that as of December 31, total Plan assets were $8.0M, an increase of $0.06M since the beginning of the calendar year. He noted that, with the exception of 2018, Total Portfolio Market values have steadily increased over the past 11 years. In 2008, the market value fell to $1.1M, but has quadrupled since reaching the market bottom. He stated that now that the Plan is fully-funded, the cash flows into the Plan have moderated.

Mr. Stewart reported that as of December 31, total Plan assets for the ATU 788 Pension Plan, were $191.0M – an increase of $16.9M since the beginning of the calendar year. He noted that fund flows over the past few years have been consistently negative, and 2021 continued this trend. The Portfolio experienced investment gains of $23.2M for the calendar year.

Mr. Stewart stated that the OPEB Retirement Trust ended the quarter with a total Portfolio market value of $57.5M. The Portfolio gained +3.6%, during the fourth quarter of 2021. Through December 31, the total Portfolio gained 14.1%, equating to $6.9M in investment earnings since the beginning of the year.

This item was presented as information only.

14. Unscheduled Business

9:49 a.m. There was no unscheduled business.

15. President/CEO Report

9:49 a.m. Bi-State Development President/CEO Taulby Roach stated that he has no report at this time.

16. Call of Dates for Future Board and Committee Meetings

9:49 a.m. Myra Bennett, Manager of Board Administration, advised the Committee of the upcoming meeting, as follows:

Board of Commissioners Meeting:	Friday, April 22, 2022	8:30 AM
Safety & Security Meeting:	Thursday, May 5, 2022	8:30 AM
Operations/Audit, Finance, Administration:	Friday, June 10, 2022	8:30 AM

17. Adjournment to Executive Session – If such action is approved by a majority vote of the Bi-State Development Agency's Board of Commissioners who constitute a quorum, the Board may go into closed session to discuss legal, confidential, or privileged matters pursuant to Bi-State Development Board Policy Chapter 10, §10.080(D) Closed Records; Legal under §10.080(D)(1).

9:50 a.m. Chair Beach noted that the only item of business on the Executive Session agenda, is the approval of the January 28, 2022 Executive Session minutes; therefore, if there is no discussion needed regarding these minutes, the Board could choose to approve the minutes in Open Session, and the Executive Session will not be needed.

Commissioner Windmiller made a motion to approve the minutes of the January 28, 2022, Audit, Finance & Administration Committee, Executive Session, as presented, as a closed record. The motion was seconded by Commissioner Brown.

Rose Windmiller – Yea	Terry Beach – Yea
Vernal Brown – Yea	Debra Moore – Yea
Fred Pestello – Yea	Irma Golliday – Yea
Nate Johnson – Yea	Herbert Simmons – Yea

The motion passed unanimously.

18. Adjournment

9:51 a.m. Chair Beach asked if there was any further business, and being none, Commissioner Moore made a motion to adjourn the meeting. The motion was seconded by Commissioner Windmiller. Unanimous vote in favor taken. The motion passed, and the meeting was adjourned at approximately 9:52 a.m.

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Deputy Secretary to the Board of Commissioners
Bi-State Development

Bi-State Development
Audit, Finance & Administration Committee
Open Session Agenda Item
June 10, 2022

From: Charles A. Stewart, Executive Director Metro Transit
Subject: **Contract Award: Audit Services - Bi-State Development (BSD) Pension Plans and 401(k) Retirement Savings Program**
Disposition: Approval
Presentation: Thomas Curran, Executive Vice President – Administration

Objective:

To present to the Audit, Finance and Administration Committee, for discussion and referral to the Board of Commissioners, a request to authorize the President & CEO to award a contract to UHY LLP for Audit Services of the Bi-State Development **(BSD)** Agency Pension Plans and 401(k) Retirement Savings Program.

Background:

Bi-State Development's Benefits Administration Department is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Solicitation 22-SB-305074-CG – Audit Services for BSD's Pension Plans and 401(k) Retirement Savings Program was issued on January 26, 2022. The request for sealed bids was advertised in BSD's iSupplier Portal, the agency's web-based communication tool structured to allow interested bidders full and open access to view, communicate, and submit bids on active solicitations.

To encourage competitive bidding, communications were sent via online discussion to the below firms requesting status of their intentions to participate in bidding prior to the bid due date.

UHY LLP	Crowe LLP	Morgan Franklin Consulting	BKD
Clifton Larson Allen	Armanino LLP	Baker Tilly	KPMG LLP

Analysis:

In response to the solicitation, one (1) sealed bid was received from UHY LLP. The single bid was forwarded to the Benefits Department for review.

Upon review of the sealed bid received from UHY LLP, the following was determined.

- UHY LLP is ranked as one of the top firms in the country in terms of the number of benefit plans audited. Currently, the firm serve as the auditor to over 450 employee benefit plans on an annual basis, including a number of large defined contribution retirement plans, employee stock ownership plans, defined benefit plans, and health and welfare benefits plans.

Board Policy Chapter 50.010.E - Purchasing requires Board approval of non-competitive procurements exceeding $100,000.

- UHY's sealed bid is responsive and demonstrates responsibility by conforming to the terms and conditions listed in the solicitation including the submission requirements of certifications and representations identified in the solicitation.

UHY's bid price was compared to the Independent Cost Estimate **(ICE).** Based on the below analysis, UHY's bid price is determined to be fair and reasonable.

Audit Services for Pension Plans and 401(k) Retirement Plans	Estimated Hours Per Year	Estimated Average Blended Hourly Rate	Estimated Average Annual Cost Per Year	Estimated Total 5-Year Cost
Independent Cost Estimate	500	$125.00	$61,285.00	$305,000.00
UHY LLP Bid Form dated 02/22/22	495	$122.20	$60,489.00	$302,445.00

Due to UHY being the only firm that participated in submitting pricing, the sealed bid method will be converted to a negotiated procurement.

Funding Source:
Pension Trust Accounts
401(k) Administrative Cost

Committee Action Required:
Management recommends that the Audit, Finance and Administration Committee accept, and forward to the Board of Commissioners for approval, a request that the President & CEO enter into a five-year contract for Audit Services for BSD's Pension Plans and 401(k) Retirement Savings Program with UHY LLP in the not-to-exceed amount of **$302,445.00.**

Bi-State Development Agency
Audit, Finance & Administration Committee
Open Session Agenda Item
June 10, 2022

From:	Tammy Fulbright, Executive Vice President/Chief Financial Officer
Subject:	**Contract Award: Financial Advisory Services**
Disposition:	Approval
Presentation:	Thomas Curran, Executive Vice President – Administration

Objective:
To present to the Audit, Finance and Administration Committee, for discussion and referral to the Board of Commissioners for approval, a request to authorize the President & CEO to award a contract to Columbia Capital Management, LLC for Financial Advisory Services for the Bi-State Development **(BSD)** Bond Program.

Background:
Bi-State Development's Finance/Treasury Division is responsible for improving the financial foundation of Bi-State Development and promoting strategic initiatives of fiscal responsibility with the agency's financial activities related to many different aspects of its existing and contemplated bond indebtedness program and other financial operations.

Solicitation 22-RFP-313158-CG - Financial Advisory Services was issued on February 25, 2022. The request for proposals was advertised in BSD's iSupplier Portal, the agency's web-based communication tool structured to allow interested bidders/proposers full and open access to view, communicate, and submit bids/proposals on active solicitations.

Analysis:
In response to the solicitation, one (1) sealed proposal was received from Columbia Capital Management, LLC. The single proposal was forwarded to the Finance Department for review.

A review of the sealed proposal received from Columbia Capital Management affirmed that the technical proposal met the minimum requirements, qualifications and experience in accordance with the scope of work described within the solicitation.

- Columbia Capital Management is a municipal advisor registered with the SEC (File Number: 867-00262) and the MSRB (ID: K0183) and is a registered investment adviser (RIA) with the SEC (IARD/CRD Number: 112773).

- Columbia Capital Management is in compliance with all filing requirements of the Municipal Securities Rulemaking Board Rule G-37, and affirms that Columbia's officers and employees have not made any contributions or undertaken any actions in violation of Rule G-37.

- Columbia Capital Management is an independent financial and investment advisor, providing advisory services to state, regional, special district and local bond issuers across the country. The firm maintains a broad-based municipal financial advisory practice, including:

Board Policy Chapter 50.010.E - Purchasing requires Board approval of non-competitive procurements exceeding $100,000.

- Strategic financial advisory services
- Debt transaction advisory services
- Economic development advisory services
- Investment management, including investment of bond proceeds
- Derivatives advisory services
- Financial modeling, capital planning and long-range financial planning services
- Project-based advisory services
- Public-Private Partnership (P3) advisory services
- Post-issuance compliance services

The Contracting Officer conducted a survey of potential sources that chose not to submit a proposal. Three firms responded:

Firm	**Contact**	**Method of Communication**	**Reason for non-participation**
White-Coleman Law Firm	Dorothy Coleman	Email/Telephone	The firm decided to submit a proposal for Bond Counsel instead of Financial Advisory Services.
Sage View Advisor Group	Greg Koehler	Email	Registration was not completed in order to gain access to review/submit a proposal.
Springstead Inc.	Lauren Sunny	iSupplier On-Line Discussion	Springstead acquired by Baker Tilley; Lauren requested Springstead be removed from notifications. Invite sent to Baker Tilley, no response regarding participation.

Columbia Capital Management's cost proposal was compared to the firm's previous cost proposal submitted under contract 17-RFP-104180-SG Financial Advisory Services. Based on the below analysis, Columbia Capital Management's cost proposal is determined to be fair and reasonable.

Services	**22-RFP-313158-CG**	**17-RFP-104180-SG/CG**
	Fixed Rate Credit Enhanced Fee (basis points)	Fixed Rate Fee (basis points)
Bonds	0.075% - 0.075%	0.045% - 0.045%
Investment Advisory Services - Construction/Debt Service Reserve Funds	0.09%	0.09%
Revenue Anticipation (Annual)	0.10% - 0.10%	0.10% - 0.10%
Grant Anticipation (Annual)	0.10% - 0.10%	0.10% - 0.10%
IRB, TIFS, TDD or other special assessment district bonds	0.30% -0.50%	0.25% -0.50%
Average Hourly Rate for Key Personnel (Account Manager, Lead Manager, Financial Advisor, Analytical Support)	$295.00	$262.50

Funding Source:
Operational Funds

Committee Action Required:
Management recommends that the Audit, Finance and Administration Committee accept, and forward to the Board of Commissioners for approval, a request that the President & CEO enter into a 5-year contract for Financial Advisory Services with Columbia Capital Management, LLC in the not-to-exceed amount of **$400,000.00.**

From:	Thomas Curran, Executive Vice President - Administration
Subject:	**Collected Board Policies, Chapter 50 - Purchasing Revisions**
Disposition:	Approval
Presentation:	Thomas Curran, Executive Vice President - Administration

Objective:
To present to the Audit, Finance and Administration Committee, for approval and recommendation to the Board of Commissioners, a request to incorporate revisions to the *Collected Board Policies of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District, Chapter 50, Purchasing.*

Background:
Bi-State's Purchasing policy, found in Chapter 50 of the *Collected Board Policies of the Bi-State Development Agency*, was last updated on May 23, 2014. Since that time, there have been dramatic changes in the economy that have affected the cost and availability of items and services necessary for Bi-State's regular operation. This briefing paper proposes updates to expenditure thresholds that require Board of Commissioners approval, the addition of specific language addressing single bid situations, and clean-up of spelling and title errors.

Analysis
Chapter 50 currently contains award authority language from 2014 requiring Board of Commissioners approval for Competitive Negotiation Procurements exceeding $500,000 and Non-Competitive Procurements which exceed $100,000. The President & CEO is authorized to approve all Competitive Bid Procurements, Competitive Negotiation Procurements which do not exceed $500,000, and Non-Competitive Procurements of $100,000 or below. As price inflation for materials has outpaced the general inflation rate and continues to do so, management is requesting that the Board of Commissioners approval thresholds be increased to contracts exceeding $1,000,000 for Competitive Negotiation Contracts and $200,000 for Non-Competitive Procurements. Competitive Bid Procurements would continue to be awarded by the authority of the President & CEO, regardless of cost.

Chapter 50 - E.2 – Award Authority presently states that the President & CEO is authorized to approve the following types of procurements:

a. Competitive Bid Procurements
b. Competitive Negotiation Procurements which do not exceed $500,000
c. Non-Competitive Procurements which do not exceed $100,000

Currently, when only one bid/proposal is received as a result of a solicitation, the procurement is converted into a negotiated procurement, and Board of Commissioners' approval is obtained to award the contract to the single bidder/proposer. However, if adequate competition can be determined, Procurement is requesting the authority to treat the single proposal as a negotiated procurement, with the President & CEO having authority to approve up to $1,000,000.

In addition to the requested changes regarding award authority cost thresholds and single bids, Chapter 50 also contains typographical and title errors that should be corrected. These involve missing capitalization of proper names, references to positions in the agency that no longer exist, and erroneous language.

Committee Action Requested:

Management requests that the Audit, Finance and Administration Committee approve and forward to the Board of Commissioners a request to incorporate revisions to the *Collected Board Policies of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District, Chapter 50* as shown in the attached proposal.

Attachments:

- Chapter 50 – Purchasing
- Red-lined Version, Chapter 50, with Proposed Revisions
- Clean Copy, Chapter 50, with Proposed Revisions

COLLECTED BOARD POLICIES

OF THE

BI-STATE DEVELOPMENT AGENCY

OF THE

MISSOURI-ILLINOIS METROPOLITAN DISTRICT

Chapter 50. Purchasing

Section Page

Section 50.010 Procurement and Contract Administration (effective 02/26/99; revised 08/14/09)

A. Definitions (revised 08/14/09)

1. “Competitive Bid Procurement” means a procurement method by which bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price.

2. “Competitive Negotiation Procurement” means a procurement method by which proposals are solicited from a number of qualified sources and the award is made to the responsible bidder or offeror whose proposal is most advantageous to the Agency with price and other factors considered.

3. “DBE Plan” means the Agency’s plan for Disadvantaged Business Enterprises (as defined by federal law).

4. “Chief Procurement Officer” means the Vice President of Procurement, Inventory management, and Supplier Diversity.

5. “President & CEO” means the President & CEO of the Agency or an authorized designee.

6. "Fair Market Value" means the value of an item as determined by the amount offered by the highest bidder.

7. "Independent Cost Estimate" means a process whereby the estimated cost of a good or service to be procured is established by Agency staff or Agency representatives prior to the procurement; and the resulting estimate is used to assess the fair and reasonableness of an offered price.

8. “Non-Competitive Procurement” means a method by which goods and/or services are procured from a single offeror.

9. “Procurement Department” means the Agency’s Contracts and Procurement Department.

10. "Responsible" means a bidder or proposer who has all financial and technical capabilities to deliver materials or perform the work, i.e., adequate finances, capable of complying with required delivery, and has a satisfactory past performance.

11. "Responsive" means an offer which conforms in all material aspects to the requirements of the solicitation at the scheduled time of submission and does not require further discussions with the offeror.

B. General Policy (revised 08/14/09)

1. It is the policy of the Agency to procure all needed goods and services (exclusive of real property) at the lowest total end-use cost, maintaining acceptable quality standards, and in accordance with the Agency's DBE Plan. All procurement methods and processes shall be conducted in a manner that ensures fair and open competition among all qualified interested parties.

2. Contract administration methods shall be maintained to assure that goods and services received by the Agency meet the terms and conditions of the contract.

3. Procurement practices shall comply with laws, regulations and guidelines of the federal government, state governments and other political subdivisions or agencies and the provisions of grant or funding agreements, if applicable.

4. The Procurement Department shall direct the procurement and contract administration of all goods and services on behalf of the Agency except as

otherwise provided by Board Policy or as approved by the President & CEO.

C. Procurement Methods Generally, Agency procurement methods are dictated by provisions of federal law or grant or funding agreements entered into in connection with funding of particular procurements, projects or activities of the Agency. The Procurement Department shall conduct procurements in accordance with procedures required by applicable law, if any, and the provisions of applicable grant or funding agreements, if any. Where no procurement procedure is required by provisions of applicable law or grant or funding agreements, the Procurement Department shall establish procedures for such procurement, which are designed to meet the policies of the Agency as set forth in this Article.

D. Award Criteria

1. The following factors shall be considered in awarding procurement contracts:

   a. conformance to solicitation requirements;
   b. bidder's or offeror's previous record of performance and quality;
   c. technical and financial capability of bidder or offeror to render satisfactory service; and
   d. value, price or cost as determined by the Agency's independent cost estimate and price or cost analysis.

2. Prior to award, bids and proposals must be determined to be responsive and responsible to all Agency requirements. Cost or price must be determined to be fair and reasonable and there must be an independent cost estimate and analysis to support such a determination. The Agency reserves the right to reject any and all bids, waive minor informalities and contract in the best interest of the Agency.

3. Competitive Bid Procurement awards must be made to the lowest responsive, responsible bidder.

E. Award Authority

1. The Board of Commissioners shall approve the following procurements:

   a. Competitive Negotiation Procurements which exceed $500,000
   b. Non-Competitive Procurements which exceed $100,000
   c. Procurements for a contract term, including options, which exceeds five (5) years
   d. Procurements which exceed the amounts budgeted or otherwise approved by the Board of Commissioners for such project, function or service

2. The President & CEO shall approve the following procurements, without further authorization by the Board of Commissioners, provided that (i) the term of such contract, including options does not exceed five (5) years, and (ii) the amount of such contract (which shall be calculated including all options) is within the amounts budgeted or otherwise approved by the Board of Commissioners for such project, function or service:

   a. Competitive Bid Procurements
   b. Competitive Negotiation Procurements which do not exceed $500,000
   c. Non-Competitive Procurements which do not exceed $100,000

F. Contract Options

3. The President & CEO may exercise contract options if they have been evaluated and determined to be in the best interest of the Agency. The following factors shall be considered in making such evaluation and determination:

   a. the continued need for the goods or services;
   b. the performance of the contractor;
   c. the fair and reasonableness of cost; and
   d. the availability of sufficient funds to cover the option cost.

The option price may not exceed the option price set forth under the initial contract and cannot exceed the amount budgeted by or otherwise approved by the Board of Commissioners for such project, function or service.

G. Contract Modifications

1. The President & CEO may enter into modification(s) to contracts awarded pursuant to this Article if the cost of the modification is within (a) the amount budgeted or otherwise approved, for that contract, by the Board of Commissioners; or (b) is within the originally established contract contingency approved by the Board of Commissioners. Contract modifications which do not satisfy such parameters must be approved by the Board of Commissioners.

2. The President & CEO is authorized to extend contract performance periods up to 180 days in the aggregate beyond the original contract performance period; provided that no single extension shall exceed 90 days. Contract extensions in excess of 180 days must be approved by the Board of Commissioners.

H. Fuel and Energy Source Procurements (revised 8/14/09) In order to take advantage of fluctuations in the volatile commodities' markets and procure fuel and energy sources in the most timely, cost-effective manner, the Chief Procurement Officer is authorized to procure fuel and energy sources (e.g. diesel fuel, natural gas, electricity and gasoline, etc.) through a competitive process approved by the President & CEO without approval by the Board of Commissioners of specific purchases.

I. Unsolicited Proposals

1. It is the policy of the Agency to encourage the submission of new and innovative ideas. Where such submissions are not in response to Agency solicitations, they shall be considered unsolicited proposals and

2. Unsolicited proposals may be accepted if:

   a. they have been thoroughly evaluated and determined to be in the best interest of the Agency;
   b. their cost has been determined to be realistic;
   c. there are sufficient funds to cover the cost; and
   d. the award of such procurement complies with the Agency's procurement policy and practices set forth in this Article.

J. Sale and Disposition of Assets and Property (revised 09/03/99 and 8/14/09)

1. It is the policy of the Agency to sell and dispose of assets and property no longer needed for Agency purposes. Such sale and disposition shall be for fair market value or appraised value, unless otherwise approved by the Board.

2. The President & CEO is authorized to approve contracts disposing of assets (excluding real property) having a fair market or appraised value up to $100,000. The Board of Commissioners shall approve all sales and dispositions in excess of $100,000 fair market or appraised value.

3. The Chief Procurement Officer shall be responsible for establishing procedures regarding the sale and disposal of excess equipment, materials and supplies.

K. Code of Ethics and Conflict of Interest.

1. Any Agency officer, commissioner, employee, or agent involved in procurement matters shall adhere to the Agency's Code of Ethics and Conflict of Interest policies.

2. No Agency Commissioner, employee or agent shall at any time prior to award of a procurement contract reveal technical and price information, other than information resulting from a public opening or a public meeting of the Board of Commissioners or its Committees.

L. Conflicts in Policy. In the event of any conflict between this policy and the provisions of applicable grant or funding agreements, the President & CEO shall resolve such conflicts in such a manner that is in the best interest of the Agency. If such resolution would violate the provisions of this Article or other Board Policy, Board of Commissioner approval is required.

M. Waiver of Policy.

1. The President & CEO may waive this procurement policy, but only in an emergency. An emergency is any situation that requires immediate correction to avoid jeopardizing the health or safety of either the general public or Agency personnel, that jeopardizes public or private property, or which risks the interruption of service. The President & CEO shall immediately notify the Board Chair of any waiver of the provisions of this policy, which require approval by the Board of Commissioners.

2. Any employee who deviates from this policy without the prior, written approval of the President & CEO or Board of Commissioners is subject to appropriate disciplinary action, including release from employment.

N. Management Procedures. (revised 8/14/09)

1. All actions taken by the President & CEO and the Chief Procurement Officer shall be consistent with this policy.

2. The Chief Procurement Officer shall establish procedures to ensure compliance with all aspects of this policy.

3. The Chief Procurement Officer shall provide quarterly reports to the Board of Commissioners relating to procurement activities, which exceed $100,000, including contract modifications and award of options.

O. Procurement Records (revised 8/14/09) The Chief Procurement Officer shall maintain records relating to procurements conducted by the Procurement Department, which shall include:

1. the rationale for the method of procurement,
2. the basis of and authority for the award,
3. the basis for the contract price, and

4. any other documentation required by law, regulation, or funding or grant agreement, if applicable.

Section 50.020 Protests

A. Policy (revised 8/14/09) It is the policy of the Agency to conduct all procurement and contracting actions in a fair and impartial manner. Consistent with this policy, the Agency has established a process to address protests in a timely manner. The procurement protest process, as detailed in the management procedures, provides for the presentation of facts by the protester, an initial decision by the Agency, an opportunity to appeal the decision and then a final decision by the Agency. The Agency shall publish its Protest Procedures in every solicitation package. The Chief Procurement Officer has the authority to issue the initial decision on all protests. The President & CEO has the authority to issue the final decision on all protests.

The President & CEO may request the Chairperson of the Board of Commissioners to review the appeal and issue the final decision when, in the President & CEO's opinion, it is in the best interest of the Agency. The Board of Commissioners may establish policies regarding circumstances under which the Board, a Committee thereof, or other persons designated by the Board will make the final decision for the Agency.

Section 50.030 Disadvantaged Business Enterprises

A. DBE Program. The disadvantaged business program has been developed to meet the requirements established by the United States Department of Transportation, the Federal Transit Administration, as identified in 49 CFR Part 23 and 26, and policies and the procedures of the Bi-State Development Agency.

B. DBE Plan. The Bi-State Development Agency recognizes its responsibilities to the communities it serves. It is the policy of the Agency to involve, to the greatest extent possible, socially and economically disadvantaged individuals in all phases of procurement activities. In order to honor this commitment, the Board reviews and approves a management-prepared, comprehensive DBE Plan every five years. Each year specific goals for participation are established, and accomplishments are assessed in an annual summary, which is reviewed by the Board.

C. Goals. In order to achieve its goals, the Agency encourages participation in its procurement activities, which includes consultant contracts, construction contracts and purchase of goods and services related to all projects of the Agency. Specific methods used include:

1. special efforts designed to aid disadvantaged firms in overcoming obstacles to their participation, and
2. encouragement of sub-contractual arrangements, joint ventures between disadvantaged firms and non-disadvantaged firms, and
3. other methods outlined in the full DBE Plan.

Section 50.040 Concessions

A. Policy. It is the policy of the Agency to enter into revenue contracts with suppliers in order to provide customer amenities at strategic Agency locations, and to generate additional revenue for the ongoing operation of the Agency.

B. Award of Concessions. The award of all concession contracts will follow standard Agency procurement methods and be consistent with all local, state and federal regulations. The level of authority will follow those outlined in the Board Policy on Purchasing.

C. Regulation of Concessions. Concession examples are: pay telephones, newspaper honor boxes, vending machines, confectioneries, automatic teller machines (ATMs), overnight mail drop boxes, food carts and restaurants, video dispensers or rentals, photo processing, dry cleaners, shoe repair, souvenirs, bike lockers, key service, automotive services, bookstores, florists, etc.

Concession treatments/structures and/or location must be approved by the Agency in advance of their construction, installation, or operation. Treatments and structures will be designed to complement the architecture of the Agency's facilities and the flavor of the surrounding environment or community. Concession treatments/structures may not impede vehicular or pedestrian traffic, nor restrict the visibility of directional signs and information material, nor encroach on necessary sight lines.

Concessions must comply with local municipal ordinances and planning and zoning requirements.

Contracts may, at the Agency's discretion, contain terms to assure the concessionaire of adequate protection against loss of investment in structures, fixtures, improvements, equipment, supplies, and other tangible property provided by the Concessionaire for the purposes of the contracts. The Agency does not provide assurances against loss of anticipated profits resulting from the discretionary acts, policies, or decisions of the Agency occurring after the Concession Agreement's effective date, which may affect the Concessionaire's operations.

If the Concession contract involves the placement of structures or other property of the Concessionaire on Agency property, the Concessionaire maintains a possessory interest in all such structures, fixtures or improvements which are acquired or constructed pursuant to said Agreement, consisting of all incidents of ownership except legal title, which vests with the Agency.

Contracts or operations authorized thereby or controlling interests therein may not be transferred, sold, or assigned, or assets thereof encumbered in any manner, except with the written approval of the Agency.

D. Revenues. Contracts must include the method of remittance of revenues to the Agency.

Revenue from the concession contracts is retained by the Agency and used to offset the need for public subsidy. Revenues pledged to a particular operation are accounted for in accordance with the regulatory requirements.

In lieu of revenue, the Agency may accept an equivalent value of goods and/or services, including but not limited to capital improvements, information services, and site maintenance.

E. Donations. Donation of a material item, product, or service is to be acquired under the same guidelines as those applicable to a concession contract for which competition exists if the donation provides an identifiable, material return or remuneration to the donor once accepted by the Agency.

Section 50.050 Jefferson National Expansion Memorial Projects (added effective 05/23/14)

A. Proposed Request from the National Park Service. Proposals received by the Agency from the National Park Service for projects or improvements for the Jefferson national Expansion Memorial ("Memorial Projects") are required by the Services Agreement between the National Park Service and the Agency to describe the scope of work for each improvement or project; provide the estimated specified amount or amounts needed to fund each improvement or project; and describe how each improvement or project will benefit the Jefferson national Expansion Memorial.

B. Approval Authority.

1. The Board of Commissioners shall approve any Memorial Project with an estimated cost which exceeds $500,000.

2. The President and CEO shall approve any Memorial Project with an estimated cost which is equal to or less than $500,000.

C. Award Authority.

1. The Board of Commissioners shall approve: (a) the award of any competitive negotiated procurement for a Memorial Project with an estimated cost which exceeds $500,000; and (b) any non-competitive procurement for a Memorial Project with an estimated cost which exceeds $500,000.

2. The President and CEO shall approve: (a) the award of any competitive bid procurement for a Memorial Project; (b) any competitive negotiated procurement for a Memorial Project with an estimated cost equal to or less than $500,000; and (c) any non-competitive procurement for a Memorial Project with an estimated cost equal to or less than $500,000.

D. Funding Authority. The Senior Vice President and Chief Financial Officer shall create a special project account for each such Memorial project into which the Senior Vice

President and Chief Financial Officer shall transfer the funds requested for each improvement or project from the JNEM Beneficial Fund to be held until expended or until such time as the improvement or project is cancelled or completed, at which time any remaining funds will be re-deposited to the JNEM Beneficial Fund.

COLLECTED BOARD POLICIES

OF THE

BI-STATE DEVELOPMENT AGENCY

OF THE

MISSOURI-ILLINOIS METROPOLITAN DISTRICT

Chapter 50. Purchasing

Section | Page

Section 50.010 Procurement and Contract Administration ~~– (effective 02/26/99; revised 08/14/09)~~

A. Definitions ~~(revised 08/14/09)~~

1. "Competitive Bid Procurement" means a procurement method by which bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price.

2. "Competitive Negotiation Procurement" means a procurement method by which proposals are solicited from a number of qualified sources and the award is made to the responsible bidder or offeror whose proposal is most advantageous to the Agency with price and other factors considered.

3. "DBE Plan" means the Agency's plan for Disadvantaged Business Enterprises (as defined by federal law).

4. "Chief Procurement Officer" means the Vice President of Procurement, Inventory M~~m~~anagement, and Supplier Diversity.

5. “President & CEO” means the President & CEO of the Agency or an authorized designee.

6. "Fair Market Value" means the value of an item as determined by the amount offered by the highest bidder.

7. "Independent Cost Estimate" means a process whereby the estimated cost of a good or service to be procured ~~-~~is established by Agency staff or Agency representatives prior to the procurement; and the resulting estimate is used to assess the fair and reasonableness of an offered price.

8. “Non-Competitive Procurement” means a method by which goods and/or services are procured from a single offeror.

9. “Procurement Department” means the Agency’s ~~Contracts and~~ Procurement Department.

10. "Responsible" means a bidder or proposer who has all financial and technical capabilities to deliver materials or perform the work, i.e., adequate finances, capable of complying with required delivery, and ~~has a~~ satisfactory past performance.

11. "Responsive" means an offer which conforms in all material ~~a~~respects to the requirements of the solicitation at the scheduled time of submission and does not require further discussions with the offeror.

B. General Policy ~~(revised 08/14/09)~~

1. It is the policy of the Agency to procure all needed goods and services (exclusive of real property) at the lowest total end-use cost, maintaining acceptable quality standards, and in accordance with the Agency's DBE Plan. All procurement methods and processes shall be conducted in a manner that ensures fair and open competition among all qualified interested parties.

2. Contract administration methods shall be maintained to assure that goods and services received by the Agency meet the terms and conditions of the contract.

3. Procurement practices shall comply with laws, regulations and guidelines of the federal government, state governments and other political subdivisions or agencies and the provisions of grant or funding agreements, if applicable.

4. The Procurement Department shall direct the procurement and contract administration of all goods and services on behalf of the Agency except as

otherwise provided by Board Policy or as approved by the President & CEO.

C. Procurement Methods. Generally, Agency procurement methods are dictated by provisions of federal law or grant or funding agreements entered into in connection with funding of particular procurements, projects or activities of the Agency. The Procurement Department shall conduct procurements in accordance with procedures required by applicable law, if any, and the provisions of applicable grant or funding agreements, if any. Where no procurement procedure is required by provisions of applicable law or grant or funding agreements, the Procurement Department shall establish procedures for such procurement, which are designed to meet the policies of the Agency as set forth in this Article.

D. Award Criteria

1. The following factors shall be considered in awarding procurement contracts:

a. conformance to solicitation requirements;
b. bidder's or offeror's previous record of performance and quality;
c. technical and financial capability of bidder or offeror to render satisfactory service; and
d. value, price or cost as determined by the Agency's independent cost estimate and price or cost analysis.

2. Prior to award, bids and proposals must be determined to be responsive and responsible to all Agency requirements. Cost or price must be determined to be fair and reasonable and there must be an independent cost estimate and analysis to support such a determination. The Agency reserves the right to reject any and all bids, waive minor informalities and contract in the best interest of the Agency.

3. Competitive Bid Procurement awards must be made to the lowest responsive, responsible bidder.

E. Award Authority

1. The Board of Commissioners shall approve the following procurements:

a. Competitive Negotiation Procurements which exceed $~~500,000~~1,000,000
b. Non-Competitive Procurements which exceed $~~100,000~~200,000
c. Procurements for a contract term, including options, which exceed~~s~~ five (5) years

d. Procurements which exceed the amounts budgeted or otherwise approved by the Board of Commissioners for such project, function or service

2. The President & CEO shall approve the following procurements, without further authorization by the Board of Commissioners, provided that (i) the term of such contract, including options does not exceed five (5) years, and (ii) the amount of such contract (which shall be calculated including all options) is within the amounts budgeted or otherwise approved by the Board of Commissioners for such project, function or service:

a. Competitive Bid Procurements
b. Competitive Negotiation Procurements which do not exceed $~~500,000~~1,000,000
c. Non-Competitive Procurements which do not exceed $~~100,000~~200,000
d. Single Bids where a review is conducted to verify that specifications were not unduly restrictive and to survey potential sources to determine why they chose not to submit a bid. In this instance, competition may be determined to be adequate, and the procurement will qualify as a valid Negotiated Procurement, with Negotiated Procurement Procedures to apply.

F. Contract Options

3. The President & CEO may exercise contract options if they have been evaluated and determined to be in the best interest of the Agency. The following factors shall be considered in making such evaluation and determination:

a. the continued need for the goods or services;
b. the performance of the contractor;
c. the fairness and reasonableness of cost; and
d. the availability of sufficient funds to cover the option cost.

The option price may not exceed the option price set forth under the initial contract and cannot exceed the amount budgeted by or otherwise approved by the Board of Commissioners for such project, function or service.

G. Contract Modifications

1. The President & CEO may enter into modification(s) to contracts awarded pursuant to this Article if the cost of the modification is within (a) the amount budgeted or otherwise approved, for that contract, by the Board of Commissioners; or (b) is within the originally established contract

contingency approved by the Board of Commissioners. Contract modifications which do not satisfy such parameters must be approved by the Board of Commissioners.

2. The President & CEO is authorized to extend contract performance periods up to 180 days in the aggregate beyond the original contract performance period~~;~~, provided that no single extension shall exceed 90 days. Contract extensions in excess of 180 days must be approved by the Board of Commissioners.

H. Fuel and Energy Source Procurements. ~~(revised 8/14/09)~~ In order to take advantage of fluctuations in the volatile commodities~~'~~ markets and procure fuel and energy sources in the most timely, cost-effective manner, the Chief Procurement Officer is authorized to procure fuel and energy sources (e.g. diesel fuel, natural gas, electricity and gasoline, etc.) through a competitive process approved by the President & CEO without approval by the Board of Commissioners of specific purchases.

I. Unsolicited Proposals

1. It is the policy of the Agency to encourage the submission of new and innovative ideas. Where such submissions are not in response to Agency solicitations, they shall be considered unsolicited proposals and

2. Unsolicited proposals may be accepted if:

   a. they have been thoroughly evaluated and determined to be in the best interest of the Agency;
   b. their cost has been determined to be realistic;
   c. there are sufficient funds to cover the cost; and
   d. the award of such procurement complies with the Agency's procurement policy and practices set forth in this Article.

J. Sale and Disposition of Assets and Property ~~(revised 09/03/99 and 8/14/09)~~

1. It is the policy of the Agency to sell and dispose of assets and property no longer needed for Agency purposes. Such sale and disposition shall be for fair market value or appraised value, unless otherwise approved by the Board.

2. The President & CEO is authorized to approve contracts disposing of assets (excluding real property) having a fair market or appraised value up to $~~100,000~~200,000. The Board of Commissioners shall approve all sales and dispositions in excess of $~~100,000~~200,000 fair market or appraised value.

3. The Chief Procurement Officer shall be responsible for establishing procedures regarding the sale and disposal of excess equipment, materials and supplies.

K. Code of Ethics and Conflict of Interest~~.~~

1. Any Agency officer, commissioner, employee, or agent involved in procurement matters shall adhere to the Agency's Code of Ethics and Conflict of Interest policies.

2. No Agency Commissioner, employee or agent shall at any time prior to award of a procurement contract reveal technical and price information, other than information resulting from a public opening or a public meeting of the Board of Commissioners or its Committees.

L. Conflicts in Policy. In the event of any conflict between this policy and the provisions of applicable grant or funding agreements, the President & CEO shall resolve such conflicts in such a manner that is in the best interest of the Agency. If such resolution would violate the provisions of this Article or other Board Policy, Board of Commissioner approval is required.

M. Waiver of Policy~~.~~

1. The President & CEO may waive this procurement policy, but only in an emergency. An emergency is any situation that requires immediate correction to avoid jeopardizing the health or safety of either the general public or Agency personnel, that jeopardizes public or private property, or which risks the interruption of service. The President & CEO shall immediately notify the Board Chair of any waiver of the provisions of this policy, which require approval by the Board of Commissioners.

2. Any employee who deviates from this policy without the prior, written approval of the President & CEO or Board of Commissioners is subject to appropriate disciplinary action, including release from employment.

N. Management Procedures~~. (revised 8/14/09)~~

1. All actions taken by the President & CEO and the Chief Procurement Officer shall be consistent with this policy.

2. The Chief Procurement Officer shall establish procedures to ensure compliance with all aspects of this policy.

3. The Chief Procurement Officer shall provide quarterly reports to the Board of Commissioners relating to procurement activities, which exceed $100,000, including contract modifications and award of options.

O. Procurement Records ~~(revised 8/14/09.)~~ The Chief Procurement Officer shall maintain records relating to procurements conducted by the Procurement Department, which shall include:

1. the rationale for the method of procurement,
2. the basis of and authority for the award,
3. the basis for the contract price, and
4. any other documentation required by law, regulation, or funding or grant agreement, if applicable.

Section 50.020 Protests

A. Policy ~~(revised 8/14/09).~~ It is the policy of the Agency to conduct all procurement and contracting actions in a fair and impartial manner. Consistent with this policy, the Agency has established a process to address protests in a timely manner. The procurement protest process, as detailed in the management procedures, provides for the presentation of facts by the protester, an initial decision by the Agency, an opportunity to appeal the decision and then a final decision by the Agency. The Agency shall publish its Protest Procedures in every solicitation package. The Chief Procurement Officer has the authority to issue the initial decision on all protests. The President & CEO has the authority to issue the final decision on all protests.

The President & CEO may request the Chairperson of the Board of Commissioners to review the appeal and issue the final decision when, in the President & CEO's opinion, it is in the best interest of the Agency. The Board of Commissioners may establish policies regarding circumstances under which the Board, a Committee thereof, or other persons designated by the Board will make the final decision for the Agency.

Section 50.030 Disadvantaged Business Enterprises

A. DBE Program. The disadvantaged business program has been developed to meet the requirements established by the United States Department of Transportation, the Federal Transit Administration, as identified in 49 CFR Part 23 and 26, and policies and the procedures of the Bi-State Development Agency.

B. DBE Plan. The Bi-State Development Agency recognizes its responsibilities to the communities it serves. It is the policy of the Agency to involve, to the greatest extent possible, socially and economically disadvantaged individuals in all phases of procurement activities. In order to honor this commitment, the Board reviews and approves a management-prepared, comprehensive DBE Plan every five years. Each year specific goals for participation are established, and accomplishments are assessed in an annual summary, which is reviewed by the Board.

C. Goals. In order to achieve its goals, the Agency encourages participation in its procurement activities, which includes consultant contracts, construction contracts and purchase of goods and services related to all projects of the Agency. Specific methods used include:

1. special efforts designed to aid disadvantaged firms in overcoming obstacles to their participation, and
2. encouragement of sub-contractual arrangements, joint ventures between disadvantaged firms and non-disadvantaged firms, and
3. other methods outlined in the full DBE Plan.

Section 50.040 Concessions

A. Policy. It is the policy of the Agency to enter into revenue contracts with suppliers in order to provide customer amenities at strategic Agency locations, and to generate additional revenue for the ongoing operation of the Agency.

B. Award of Concessions. The award of all concession contracts will follow standard Agency procurement methods and be consistent with all local, state and federal regulations. The level of authority will follow those outlined in the Board Policy on Purchasing.

C. Regulation of Concessions. Concession examples are: ~~pay telephones, newspaper honor boxes,~~ vending machines, confectioneries, automatic teller machines (ATMs), overnight mail drop boxes, food carts and restaurants, video dispensers or rentals, ~~photo processing,~~ dry cleaners, shoe repair, souvenirs, bike lockers, key service, automotive services, bookstores, florists, etc.

Concession treatments/structures and~~/or~~ location must be approved by the Agency in advance of their construction, installation, or operation. Treatments and structures will be designed to complement the architecture of the Agency's facilities and the flavor of the surrounding environment or community. Concession treatments/structures may not impede vehicular or pedestrian traffic, nor restrict the visibility of directional signs and information material, nor encroach on necessary sight lines.

Concessions must comply with local municipal ordinances and planning and zoning requirements.

Contracts may, at the Agency's discretion, contain terms to assure the concessionaire of adequate protection against loss of investment in structures, fixtures, improvements, equipment, supplies, and other tangible property provided by the c~~C~~oncessionaire for the purposes of the contracts. The Agency does not provide assurances against loss of anticipated profits resulting from the discretionary acts, policies, or decisions of the Agency occurring after the Concession Agreement's effective date, which may affect the c~~C~~oncessionaire's operations.

If the Concession contract involves the placement of structures or other property of the c~~C~~oncessionaire on Agency property, the c~~C~~oncessionaire maintains a possessory interest in all such structures, fixtures or improvements which are acquired or constructed pursuant to said Agreement, consisting of all incidents of ownership except legal title, which vests with the Agency.

Contracts or operations authorized thereby or controlling interests therein may not be transferred, sold, or assigned, or assets thereof encumbered in any manner, except with the written approval of the Agency.

D. Revenues. Contracts must include the method of remittance of revenues to the Agency.

Revenue from the concession contracts is retained by the Agency and used to offset the need for public subsidy. Revenues pledged to a particular operation are accounted for in accordance with the regulatory requirements.

In lieu of revenue, the Agency may accept an equivalent value of goods and/or services, including but not limited to capital improvements, information services, and site maintenance.

E. Donations. Donation of a material item, product, or service is to be acquired under the same guidelines as those applicable to a concession contract for which competition exists if the donation provides an identifiable, material return or remuneration to the donor once accepted by the Agency.

Section 50.050 Jefferson National Expansion Memorial Projects~~ (added effective 05/23/14)~~

A. Proposed Request from the National Park Service. Proposals received by the Agency from the National Park Service for projects or improvements for the Jefferson ~~n~~National Expansion Memorial ("Memorial Projects") are required by the Services Agreement between the National Park Service and the Agency to describe the scope of work for each improvement or project; provide the estimated specified amount or amounts needed to fund each improvement or project; and describe how each improvement or project will benefit the Jefferson ~~n~~National Expansion Memorial.

B. Approval Authority.

1. The Board of Commissioners shall approve any Memorial Project with an estimated cost which exceeds $~~500,000~~1,000,000.

2. The President and CEO shall approve any Memorial Project with an estimated cost which is equal to or less than $~~500,000~~1,000,000.

C. Award Authority.

1. The Board of Commissioners shall approve: (a) the award of any competitive negotiated procurement for a Memorial Project with an estimated cost which exceeds $~~500,000~~1,000,000; and (b) any non-competitive procurement for a Memorial Project with an estimated cost which exceeds $~~500,000~~1,000,000.

2. The President and CEO shall approve: (a) the award of any competitive bid procurement for a Memorial Project; (b) any competitive negotiated procurement for a Memorial Project with an estimated cost equal to or less than $~~500,000~~1,000,000; and (c) any non-competitive procurement for a Memorial Project with an estimated cost equal to or less than $~~500,000~~1,000,000.

D. Funding Authority. The ~~Senior~~Executive Vice President and Chief Financial Officer shall create a special project account for each such Memorial project into which the

Executive~~Senior~~ Vice President and Chief Financial Officer shall transfer the funds requested for each improvement or project from the JNEM Beneficial Fund to be held until expended or until such time as the improvement or project is cancelled or completed, at which time any remaining funds will be re-deposited to the JNEM Beneficial Fund.

COLLECTED BOARD POLICIES

OF THE

BI-STATE DEVELOPMENT AGENCY

OF THE

MISSOURI-ILLINOIS METROPOLITAN DISTRICT

Chapter 50. Purchasing

Section 50.010 Procurement and Contract Administration

A. Definitions

1. "Competitive Bid Procurement" means a procurement method by which bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price.

2. "Competitive Negotiation Procurement" means a procurement method by which proposals are solicited from a number of qualified sources and the award is made to the responsible bidder or offeror whose proposal is most advantageous to the Agency with price and other factors considered.

3. "DBE Plan" means the Agency's plan for Disadvantaged Business Enterprises (as defined by federal law).

4. "Chief Procurement Officer" means the Vice President of Procurement, Inventory Management, and Supplier Diversity.

5. “President & CEO” means the President & CEO of the Agency or an authorized designee.

6. "Fair Market Value" means the value of an item as determined by the amount offered by the highest bidder.

7. "Independent Cost Estimate" means a process whereby the estimated cost of a good or service to be procured is established by Agency staff or Agency representatives prior to the procurement; and the resulting estimate is used to assess the fair and reasonableness of an offered price.

8. “Non-Competitive Procurement” means a method by which goods and/or services are procured from a single offeror.

9. “Procurement Department” means the Agency’s Procurement Department.

10. "Responsible" means a bidder or proposer who has all financial and technical capabilities to deliver materials or perform the work, i.e., adequate finances, capable of complying with required delivery, and satisfactory past performance.

11. "Responsive" means an offer which conforms in all material respects to the requirements of the solicitation at the scheduled time of submission and does not require further discussions with the offeror.

B. General Policy

1. It is the policy of the Agency to procure all needed goods and services (exclusive of real property) at the lowest total end-use cost, maintaining acceptable quality standards, and in accordance with the Agency's DBE Plan. All procurement methods and processes shall be conducted in a manner that ensures fair and open competition among all qualified interested parties.

2. Contract administration methods shall be maintained to assure that goods and services received by the Agency meet the terms and conditions of the contract.

3. Procurement practices shall comply with laws, regulations and guidelines of the federal government, state governments and other political subdivisions or agencies and the provisions of grant or funding agreements, if applicable.

4. The Procurement Department shall direct the procurement and contract administration of all goods and services on behalf of the Agency except as

otherwise provided by Board Policy or as approved by the President & CEO.

C. Procurement Methods. Generally, Agency procurement methods are dictated by provisions of federal law or grant or funding agreements entered into in connection with funding of particular procurements, projects or activities of the Agency. The Procurement Department shall conduct procurements in accordance with procedures required by applicable law, if any, and the provisions of applicable grant or funding agreements, if any. Where no procurement procedure is required by provisions of applicable law or grant or funding agreements, the Procurement Department shall establish procedures for such procurement, which are designed to meet the policies of the Agency as set forth in this Article.

D. Award Criteria

1. The following factors shall be considered in awarding procurement contracts:

   a. conformance to solicitation requirements;
   b. bidder's or offeror's previous record of performance and quality;
   c. technical and financial capability of bidder or offeror to render satisfactory service; and
   d. value, price or cost as determined by the Agency's independent cost estimate and price or cost analysis.

2. Prior to award, bids and proposals must be determined to be responsive and responsible to all Agency requirements. Cost or price must be determined to be fair and reasonable and there must be an independent cost estimate and analysis to support such a determination. The Agency reserves the right to reject any and all bids, waive minor informalities and contract in the best interest of the Agency.

3. Competitive Bid Procurement awards must be made to the lowest responsive, responsible bidder.

E. Award Authority

1. The Board of Commissioners shall approve the following procurements:

   a. Competitive Negotiation Procurements which exceed $1,000,000
   b. Non-Competitive Procurements which exceed $200,000
   c. Procurements for a contract term, including options, which exceed five (5) years
   d. Procurements which exceed the amounts budgeted or otherwise approved by the Board of Commissioners for such project, function or service

2. The President & CEO shall approve the following procurements, without further authorization by the Board of Commissioners, provided that (i) the term of such contract, including options does not exceed five (5) years, and (ii) the amount of such contract (which shall be calculated including all options) is within the amounts budgeted or otherwise approved by the Board of Commissioners for such project, function or service:

   a. Competitive Bid Procurements
   b. Competitive Negotiation Procurements which do not exceed $1,000,000
   c. Non-Competitive Procurements which do not exceed $200,000
   d. Single Bids where a review is conducted to verify that specifications were not unduly restrictive and to survey potential sources to determine why they chose not to submit a bid. In this instance, competition may be determined to be adequate, and the procurement will qualify as a valid Negotiated Procurement, with Negotiated Procurement Procedures to apply.

F. <u>Contract Options</u>

3. The President & CEO may exercise contract options if they have been evaluated and determined to be in the best interest of the Agency. The following factors shall be considered in making such evaluation and determination:

   a. the continued need for the goods or services;
   b. the performance of the contractor;
   c. the fairness and reasonableness of cost; and
   d. the availability of sufficient funds to cover the option cost.

The option price may not exceed the option price set forth under the initial contract and cannot exceed the amount budgeted by or otherwise approved by the Board of Commissioners for such project, function or service.

G. <u>Contract Modifications</u>

1. The President & CEO may enter into modification(s) to contracts awarded pursuant to this Article if the cost of the modification is within (a) the amount budgeted or otherwise approved, for that contract, by the Board of Commissioners; or (b) is within the originally established contract contingency approved by the Board of Commissioners. Contract modifications which do not satisfy such parameters must be approved by the Board of Commissioners.

2. The President & CEO is authorized to extend contract performance periods up to 180 days in the aggregate beyond the original contract performance period, provided that no single extension shall exceed 90 days. Contract extensions in excess of 180 days must be approved by the Board of Commissioners.

H. Fuel and Energy Source Procurements. In order to take advantage of fluctuations in the volatile commodities markets and procure fuel and energy sources in the most timely, cost-effective manner, the Chief Procurement Officer is authorized to procure fuel and energy sources (e.g. diesel fuel, natural gas, electricity and gasoline, etc.) through a competitive process approved by the President & CEO without approval by the Board of Commissioners of specific purchases.

I. Unsolicited Proposals

1. It is the policy of the Agency to encourage the submission of new and innovative ideas. Where such submissions are not in response to Agency solicitations, they shall be considered unsolicited proposals and

2. Unsolicited proposals may be accepted if:

   a. they have been thoroughly evaluated and determined to be in the best interest of the Agency;
   b. their cost has been determined to be realistic;
   c. there are sufficient funds to cover the cost; and
   d. the award of such procurement complies with the Agency's procurement policy and practices set forth in this Article.

J. Sale and Disposition of Assets and Property

1. It is the policy of the Agency to sell and dispose of assets and property no longer needed for Agency purposes. Such sale and disposition shall be for fair market value or appraised value, unless otherwise approved by the Board.

2. The President & CEO is authorized to approve contracts disposing of assets (excluding real property) having a fair market or appraised value up to $200,000. The Board of Commissioners shall approve all sales and dispositions in excess of $200,000 fair market or appraised value.

3. The Chief Procurement Officer shall be responsible for establishing procedures regarding the sale and disposal of excess equipment, materials and supplies.

K. Code of Ethics and Conflict of Interest

1. Any Agency officer, commissioner, employee, or agent involved in procurement matters shall adhere to the Agency's Code of Ethics and Conflict of Interest policies.

2. No Agency Commissioner, employee or agent shall at any time prior to award of a procurement contract reveal technical and price information, other than information resulting from a public opening or a public meeting of the Board of Commissioners or its Committees.

L. Conflicts in Policy. In the event of any conflict between this policy and the provisions of applicable grant or funding agreements, the President & CEO shall resolve such conflicts in such a manner that is in the best interest of the Agency. If such resolution would violate the provisions of this Article or other Board Policy, Board of Commissioner approval is required.

M. Waiver of Policy

1. The President & CEO may waive this procurement policy, but only in an emergency. An emergency is any situation that requires immediate correction to avoid jeopardizing the health or safety of either the general public or Agency personnel, that jeopardizes public or private property, or which risks the interruption of service. The President & CEO shall immediately notify the Board Chair of any waiver of the provisions of this policy, which require approval by the Board of Commissioners.

2. Any employee who deviates from this policy without the prior, written approval of the President & CEO or Board of Commissioners is subject to appropriate disciplinary action, including release from employment.

N. Management Procedures

1. All actions taken by the President & CEO and the Chief Procurement Officer shall be consistent with this policy.

2. The Chief Procurement Officer shall establish procedures to ensure compliance with all aspects of this policy.

3. The Chief Procurement Officer shall provide quarterly reports to the Board of Commissioners relating to procurement activities, which exceed $100,000, including contract modifications and award of options.

O. Procurement Records. The Chief Procurement Officer shall maintain records relating to procurements conducted by the Procurement Department, which shall include:

1. the rationale for the method of procurement,
2. the basis of and authority for the award,
3. the basis for the contract price, and
4. any other documentation required by law, regulation, or funding or grant agreement, if applicable.

Section 50.020 Protests

A. Policy. It is the policy of the Agency to conduct all procurement and contracting actions in a fair and impartial manner. Consistent with this policy, the Agency has established a process to address protests in a timely manner. The procurement protest process, as detailed in the management procedures, provides for the presentation of facts by the protester, an initial decision by the Agency, an opportunity to appeal the decision and then a final decision by the Agency. The Agency shall publish its Protest Procedures in every solicitation package. The Chief Procurement Officer has the authority to issue the initial decision on all protests. The President & CEO has the authority to issue the final decision on all protests.

The President & CEO may request the Chairperson of the Board of Commissioners to review the appeal and issue the final decision when, in the President & CEO's opinion, it is in the best interest of the Agency. The Board of Commissioners may establish policies regarding circumstances under which the Board, a Committee thereof, or other persons designated by the Board will make the final decision for the Agency.

Section 50.030 Disadvantaged Business Enterprises

A. DBE Program. The disadvantaged business program has been developed to meet the requirements established by the United States Department of Transportation, the Federal Transit Administration, as identified in 49 CFR Part 23 and 26, and policies and the procedures of the Bi-State Development Agency.

B. DBE Plan. The Bi-State Development Agency recognizes its responsibilities to the communities it serves. It is the policy of the Agency to involve, to the greatest extent possible, socially and economically disadvantaged individuals in all phases of procurement activities. In order to honor this commitment, the Board reviews and approves a management-prepared, comprehensive DBE Plan every five years. Each year specific goals for participation are established, and accomplishments are assessed in an annual summary, which is reviewed by the Board.

C. Goals. In order to achieve its goals, the Agency encourages participation in its procurement activities, which includes consultant contracts, construction contracts and purchase of goods and services related to all projects of the Agency. Specific methods used include:

1. special efforts designed to aid disadvantaged firms in overcoming obstacles to their participation, and
2. encouragement of sub-contractual arrangements, joint ventures between disadvantaged firms and non-disadvantaged firms, and
3. other methods outlined in the full DBE Plan.

Section 50.040 Concessions

A. Policy. It is the policy of the Agency to enter into revenue contracts with suppliers in order to provide customer amenities at strategic Agency locations, and to generate additional revenue for the ongoing operation of the Agency.

B. Award of Concessions. The award of all concession contracts will follow standard Agency procurement methods and be consistent with all local, state and federal regulations. The level of authority will follow those outlined in the Board Policy on Purchasing.

C. Regulation of Concessions. Concession examples are: vending machines, confectioneries, automatic teller machines (ATMs), overnight mail drop boxes, food carts and restaurants, video dispensers or rentals, dry cleaners, shoe repair, souvenirs, bike lockers, key service, automotive services, bookstores, florists, etc.

Concession treatments/structures and location must be approved by the Agency in advance of their construction, installation, or operation. Treatments and structures will be designed to complement the architecture of the Agency's facilities and the flavor of the surrounding environment or community. Concession treatments/structures may not impede vehicular or pedestrian traffic, nor restrict the visibility of directional signs and information material, nor encroach on necessary sight lines.

Concessions must comply with local municipal ordinances and planning and zoning requirements.

Contracts may, at the Agency's discretion, contain terms to assure the concessionaire of adequate protection against loss of investment in structures, fixtures, improvements, equipment, supplies, and other tangible property provided by the concessionaire for the purposes of the contracts. The Agency does not provide assurances against loss of anticipated profits resulting from the discretionary acts, policies, or decisions of the Agency occurring after the Concession Agreement's effective date, which may affect the concessionaire's operations.

If the Concession contract involves the placement of structures or other property of the concessionaire on Agency property, the concessionaire maintains a possessory interest in all such structures, fixtures or improvements which are acquired or constructed pursuant to said Agreement, consisting of all incidents of ownership except legal title, which vests with the Agency.

Contracts or operations authorized thereby or controlling interests therein may not be transferred, sold, or assigned, or assets thereof encumbered in any manner, except with the written approval of the Agency.

D. Revenues. Contracts must include the method of remittance of revenues to the Agency.

Revenue from the concession contracts is retained by the Agency and used to offset the need for public subsidy. Revenues pledged to a particular operation are accounted for in accordance with the regulatory requirements.

In lieu of revenue, the Agency may accept an equivalent value of goods and/or services, including but not limited to capital improvements, information services, and site maintenance.

E. Donations. Donation of a material item, product, or service is to be acquired under the same guidelines as those applicable to a concession contract for which competition exists if the donation provides an identifiable, material return or remuneration to the donor once accepted by the Agency.

Section 50.050 Jefferson National Expansion Memorial Projects

A. Proposed Request from the National Park Service. Proposals received by the Agency from the National Park Service for projects or improvements for the Jefferson National Expansion Memorial ("Memorial Projects") are required by the Services Agreement between the National Park Service and the Agency to describe the scope of work for each improvement or project; provide the estimated specified amount or amounts needed to fund each improvement or project; and describe how each improvement or project will benefit the Jefferson National Expansion Memorial.

B. Approval Authority.

1. The Board of Commissioners shall approve any Memorial Project with an estimated cost which exceeds $1,000,000.

2. The President and CEO shall approve any Memorial Project with an estimated cost which is equal to or less than $1,000,000.

C. Award Authority.

1. The Board of Commissioners shall approve: (a) the award of any competitive negotiated procurement for a Memorial Project with an estimated cost which exceeds $1,000,000; and (b) any non-competitive procurement for a Memorial Project with an estimated cost which exceeds $1,000,000.

2. The President and CEO shall approve: (a) the award of any competitive bid procurement for a Memorial Project; (b) any competitive negotiated procurement for a Memorial Project with an estimated cost equal to or less than $1,000,000; and (c) any non-competitive procurement for a Memorial Project with an estimated cost equal to or less than $1,000,000.

D. Funding Authority. The Executive Vice President and Chief Financial Officer shall create a special project account for each such Memorial project into which the Executive Vice President and Chief Financial Officer shall transfer the funds requested for each improvement or project from the JNEM Beneficial Fund to be held until expended or until such time as the improvement or project is cancelled or completed, at which time any remaining funds will be re-deposited to the JNEM Beneficial Fund.

Bi-State Development Agency
Audit, Finance & Administration Committee
Open Session Agenda Item
June 10, 2022

From:	Crystal Messner, Chief Audit Executive
Subject:	**Board Policies, Chapter 30 – Audit, Finance, and Budget**
Disposition:	Approval
Presentation:	Crystal Messner, Chief Audit Executive

Objective:
To present to the Audit, Finance and Administration Committee, for review and recommendation to the Board of Commissioners for approval, a request to incorporate revisions to the Collected Board Policies of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District, Chapter 30, Audit, Finance, and Budget.

Background:
Sections of Bi-State's Audit, Finance, and Budget policies, found in Chapter 30 of the Collected Board Policies of the Bi-State Development Agency, have been updated at various times throughout the years. At this time, the following sections are presented with changes for consideration:

a. 30.005 Audit Committee Charter
b. 30.010 Annual Audit
c. 30.020 Internal Audit

For Section 30.005 Audit Committee Charter, the changes noted are primarily to reference best auditing standards, versus the reference to Government Auditing Standards, and to correct titles especially as it relates to the Chief Audit Executive.

For Section 30.010 Annual Audit includes a reference to hedging and correct reference to other titles.

For Section 30.020 Internal Audit, the changes noted are to correct the reference to internal audit and other titles especially as it relates to the Chief Audit Executive.

Committee Action Requested:
It is requested that the Audit, Finance and Administration Committee approve and forward to the Board of Commissioners a request to incorporate revisions to the ***Collected Board Policies of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District, Chapter 30*** as shown in the Attachments.

Attachments
Attachment 1 – Current – Board Policy, Chapter 30 – Audit, Finance and Budget
Attachment 2 – Redlined – Board Policy, Chapter 30 – Audit, Finance and Budget
Attachment 3 – Clean – Board Policy, Chapter 30 – Audit, Finance and Budget

COLLECTED BOARD POLICIES

OF THE

BI-STATE DEVELOPMENT AGENCY

OF THE

MISSOURI-ILLINOIS METROPOLITAN DISTRICT

Chapter 30 Audit, Finance and Budget

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Section 30.005 Audit Committee Charter (added 03/25/11, rev. 09/23/11)

A. GENERAL (revised 09/23/11). The purpose of the Audit Charter is to assist the Board of Commissioners, through its Audit Committee, in fulfilling its fiduciary oversightresponsibilities as follows:

(1) Audit Committee management and Reporting Responsibilities
(2) External Audit of the Financial Statements
(3) Internal Audit Process
(4) System of Risk Management
(5) Processes for Monitoring Compliance with Laws and Regulations and the Ethics Policy, Code of Conduct and Fraud Policy
(6) Special Investigations and Whistleblower Mechanism

Source: Information to develop this Charter is from *The AICPA Audit Committee TOOLKIT: Government Organizations*

B. AUTHORITY. The Audit Committee ("committee") has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to perform the following functions, which are numbered according to the purposes listed above.

1. Audit Committee Management and Reporting Responsibilities

- Each member of the Committee should be appointed by the Chairman of The Bi-State Development Agency ("Bi-State") Board of Commissioners.
- At least one member of the Committee should have financial experience.
- The Committee should review this Charter annually, reassess the adequacy of the Charter, and recommend any proposed changes to the Board of Commissioners. It should consider changes that are necessary as a result of new laws, regulations, or accounting and auditing standards, including *Government Auditing Standards* (Yellow Book) issued by the Comptroller General of the United States.
- The Committee should meet at least four times per year, and at additional times when necessary. These meetings may be combined with regularlyscheduled meetings, or may be held more frequently as circumstances may require. The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
- Conduct executive sessions with the independent auditors, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Director of Internal Audit, General Counsel, outside counsel, Director of Accounting and Budget, and anyone else as desired by the Committee.
- The Committee shall be authorized to hire professional consultants as necessary.
- Review and concur on the appointment, replacement, reassignment, or dismissal of the Director of Internal Audit.
- Oversee the appointment of the independent auditors to be engaged for external reporting, and establish the related audit fees.
- If the audit organization provides any non-audit services, determine that the audit organization has considered and documented its consideration of how providing these non-audit services does not violate the requirements that the audit organization (a) not provide services that involve performing management functions or making management decisions, and (2) not audit their own work, as stipulated in *Government Auditing Standards.*
- Review and evaluate the performance of the independent auditors.
- Review with the full Board of Commissioners any proposed discharge of the independent auditors.
- Review with the full Board of Commissioners any proposed discharge of the independent auditors.
- Review with the independent auditor, the CFO, the Director of Accounting and Budget and the Director of Internal Audit, the audit scope and plan of the internal auditors and the independent auditors. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

- The Committee should evaluate the independent auditors and internal auditors.
- The Committee should review its effectiveness.
- Create an agenda for the ensuing year, or review and approve the agenda submitted by the Director of Internal Audit.

2. External Audit of the Financial Statements

- Review with management and the independent auditor the effect of any regulatory and accounting initiatives, such as related organizations financing structures, derivatives, or securities lending.
- Review with the independent auditor that performs the financial statement audit:

  a. All critical accounting policies and practices used by Bi-State.
  b. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with Bi-State's management, the ramifications of each alternative, and the preferred treatment.

- Review all significant written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
- Review with management and the independent auditors:

  a. The Bi-State Development Agency's annual financial statements, related footnotes, and management's discussion and analysis;
  b. The independent auditor's audit of the financial statements and their report thereon;
  c. The independent auditors' judgments about the quality, not just the acceptability, of Bi-State's accounting principles as applied in its financial reporting;
  d. The independent auditors' single audit of the federal awards administered by Bi-State and their reports thereon;
  e. Any significant changes required in the independent auditors' audit plan;
  f. Any serious difficulties or disputes with management encountered during the audit. Matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, *Communication With Audit Committees* (AICPA, *Professional Standards*, vol. 1, AU Sec. 380), as amended; U.S. Government Accountability Office's *Government Auditing Standards;* and the U.S. Office of Management and Budget's Circular A-133 related to the conduct of the audits.

- Review with the General Counsel and the Director of Internal Audit legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements and compliance with federal, state, and local laws and regulations.

3. Internal Audit Process

- Review with management the policies and procedures with respect to Bi-State management's use of expense accounts, public monies, and public property, including for example, their use of Bi-State's vehicles. Consider the results of any review of these areas by the Internal Auditor or the independent auditors.
- Consider, with management, the rationale for employing audit firms other than the principal independent auditors for services that Bi-State or the independent auditor determines would not be appropriate for the principal independent auditor to perform.
- Review with management and the Director of Internal Audit:

    a. Significant findings on internal audits during the year and management's responses thereto.
    b. Any difficulties the internal audit team encountered in the course of their audits, including any restrictions on the scope of their work on access to required information.
    c. Any changes required in the scope of their internal audits.
    d. The Internal Audit Department budget and staffing.
    e. The Internal Audit Department charter.
    f. The Internal Audit Department's compliance with applicable standards (for example, *Government Auditing Standards,* or the Institute of Internal Auditors' (IIA's) Standards for the Professional Proactive of Internal Auditing).

4. System of Risk Management

Inquire of management, the Internal Audit Department, and the independent auditors about significant risks or exposures facing Bi-State; assess the steps management has taken or proposes to take to minimize such risks to Bi-State; and periodically review compliance with such steps.

Inquire of the CEO and CFO regarding the fiscal health of Bi-State, as well as the financial status of Bi-State in relation to its adopted budget.

Review with the independent auditors and Director of Internal Audit:

a. The adequacy of Bi-State's internal controls including computerized information system controls and security;
b. Any related significant findings and recommendations of the independent auditors and internal auditors together with management's responses thereto.

5. Organization's Processes for Monitoring Compliance with Laws and Regulations and the Ethics Policy, Code of Conduct and Fraud Policy

a. Periodically review Bi-State's code of conduct to ensure that it is adequate and up to date.
b. Review with the Director of Internal Audit and General Counsel the results of their review of compliance monitoring with the code of conduct.

Section 30.010 Annual Audit

A. Policy **(revised 5/22/09)**. It is the policy of the Agency to submit its books and records to annual audit by a nationally recognized CPA firm. The firm selected shall have broad experience in auditing large local government and/or agencies in compliance with relevantfederal rules and regulations such as the Single Audit Act. The firm, and any principal/s of the firm, shall have no direct or indirect personal or financial interest in the fiscal affairs of the Agency, or of any officer of the Agency. The Agency shall not engage any firm, or any lead or concurring audit partner connected with that firm's provision of audit services to the Agency, fora contract term in excess of five (5) consecutive years.

B. Reporting. This firm reports its findings and conclusions to the entire Commission each year and may meet with the Audit Committee at any time during the year. Upon receipt of the final management letter, the President & CEO will promptly forward a response to the Audit Committee indicating the status of each recommendation or finding.

Section 30.020 Internal Audit

A. Policy. It is the policy of the Agency to employ an Internal Auditor who shall report directly to the Board of Commissioners. The Internal Auditor shall supervise and directthe staff of the Internal Audit Department. The Internal Audit Department shall provide independent objective analysis and recommendations to assist the President & CEO and management in effectively discharging their administrative responsibilities. The Internal Audit Department shall perform routine audits of compliance of Agency divisions with internal Agency rules and regulations. The Internal Audit Department shall at all reasonable times have access to the accounts, books and records of the Agency, and the Department may in relation to such interview the President & CEO and other employees of the Agency.

B. Work Plan. The Internal Auditor shall be responsible for preparing an annual Audit Work Plan. Additionally, Commissioners and Senior Managers shall identify potential areas for review by the Internal Audit Department. Upon completion of the Audit Work Plan, the Internal Auditor shall present the Plan to the Audit Committee for their review and approval pursuant to these Board Policies.

C. Special Reviews. From time to time the President & CEO may assign to the Internal Auditor special reviews designed to assure continuous quality improvement of Agency operations.

Section 30.030 Annual Budget

A. General. Each year the President & CEO shall prepare an annual budget for the forthcoming fiscal year that will be presented to the Board of Commissioners. The President & CEO will work with the Board in setting strategic objectives, update the Agency's long range planning document, and prepare both an operating and capital budget. The operating budget shall include proposed expenditures for current operations during the ensuing fiscal year and the method of financing such expenditures. The capital budget shall include capital expenditures during the ensuing fiscal year and the proposed method of financing such expenditures.

B. Approval. The President & CEO will present the annual budget at a regularly scheduled meeting of the Board of Commissioners. The Board of Commissioners shall approve annual operating and capital budgets prior to the beginning of the ensuing fiscal year.

Section 30.040 Banking and Investment (rev. 06/23/06. 11/19/10, 09/28/12)

A. General. This policy directs the investment of all operating, self-insurance restricted, capital and debt service funds of all entities of the Bi-State Development Agency not expressly controlled by Revenue Bond Trustees.

The preservation of funds is the first consideration in determining the investment of Agency cash. Thereafter, the highest yield consistent with safety is required, provided the maturities are short enough to maintain operational liquidity. Banks and other financial institutions, which meet the criteria below, will be selected for investments only on a competitive basis. The number of demand deposit non-interest bearing accounts will be kept to the minimum for operational efficiency and safety.

Notwithstanding the following authorized investments, it is the Board's intent to have the majority of the available funds invested in local institutions provided the institutions meet the minimum credit standings set out below and yields are competitive.

The Board also directs management to refrain from investing Agency funds in anyfinancial institutions or businesses that conduct business with governments deemed unacceptableby the Federal Government through executive order or enacted legislation.

B. Authorized investment categories **(revised 4/24/09 and 11/19/10)**

1. Demand Deposit, Negotiable Order Withdrawal (NOW), Bank Money Market, Certificate of Deposit and Savings Accounts - issued by local banks or thrifts where the account or investment is either collateralized with direct obligations of the U.S. Government or its instrumentality's, or covered by FDIC insurance, or other AAA rated surety.

2. Negotiable Certificates of Deposit - provided that the institution maintains a Fitch rating of B or better and / or a Moody's Investor Services short-

term rating of P-1. The institutions selected will have a minimum of $100 million in combined capital and unimpaired surplus.

3. <u>Bankers Acceptances</u> - provided that the institution maintains a Fitchrating of B or better and / or a Moody's Investor Services short-term ratingof P-1. The institutions selected will have a minimum of $100 million in combined capital and unimpaired surplus.

4. Direct Obligations of the United States Government, U.S. Government Agencies or U.S. Government Instrumentality's.

5. <u>Commercial Paper</u> - Commercial paper at the time of purchase shall have ratings of A-1 by Standard and Poors Rating Services and P-1 by Moody's Investors Services. Commercial paper of firms doing business within the St. Louis metropolitan region may have ratings of A-2 by Standard and Poors Rating Services and P-2 by Moody's Investor Services.

6. <u>Repurchase Agreements</u> **(revised 11/19/10)** - Repurchase agreements (repos) are acceptable, using any of the securities listed in paragraphs B-4 above as collateral. Also, the firm with whom the repo is executed must be a credit acceptable bank, or broker-dealer. A credit acceptable bank or broker-dealer is defined as one whose senior debt rating is A- by one ofthe three nationally recognized ratings agencies (Standard & Poor's, Moody's, or Fitch). Banks in the Agency's service area that do not have a Standard & Poor's, Moody's or Fitch rating, may also be authorized repo counterparties, provided that they meet the "well capitalized" standard, as defined by the Federal Deposit Insurance Corporation. A written repurchase agreement, substantially modeled on, but in no case less restrictive than, the Securities Industry and Financial Markets Association's "Master Repurchase Agreement", shall be completed for each repo counter party. Such agreements shall be updated periodically, but-no less than once every five years. In all cases, repo collateral shall have a market value of 102% of the dollars invested, plus accrued interest. If the repo term is longer than an overnight maturity, the collateral must be delivered to a third party custodian, and priced-to-market weekly to assurecorrect collateral value coverage.

   The Director of Treasury Services shall obtain approval from the Chief Financial Officer before authorizing a repo counterparty. Before approval, documentation shall be furnished that the authorized counterparty meets the required criteria. The Director of Treasury Services will also monitor continued compliance with the criteria. The current authorized repo counterparties are:

   Bank of America
   Merrill Lynch Capital Markets

UMB Bank
Commerce Bank
U.S. Bank
Jefferson Bank & Trust

7. Money Market Funds - Acceptable funds shall be institutional money market funds having over $500 million in net assets and be rated AAA by Standard and Poor's, Moody's and/or Fitch rating services.

8. Reverse Repurchase Agreement - A reverse repurchase Agreement orshort-term borrowing (180 days or less), using securities in the Agency's portfolio as collateral, is acceptable. However, the firm with whom the borrowing is executed must meet the same requirements as stated previously for repurchase agreements. Also, the borrowed funds may be used to purchase other securities as an investment arbitrage. In this case, the new investment maturity date must match (+/- one week) the maturity date of the reverse repo, and those instruments must be delivered into the Agency's safekeeping account and held there until maturity. The Board shall be notified of all such transactions though the Treasurer's monthly report.

C. Banking Services. Banks will be negotiated with periodically for demand deposits and other banking services for the greater advantage to the Agency. Any two of the following may open bank accounts, subject to the approval of the Board of Commissioners through a confirming motion at the next meeting of the Board of Commissioners:

Chair, Board of Commissioners
Vice Chair, Board of Commissioners
Treasurer, Board of Commissioners
President & CEO
Chief Financial Officer

The Treasurer, President & CEO and Internal Audit will monitor the potential for conflict of interest.

D. Investment Performance. Management will provide the Treasurer of the Board of Commissioners with a monthly list of deposits, investments, yields, monthly summary of the prior 12 months' funds experience, and the average amount of non-interest bearing deposits at each institution.

E. Investment Transaction Criteria: **(revised 4/24/09)**

1. Safekeeping Accounts - Securities purchased are delivered against payment and held in a custodian safekeeping account. Tri-party custodian agreements maintained with third party trust companies as well as the Federal Reserve Bank are acceptable. Hold-In-Custody repurchase agreements for fourteen days or less will be processed through special transaction control accounts. These accounts will be audited quarterly by

Internal Audit and the results reported through the Treasurer, to the Board of Commissioners.

2. Maturity Limitations - To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, no funds shall be invested for more than five years from the date of settlement. Theweighted average maturity of the portfolio shall at no time exceed eighteen months.

For Securities that are subject to redemption (call) before final maturity, the final maturity date shall be used both for compliance with the five year limitation and in calculating the weighted average maturity.

3. Diversification –

a. Unlimited investment in the following:

- U.S. Government obligations
- U. S. Government Agency obligations
- U. S. Government Instrumentality obligations
- Repurchase Agreements – secured by the 3 U. S. obligations noted immediately above.
- Money Market Funds – Institutional money market funds having over $500 million in net assets and rated AAA byStandard & Poor's, Moody's and/or Fitch rating services.

b. Investments not to exceed $5.0 million par value from any one issuer:

- Bankers Acceptances
- Commercial Paper
- Negotiable Certificates of Deposit

c. All investments must be paid for before they may be sold.

F. Authorized Individuals. **(Rev. 01/04/08)** The following individuals are authorized to conduct investment transactions for the Agency:

Chief Financial Officer	Treasury Specialist
Director of Treasury Services	Debt Analyst

G. Agency Debt. Agency debt may be incurred only by the specific authority of the Board of Commissioners through special action. Notwithstanding Sections B or E above, all funds under such debt resolutions or indentures of trust shall be controlled by the investment set forth in such documents.

H. Check Signatories (rev. 01/04/08)

1. All General Operating Funds Including Self-insurance Fund

   a. Under $501 for insurance settlement drafts - One signature from the following:

Claims Adjuster	Manager of Claims
Supervisor of Claims	Director of Risk Management

   b. Under $7,500 - One signature from the following:

Treasurer, Board of Commissioners (including facsimile signature)
or in the event of a vacancy in the Treasurer's position,
Secretary, Board of Commissioners (including facsimile signature)

President & CEO	Director of Treasury Services
Chief Financial Officer	Director of Passenger Revenue
Controller	Treasury Specialist

   c. $7,501 to $100,000 - Two signatures from the following:

Treasurer, Board of Commissioners (including facsimile signature)
or in the event of a vacancy in the Treasurer's position,
Secretary, Board of Commissioners (including facsimile signature)

President & CEO	Treasury Specialist
Chief Financial Officer	Director of Treasury Services
	Controller

   d. $100,001 to $500,000 - Two signatures from the following:

Chair, Board of Commissioners	Treasurer, Board of Commissioners
President & CEO	Director of Treasury Services
Chief Financial Officer	Treasury Specialist
	Controller

   e. $500,001 to $1,000,000 - Two signatures from the following:

Chair, Board of Commissioners	Treasurer, Board of Commissioners
President & CEO	Director of Treasury Services
Chief Financial Officer	Controller

   f. $1,000,001 and above - Two signatures, one each from Group A and Group B:

GROUP A	GROUP B
Treasurer, Board of Commissioners	Chair, Board of Commissioners
President & CEO	Vice Chair, Board of Commissioners
	Secretary, Board of Commissioners

2. Employee Medical Self Insurance Account

a. Under $25,000 -- Approved Officer of Service Provider (including facsimile signature)

b. $25,001 to $100,000 - Two Signatures, one each from Group A and Group B:

GROUP A	GROUP B
Approved Officer of Service Provider (including facsimile signature)	President & CEO
	Chief Financial Officer
	Director of Treasury Services
	Treasury Specialist
	Controller

c. $100,001 to $500,000 - Two signatures, one each from Group A and Group B:

GROUP A	GROUP B
Approved Officer of Service Provider	Treasurer, Board of Commissioners
	President & CEO
	Chief Financial Officer
	Director of Treasury Services
	Controller
	Treasury Specialist

d. $500,001 to $1,000,000 – Two signatures, one each from Group A and Group B:

GROUP A	GROUP B
Approved Officer of Service Provider	Treasurer, Board of Commissioners
	President & CEO
	Chief Financial Officer
	Director of Treasury Services
	Controller

I. Wire Transfer Authority **(rev. 01/04/08)**

1. Wire Transfers and Automated Clearing House Transactions (ACH) are authorized for the transfer of funds between checking, investment and

savings accounts, payment of services, equipment, construction in process, a well as payroll related expenditures that are authorized by and in the name of the Bi-State Development Agency.

2. Wire Transfer and Automated Clearing House Transactions (ACH) authority is limited to the below listed individuals. Wire transfers of a non-repetitive nature require the authority of any two of the below listed individuals:

Chief Financial Officer	Treasury Specialist
Director of Treasury Services	Controller
Manager of Accounts Payable	Debt Analyst

3. Authorization to create new repetitive Wire Transfers and Automated Clearing House Transactions (ACH) requires approval of any two of the following:

President & CEO
Chief Financial Officer
Chair, Vice Chair, Treasurer, Secretary, Board of Commissioners

J. Authorized Signatories for the Release of Pledged Collateral:

Chief Financial Officer	Director of Treasury Services
Treasury Specialist	Debt Analyst

K. Authorized Signatories for Self Insurance Related Letters of Credit Requests for Letters of Credit must be submitted to the Treasury Section. Treasury personnel will obtain the Letter of Credit and submit the application to one of the following for authorization.

$49,999 and Below	-	Chief Financial Officer
$99,990 and Below	-	President & CEO
$100,000 and Above	-	Chair, Vice Chair, Treasurer of the Board of Commissioners

L. Authorized Agency Bank Accounts: **(revised 8/15/07, 09/28/12)**

Bank		Account Numbers	Funds (Purpose)
Bank of America		XXXXXXXXXX90 -	Operating (Payroll)
	-	XXXXXXXXXX91 -	Transit Pass Revenue
	-	XXXXXXXXXX21 -	Transit Operating, Sales Tax, & Internally Restricted
	-	XXXXXXXXXX34 -	Transit Farebox Revenue

	-	XXXXXXXXXX58 -	Arch Garage Operations & Maintenance
	-	XXXXXXXXXX48 -	Transit MetroLink Revenue
	-	XXXXXXXXXX62 -	Regular Self Insurance
	-	XXXXXXXXXX96 -	Investment Transitory
	-	XXXXXXXXXX17-	Transit Revenue (TVM credit card)
	-	XXXXXXXXXX46-	Call-A-Ride Revenue
	-	XXXXXXXXXX13-	Accounts Payable EFT
	-	XXXXXXXXXX39-	Accounts Payable
	-	XXXXXXXXXX26-	Regular Self Insurance Claims
Jefferson Bank & Trust		XXXXXXXXXX15 -	Non-Transit Repo
J.P. Morgan Chase		XXXXXXXXXX66-	Cigna Medical Self Insurance Claims (funded by Metro, admin. By Cigna)
PNC		XXXXXXXXXX74-	Arch Revenue
		XXXXXXXXXX66-	Riverboat Revenue
UMB Bank		XXXXXXXXXX25 -	Arch Garage Revenue
		XXXXXXXXXX28 -	Transit Operating
Regions Bank	-	XXXXXXXXXX41 -	Airport Revenue
US Bank	-	XXXXXXXXXX24 -	Metroride Store Revenue

Section 30.050 Financial Reporting (revised 09/25/09)

A. Policy. It is the policy of the Agency to prepare the financial results of each operating company as required by specific agreement, but not less than quarterly. Financial statements for the Board of Commissioners shall be prepared quarterly, and include the following statements:

1. Transmittal letter of noteworthy variations, including disclaimer
2. Balance Sheet
3. Statement of Revenue, Expense Income (Loss)
4. Cash Receipts and Disbursement Schedule
5. Capital Expenditures for Active Projects
6. Statement of Cash Flows
7. Aged Receivables

Disclaimer:

The following disclaimer shall be included in each transmittal letter of noteworthy variance:

> "These interim financial statements are not in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) due to the following reasons: Depreciation is not shown as an operating expense, but as other non-operating expense; capital contributions and total net assets are now shown on the Statement of Revenue, Expense, Income (Loss); and there are no accompanying footnote disclosure requirements or Management Discussion and Analysis (MD & A) sections included."

Section 30.060 Risk Management (revised 2/25/2000 and 08/20/2021)

A. General. One of the Agency's primary objectives is to provide safe, reliable, and cost-effective transportation services while complying with federal, state, and local laws. In support of that objective, the Agency will develop and maintain an effective, integrated risk management program. This policy applies to all exposures to risk of loss that are fortuitous and result from external causes. These exposures include, but are not limited to, fires, collisions, theft, windstorm, construction accidents, workers' compensation claims, and auto or general liability claims as well as associated lawsuits against the Agency.

B. Authority and Responsibility. The Director of Risk Management is responsiblefor recommending the overall direction of the Agency's risk management program as specified inthe Agency's Management Policies & Procedures.

C. Self-Insurance (revised 08/20/21). The Agency will self-insure those routine risks associated with its core transit operations. Risk exposures above the self-insured retention will be covered by excess insurance if such excess insurance is available and affordable.

D. Third Party Administrator (revised 08/20/21). The Agency will contract with a third party adjusting firm to assist in administering claims handling (TPA). The Risk Management Department will monitor the TPA and hold quarterly claims reviews. An annual audit will be performed.

E. Insurance. Primary property and liability insurance will be purchased for unique or special risks of loss, for major construction projects, and when required by law or by contract. A Broker of Record will perform the insurance marketing function under the direction of the Director of Risk Management.

F. Self-Insurance Fund (revised 08/20/21). The Agency will maintain asset accounts, referred to as "Self-Insurance Funds", as authorized by the Board of Commissioners on October 1, 1982, to support liabilities accrued as a result of its self-insured losses. The Chief Financial Officer of the Agency will maintain the Self-Insurance Fund, complying with prudent business practices and all applicable governmental pronouncements, and determine the amount of annual funding required. The fund is subject to following guidelines:

1. The current balance will be sufficient to pay estimated judgments, settlements, losses, and expenses for a three (3) year time period.

2. The amounts held in the Self Insurance Funds shall be used solely for the purpose of paying such liabilities and expenses.

3. The Chief Financial Officer, with concurrence of the President & CEO, is authorized to borrow amounts from the Self Insurance Funds to pay expenses of the Transit System in anticipation of routine operating subsidies and capital grants. All amounts borrowed from the Self Insurance Funds shall be reimbursed to such Fund as soon as possible withnormal Agency revenues such as Farebox revenue, sales tax revenues, interest earnings and operating subsidy funds. The Board ofCommissioners is to be notified, in writing, of any borrowing, outlining the amount borrowed.

G. Excess Judgment Fund (revised 08/20/21). The Agency will maintain an additional asset account, referred to as the "Excess Judgment Fund", as authorized by the Board of Commissioners on July 7, 1989, to provide supplemental cash flow to the Self-Insurance Funds, in the event of a large or catastrophic loss that is greater than 50% of the Agency's Self-Insured retention amount for that year. In addition, this fund will provide temporary or emergency funds for property losses that are equal or greater than $500,000 and where the insurer has delayed payment or is questioning coverage under its policy. The Chief Financial Officer of the Agency will maintain the Excess Judgment Fund, complying with prudent business practices and all applicable governmental pronouncements. The fund is subject to following guidelines:

1. The goal is to attain and maintain a $5,000,000 fund balance.
2. A minimum of $250,000 shall be appropriated annually by the Board as part of the budget process until the fund goal of $5,000,000 is reached.

3. Interest earned by monies in the fund shall inure exclusively to the fund on a cash basis until the fund goal of $5,000,000 is reached.
4. Monies appropriated to the fund shall be deposited in the account at the beginning of the Fiscal Year, or as received from the funding jurisdictions.
5. This unencumbered balance of this fund may be used as collateral for short-term debt obligations.
6. The Chief Financial Officer, with concurrence of the President & CEO, is authorized to borrow amounts from the Excess Judgment Fund to pay expenses of the Transit System in anticipation of routine operating subsidies and capital grants. All amounts borrowed from the Excess Judgment Fund shall be reimbursed to such Fund as soon as possible with normal Agency revenues such as farebox revenue, sales tax revenues,interest earnings and operating subsidy funds. The Board ofCommissioners is to be notified, in writing, of any borrowing, outlining the amount borrowed.

H. Claim Settlement Authorization (revised 08/20/21). The Board of Commissioners must approve defense settlements exceeding the Missouri sovereign immunity limit for any one person in a single accident or occurrence. The Claim Settlement Authorization, based upon the Missouri sovereign immunity limit, shall be adjusted annually as published by the Missouri Department of Insurance. Authorization granted by the Board of Commissioners is deemed to include an additional contingency amount, equal to 20% of the actual authorization granted, for extraordinary use by the President & CEO. This additional authorization may be granted by the President & CEO as trial approaches or during the actual trial. For settlement amounts over $100,000 and up to the sovereign immunity limit, the President & CEO will approve and must notify and receive acknowledgement from the Board of Commissioner's Chair and Vice Chair. Settlements from $20,000 to $100,000 will require the approval of the Director of Risk Management who must notify and receive acknowledgement from the Agency's General Counsel.

I. Litigation Management and Board Notification (revised 08/20/21). In addition to requests for settlement, authorization, the Board of Commissioners will be notified by management about large claims or lawsuits that may significantly impact the Agency's financial stability, its assets, or its public image.

1. The Director of Risk Management will regularly provide informational briefs to the Board on claims and lawsuits that fall into the following classifications:

   a. Fatalities & severely disabling injuries.
   b. Jury verdict range or settlement range is expected to exceed $100,000.
   c. Other unusual or sensitive claims which may be of particular interest to the Commissioners.
   d. Final results on claims where the Board has extended settlement authorization.

2. The briefing to the Board will contain:

   a. Facts & background of the case.
   b. Summary of injuries & special damages.
   c. Assessment of liability and expected outcome.
   d. Litigation history and status if in suit.
   e. Opinion of legal counsel (if assigned).
   f. Recommendations and strategy for an appropriate resolution.

3. The Director of Risk Management will maintain a written litigation management program, attorney billing guidelines, and procedures for selecting and retaining defense counsel as specified in more detail in the Agency's Management Policies & Procedures.

J. Review of Agency Contracts and Documents. The Director of Risk Management, in consultation with the Agency's General Counsel as needed, will review Agency contracts, leases, agreements, easements or other documents that transfer risk, specify indemnity obligations, or require specific insurance from one or more of the parties.

Section 30.070 Hedging (effective 2/23/2001; revised 11/20/15; revised 06/25/21)

A. General. Because of the nature of its responsibilities to the St. Louis Metropolitan region, the Bi-State Development Agency (Agency) manages financial risks attributed to the price variability of fuel usage. This risk can be managed effectively through the use of hedging techniques. The purpose of this policy is to generally outline how the Agency will manage these risks, what techniques will be employed, and the general guidelines to be followed.

B. Definition. A hedge is a financial tool used to reduce the risk associated with normal business activities of buying fuel. The purpose of this hedging program is not to make orlose money but to manage risk. This program is not an investment and should not be construed as such. Realized gains or losses will be considered as an element of fuel cost. A hedging program will:

a. seek to decrease the volatility of fuel cost;
b. seek to increase the likelihood that actual net fuel cost will remain below the budgeted cost;
c. seek to increase the certainty of future fuel cost;
d. seek to attain a lower overall cost of fuel in the long-term;
e. seek to manage year-over-year changes in fuel cost.

C. Program Infrastructure.

a. Instruments. The agency will maintain a futures account with a Futures Commission Merchant (Broker, which may be a separate entity from the Advisor. The Agency, through the management and direction of an

Advisor, acquires, holds, and disposes of fuel futures contracts in the operation of its program. The high correlation between the movement of the price that the Agency pays for its fuel and the movement of the valueof the futures contracts produces the program's effectiveness as a hedge. Due to the liquidity of the futures contracts purchased, these contracts do not require an investment grade rating.

b. Maximum Hedge Ratio. The Agency's volume of fuel consumption is predictable and without significant variability over time. Given this, the maximum hedge ratio will be limited to 95% of forecasted consumption.

c. Maximum Hedge Maturity. To allow the establishment of cost certainty in current and future budget periods, the maximum maturity of the futures contracts taken in conjunction with the program is 36 months forward from the acquisition date.

d. Exiting Market Conditions. The advisor will exit the futures contracts evenly through time to coincide with the fuel supply contract pricing mechanism. This even liquidation of futures hedges through time and the even purchase of fuel via the Agency's fuel supply process assures the effectiveness of the hedging process. Based on the difference between the hedge price (entry price) and the settlement price (exit price), there will be a realized gain/loss associated with the hedge that will appear in thefutures account. Futures contracts will be held to maturity (exited when the corresponding fuel is purchased) and, in the normal operation of the program, there will be no interim trading or early exit allowed.Exceptions to this include situations where the volume of forecasted fuel consumption decreases in which case the hedge position may be adjusted to comply with the Maximum Hedge Ratio.

D. Physical Supply. The physical supply of fuel will be purchased according to the Agency's procurement policies, and will be priced according to the fuel supply contract.

E. Strategy. The Strategy is how the program's objectives are achieved. The strategy will utilize a process:

a. that addresses market opportunities and market risks;
b. that examines fundamental and technical market factors in the hedge decision-making process;
c. that holds the risk of exceeding budget at or below an acceptable level;
d. that uses historical pricing ranges as pricing parameters;
e. that is continuously applied through time;
f. that will take advantage of the inherent "dollar cost averaging" properties of a continuous hedging program;
g. that mitigates transaction timing risk by making more numerous smaller volume transactions.

These things will be accomplished by the advisor executing the appropriate transactions at the appropriate times to create the desired effect within the constraints of the policy.

F. Risk Management. The Agency will engage only in financial hedge transactions that are related to the Agency's principal business, including the operation of diesel buses and vans. The Agency will only trade specific contracts as necessary to hedge for the pricing of fuel/energy costs, as related to these areas of business, and as advised by the Advisor.

G. Execution, Reporting and Oversight.

a. The advisor will be responsible for the day to day execution of the program including the execution of transactions, generating reports on the program's status and results, and monitoring the program and the energy markets. The advisor will generate periodic updates on the status and results of the program.
b. The Treasury Department will provide the Board of Commissioners with a summary of its activity through the quarterly Treasurer's Report.
c. A Hedge Committee will oversee the activities of this program. The Committee shall include Chief Financial Officer, Director of Treasury, Assistant Executive Director Transit Assets, and the Vice President of Procurement, Inventory Management & Supplier Diversity. The role of the Hedge Committee will be to determine whether a proposed hedging strategy, transaction or group of transactions is consistent with this Hedge Policy and review the performance of the hedging activity on a periodic basis. The Hedge Committee will meet no less than quarterly, and meeting minutes and Committee decisions will be documented and approved by the Committee.

Section 30.080 Debt Issuance and Administration (revised 6/26/09)

A. The Agency. The Bi-State Development Agency of the Missouri-Illinois Metropolitan District (the "**Agency**") is a body corporate and politic created and existing by reason of a joint compact (the "**Compact**") between the States of Missouri and Illinois (Sections 70.370 *et seq*. of the Revised Statutes of Missouri, as amended, and Illinois Compiled Statutes, Chapter 45, Act 100, as amended) and approved by the United States Congress and the President.

B. Powers to Issue Debt. *RSMo Section 70.373; 45 ILCS 110/1 Ratified by Congress January 7, 1959; further amended and ratified by Congress January 3, 1985*

1. To borrow money for any of the authorized purposes of the Agency and to issue the negotiable notes, bonds or other instruments in writing of the Agency in evidence of the sum or sums to be borrowed;

2. To issue negotiable refunding notes, bonds or other instruments in writing for the purpose of refunding, extending or unifying the whole or any part of its valid indebtedness from time to time outstanding, whether evidenced by notes, bonds or other instruments in writing;

3. *To provide that all negotiable notes, bonds or other instruments shall be payable, both as to principal and interest, out of the revenues collected for the use of any facility or combination of facilities owned and operated by the Agency, or out of any other resources of the Agency, and may be further secured by a mortgage or deed of trust upon any property owned by the Agency. All notes, bonds or other instruments in writing issued by the Agency as herein provided shall mature in not to exceed thirty years from the date thereof, shall bear interest at a rate not exceeding fourteen percent per annum, and shall be sold for not less than ninety-five percent of the par value thereof. The Agency shall have the power toprescribe the details of such notes, bonds or other instruments in writing, and of the issuance and sale thereof, and shall have power to enter into covenants with the holders of such notes, bonds or other instruments in writing, not inconsistent with the powers herein granted to the Agency, without further legislative authority;*

4. *To issue bonds for industrial, manufacturing or commercial facilities located within the Bi-State metropolitan district upon the security of the revenue to be derived from such facilities; and, or upon any property held or to be held by it.*

C. Revenue Bonds.

I. General Management Policies

The Agency will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting and fare-setting process.

A. In recognition of periodic changes in the cost of providing service to system users, service costs and fees will be reviewed annually and adjusted commensurately.

B. The Agency will present any proposed adjustments to existing fares, rates, fees and charges at public meetings, and will consider recommendations and input from the public as it relates to such proposed changes.

C. All Agency funds will be invested according to the Investment Policies of the Agency.

D. Necessary appropriations for annual debt service requirements will be routinely included in the Agency's annual budget.

E. The Agency will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible rates.

F. The Agency may appoint a special committee of local financial experts to assist management as it develops financial plans.

G. Fund co-mingling and inter-fund borrowing.

The transit system is presently comprised of the following funds:

- Revenue Fund
- Operating Fund
- Internally Restricted Fund (Special Sales Tax Capital Fund)
- Sales Tax Capital Fund
- Prop M Fund
- Self Insurance Fund
- Stabilization Fund

The Agency maintains one bank depository account for operational and working capital purposes, which is comprised of the Operating, Internally Restricted, Sales Tax Capital, and Stabilization Funds. While these funds are co-mingled in a single bank account, specific accounting is maintained on the Agency's books at the fund level.

Transit operations have little seasonality and are generally consistent throughout the year. The annual appropriation process for state, local and federal formula funding, which combinedprovides approximately 75% of the Agency's funding, commences after the fiscal year begins. Local appropriations are subject to the legislative process, and Federal appropriations can be delayed up to 12 months. Consequently, Agency staff is authorized to transfer (borrow) funds within the groups identified above in order to maintain operational liquidity and adequate working capital.

In the event the above funds are exhausted, temporary operating deficits may be funded by unencumbered Self Insurance and Prop M Funds. Staff shall inform the Board any time the local funding jurisdictions fail to provide funds within ninety days of the beginning of the fiscal year. Management shall recommend a course of action up to and including service interruption for the jurisdiction in question.

Furthermore, the Agency utilizes the Transit Operating Fund (Accounts Payable Account) as the single disbursement account for the payment of both transit and business enterprise obligations. Liability accounts shall be maintained for the recording of all payments made by Transit for Business Enterprises, and Business Enterprises shall reimburse Transit, in the following month, for any such payments.

I. Financial Management Policies

The Agency utilizes a comprehensive planning process to determine its long-term capital needs. The Agency evaluates each capital project in relation to established federal, state and local grants and assistance programs and levels of reserves, current rate structure, expected asset life/replacement timeline, and available revenue sources to ensure that adequate financial resources are available to support the Agency's financial obligations. The Agency's Debt and Financial Management, Investment, and Swap Policies are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such the following policies outline the Agency's approach to debt management:

A. The Agency will evaluate financing for each capital project on a case-by-case basis. The Agency will seek to pay for all capital projects from current revenues, federal grants and assistance programs and available reserves prior to or in combination with the use of debt.

B. The Agency will seek to issue debt only in the case where there is an identified source of repayment. Bonds will be issued to the extent that (i) projected fixed revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such fixed revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.

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C. Debt issuance for a capital project will not be considered unless such issuance has been incorporated into the capital improvement plan (Long Range Financial Plan).

D. The Agency may designate a pool of qualified investment banking firms (or underwriters). The pools may be used for designating underwriting syndicates fora period extending through April 30, 2014. The Finance Division may terminate or extend the pools at any time prior to this date. The Finance Division may also periodically update the pools of underwriters, including the addition of firms that may submit their qualifications after the initial deadline. In addition, the Finance Division may request additional information or additional qualifications at any time from firms in the pools of underwriters. Expiration of the underwriting pool will not affect any previously designated syndicate(s) with which there are active negotiations for a bond sale.

II. Debt and Capital Management Policies

The following policies formally establish parameters for evaluating, issuing, and managing the Agency's debt. The policies outlined below are not intended to serve as a list of rules to be applied to the Agency's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management.

In issuing debt, the Agency objectives will be to:

1. Achieve the lowest cost of capital;
2. Maintain high credit ratings and access to credit enhancement;
3. Preserve financial flexibility.

III. Standards for Use of Debt Financing

When appropriate, the Agency will use long-term debt financing to: achieve an equitable allocation of capital costs/charges between current and future system users; to provide more manageable rates in the near and medium term; and to minimize rate volatility.

A. For growth related projects, debt financing will be utilized, as needed, to better match the cost of anticipated facility needs with timing of expected new connections to the system.

B. The Agency shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life.

C. Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

D. Lease Agreements and Installment Sale Agreements shall be considered as an alternative to long-term debt. Although these forms of alternative financing are subject to annual appropriation, they shall be considered as long-term fixed rate debt for the purposes of this policy until maturity.

V. Financing Criteria

Each debt issuance should be evaluated on an individual basis within the framework of the Agency's Long Range Financing Plan, as well as within the context of the Agency's overall financing objectives and current market conditions.

The Agency will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

A. Credit Enhancement – The Agency will consider the use of credit enhancementon a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

B. Cash-Funded Reserve vs. Surety – The Agency may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous.

C. Call Provisions – In general, the Agency's securities should include optional call provisions. The Agency will generally avoid the sale of non-callable long-term fixed rate bonds, absent careful evaluation of the value of the call option.

D. Additional Bonds Test/Rate Covenants - The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and these policies.

E. Short-Term Debt – The Agency may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

F. Use of Variable Rate Debt - The Agency will not issue variable interest rate debt unless: the proposed debt is converted to a fixed rate or hedged (for an interim period or to maturity) by use of a put-type mode, swap agreement or hedging mechanism (e.g., interest rate cap); outstanding un-hedged variable rate debt, including any proposed new variable debt, does not exceed the Agency's "hedge position" (defined herein) in aggregate; or, interest is capitalized during the expected term that bonds will be outstanding in a variable rate mode. For this purpose, the Agency's hedge position will be calculated as the Agency's cash reserves multiplied by 125%. Notwithstanding the above, the Agency will refrain from issuing new variable rate debt (including synthetic variable rate debt), whether hedged or un-hedged, which exceeds 20 percent of the Agency's aggregate debt outstanding.

G. Use of Swaps & Derivatives - The use of any swap agreement in conjunction with the issuance or management of debt instruments will be governed by the Agency's Swap Policy. The use of swaps to create synthetic fixed rate debt should generally be considered only such synthetic fixed rate debt would result in a 20% reduction in debt service vs. traditional fixed rate bonds.

H. Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction, unless further restricted or limited in the Agency's Investment Policy. The preservation of funds, notwithstanding, the Agency will seek to maximize investment earnings within the investment parameters set forth in each respective bond indenture. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a "net" debt service basis, where appropriate.

VI. Refinancing Outstanding Debt

The Agency shall have the responsibility to evaluate potential refunding opportunities presented by underwriting and/or financial advisory firms. The Agency will consider the following issues when analyzing potential refinancing opportunities:

A. Debt Service Savings – The Agency shall establish a target savings level equal to 3% (current refunding) to 5% (advance refunding) of par refunded on a netpresent value (NPV) basis. These figures should serve only as a guideline, the Agency must evaluate each refunding opportunity on a case-by-case basis, and must take into consideration: the time to maturity, size of the issue, current interest rate environment, annual cash flow savings, and the value of the call option. Economic savings resulting from a refunding will generally be structured to occur on a level basis over the life of the refunding bonds. The decision to take all savings upfront or on a deferred basis must be explicitly approved by the Agency's Finance and Audit Committee and Board of Commissioners.

B. Restructuring - The Agency may seek to refinance a bond issue on a non- economic basis in order to restructure debt, mitigate irregular debt service payments, accommodate revenue shortfalls, release reserve funds, comply with and/or eliminate rate/bond covenants, or terminate a swap.

C. Term/Final Maturity – The Agency may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is permissible under the Agency's Compact and Federal tax law. The term of the bonds should not extend beyond the reasonably expected useful life of the asset being financed. The Agency may also consider shortening the final maturity of the bonds. The remaining useful life of the assets and the concept of inter-generational equity should guide these decisions.

D. Escrow Structuring - The Agency shall utilize the least costly securities available in structuring each escrow. A certificate will be required from a third party agent who is not acting as a broker-dealer, stating that the securities were purchased through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Series Securities (SLGS), and that the price paid was reasonable and within Federal guidelines. The Agency retains the right to use SLGS at any time in structuring its escrows.

When evaluating the economic viability of an economic versus legal defeasance, the Agency shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The Agency shall take all necessary steps to optimize its escrows and to avoid negative arbitrage in any refunding.

VII. Method of Issuance

The Agency will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation.

A. Competitive Sale – In a competitive sale, the Agency's bonds shall be awarded to the bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale.

B. Negotiated Sale – Due to the unique nature of the Agency's fundingarrangements, the Agency recognizes that many of its transactions are best sold through negotiation. In consideration of a negotiated sale, the Agency shall assess the following circumstances that weigh toward the use of a negotiated sale:

1. Issuance of variable rate or taxable bonds;
2. Complex structure or credit considerations (such as non-rated bonds), which requires a strong pre-marketing effort;
3. Significant par value, which may limit the number of potential bidders;

4. Unique/ proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process;
5. Market volatility, such that the Agency would be better served by flexibility in the timing of its sale in a changing interest rate environment;
6. When an Underwriter has identified new financing opportunities or presented alternative structures that financially benefit the Agency;
7. As a result of an Underwriter's familiarity with the project/financing,which enables the Agency to take advantage of efficiency and timing considerations.

C. Private Placement – From time to time the Agency may elect to issue debt on a private placement basis. Such method shall generally be considered only if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

D. Conduit Issuance – The Agency may elect to enter into financing agreements with other issuers, including but not limited to the City of St. Louis, St. Louis County, and the Missouri Development Finance Board, to permit debt to be issuedon the Agency's behalf. The Agency will consider this approach if such an arrangement is expected to produce lower borrowing costs, enhance the flexibilityof the Agency, or provide other operational efficiencies.

VIII. Market Communication, Debt Administration and Reporting Requirements

Rating Agencies and Investors – The Chief Financial Officer shall be responsible for maintaining the Agency's relationships with Moody's Investors Service, Standard & Poor's Ratings- Services, Fitch Ratings or any other nationally-recognized rating service. The Agency may, from time to time, choose to deal with fewer than all of these agencies as circumstances dictate.

In addition to general communication, the Chief Financial Officer shall: (1) meet with Credit Analysts at least once each fiscal year, and (2) prior to each competitive or negotiated sale, offer conference calls with Agency analysts in connection with the planned sale.

A. Board Communication – The Chief Financial Officer shall include in an annual report to the Finance and Audit Committee and the Board of Commissioners feedback from rating agencies and/or investors regarding the Agency's financial strengths and weaknesses and recommendations for addressing any weaknesses.

B. Continuing Disclosure – The Agency shall remain in compliance with Rule 15c2-12 or any successor rule or regulation by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within 270 days of the close of the fiscal year. The inability to make timely filings must be disclosed and would be a negative reflection on the Agency. While also relying ona timely audit and preparation of the Agency's annual report, the Chief Financial

Officer will ensure the Agency's timely filing with each Nationally Recognized Municipal Securities Information Repository.

C. Record-Keeping – A copy of all debt-related records shall be retained at the Agency’s offices. At minimum, these records shall include all official statements, bid documents, bond documents / transcripts, resolutions, trustee statements, leases, and title reports for each Agency financing (to the extent available). To theextent possible, the Agency shall retain an electronic copy of each document - preferably in Adobe Acrobat-compatible or CD-ROM format.

D. Arbitrage Rebate – The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code arbitrage rebate requirements. The Chief Financial Officer shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation; and, if rebate is due, such payments are made.

Section 30.090 Donation and Gift Policy (NEW effective 11/19/21)

A. Policy. It is the policy of the Agency that gifts and donations to the Agency are welcomed and encouraged. Gifts and donations are valued as expressions of individual support for the Agency’s mission and help to enhance its services, programs and facilities by supplementing federal, state, or contractual support.

B. Types of Gifts. The Agency accepts the following types of gifts and donations: cash, tangible personal property, publicly traded and recognizable securities, real estate, bequests, trust funds and annuities.

C. Use of Gifts. The President and CEO or Board of Commissioners will carefully consider the needs of the Agency and will use a gift where it determines it is most needed, so that all donations may directly and indirectly support the public purposes of the Agency. The Agency may choose not to accept a gift if the donor wishes to place limitations or restrictions on its use or disposal. The Agency may refuse any gift that does not sufficiently benefit the Agency, is in conflict with the Agency’s mission, puts the reputation of the Agency at risk, or is prohibited by law.

D. Acceptance of Gifts. The President and CEO may accept any gift or donation of the types described in Section B on behalf of the Agency. Other types of gifts and donations willbe evaluated on a case-by-case basis by the Board of Commissioners

When processing each gift, the Agency will follow generally accepted accounting principles. The Agency takes no responsibility for valuing gifts for tax purposes or for the tax consequences to the donor.

All accepted gifts and donations become the property of the Agency. The Agency reserves the right to sell or otherwise dispose of non-monetary gifts, if the Board of Commissioners or President and CEO, determines that such sale or disposition is advisable or necessary.

E. Documentation. The Agency will retain a written receipt of each donation and gift identifying the name of the donor, the amount and the date of the donation or gift, and the nature of restriction on the gift, if any. The Agency will acknowledge each donation by letter, thanking the donor. Donors who make a significant financial or material donation will receive a contemporaneous written acknowledgement of the donation from the Agency.

COLLECTED BOARD POLICIES

OF THE

BI-STATE DEVELOPMENT AGENCY

OF THE

MISSOURI-ILLINOIS METROPOLITAN DISTRICT

Chapter 30 Audit, Finance and Budget

Section 30.005 Audit Committee Charter (added 03/25/11, rev. 09/23/11 and rev. 06/24/22)

A. GENERAL (revised 09/23/11). The purpose of the Audit Charter is to assist the Board of Commissioners, through its Audit Committee, in fulfilling its fiduciary oversight responsibilities as follows:

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(1) Audit Committee management and Reporting Responsibilities
(2) External Audit of the Financial Statements
(3) Internal Audit Process
(4) System of Risk Management
(5) Processes for Monitoring Compliance with Laws and Regulations and the Ethics Policy, Code of Conduct and Fraud Policy
(6) Special Investigations and Whistleblower Mechanism

Source: Information to develop this Charter is from *The AICPA Audit Committee TOOLKIT: Government Organizations*

B. AUTHORITY. The Audit Committee ("committee") has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to perform the following functions, which are numbered according to the purposes listed above.

1. Audit Committee Management and Reporting Responsibilities (rev. 06/24/22)

- Each member of the Committee should be appointed by the Chairman of The Bi-State Development Agency ("Bi-State") Board of Commissioners.
- At least one member of the Committee should have financial experience.
- The Committee should review this Charter annually, reassess the adequacy of the Charter, and recommend any proposed changes to the Board of Commissioners. It should consider changes that are necessary as a result of new laws, regulations, or accounting and auditing standards, including ~~*Government Auditing Standards* (Yellow Book) issued by the Comptroller General of the United States.~~ best auditing practices.
- The Committee should meet at least four times per year, and at additional times when necessary. These meetings may be combined with regularly scheduled meetings, or may be held more frequently as circumstances may require. The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
- Conduct executive sessions with the independent auditors, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Audit Executive (CAE) ~~Director of Internal Audit~~, General Counsel, outside counsel, ~~Director of Accounting and Budget,~~ and anyone else as desired by the Committee.
- The Committee shall be authorized to hire professional consultants as necessary.
- Review and concur on the appointment, replacement, reassignment, or dismissal of the ~~Director of Internal Audit~~ Chief Audit Executive.
- Oversee the appointment of the independent auditors to be engaged for external reporting, and establish the related audit fees.
- If the audit organization provides any non-audit services, determine that the audit organization has considered and documented its consideration of how providing these non-audit services does not violate the requirements that the audit organization (a) not provide services that involve performing management functions or making management decisions, and ~~(2)~~ (b) not audit their own work, as stipulated ~~in *Government Auditing Standards*~~ by best auditing practices.
- Review and evaluate the performance of the independent auditors.
- Review with the full Board of Commissioners any proposed discharge of the independent auditors.
- ~~Review with the full Board of Commissioners any proposed discharge of the independent auditors.~~
- The Committee should evaluate the independent auditors and internal auditors.
- The Committee should review its effectiveness.
- Create an agenda for the ensuing year, or review and approve the agenda submitted by the ~~Director of Internal Audit.~~ Chief Audit Executive.

2. External Audit of the Financial Statements (rev. 06/24/22)

- Review with management and the independent auditor the effect of any regulatory and accounting initiatives, such as related organizations financing structures, derivatives, or securities lending.
- Review with the independent auditor that performs the financial statement audit:

  a. All critical accounting policies and practices used by Bi-State.
  b. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with Bi-State's management, the ramifications of each alternative, and the preferred treatment.

- Review all significant written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
- Review with management and the independent auditors:

  a. The Bi-State Development Agency's annual financial statements, related footnotes, and management's discussion and analysis;
  b. The independent auditor's audit of the financial statements and their report thereon;
  c. The independent auditors' judgments about the quality, not just the acceptability, of Bi-State's accounting principles as applied in its financial reporting;
  d. The independent auditors' single audit of the federal awards administered by Bi-State and their reports thereon;
  ~~d.~~e. The independent auditors' examination of the effectiveness of any hedging activities;
  ~~e.~~f. Any significant changes required in the independent auditors' audit plan;
  ~~f.~~g. Any serious difficulties or disputes with management encountered during the audit. Matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, *Communication With Audit Committees* (AICPA, *Professional Standards*, vol. 1, AU Sec. 380), as amended; U.S. Government Accountability Office's *Government Auditing Standards;* and the U.S. Office of Management and Budget's Circular A-133 related to the conduct of the audits.

- Review with the General Counsel and the ~~Director of Internal Audit~~ Chief Audit Executive legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements and compliance with federal, state, and local laws and regulations.

3. Internal Audit Process **(rev. 06/24/22)**

- Review with management the policies and procedures with respect to Bi-State management's use of expense accounts, public monies, and public property, including for example, their use of Bi-State's vehicles. Consider the results of any review of these areas by the Internal Auditor or the independent auditors.

- Consider, with management, the rationale for employing audit firms other than the principal independent auditors for services that Bi-State or the independent auditor determines would not be appropriate for the principal independent auditor to perform.
- Review with management and the ~~Director of Internal Audit~~ Chief Audit Executive:

  a. Significant findings on internal audits during the year and management's responses thereto.
  b. Any difficulties the internal audit team encountered in the course of their audits, including any restrictions on the scope of their work on access to required information.
  c. Any changes required in the scope of their internal audits.
  d. The Internal Audit Department budget and staffing.
  e. The Internal Audit Department charter.
  f. The Internal Audit Department's compliance with applicable standards (for example, *Government Auditing Standards,* or the Institute of Internal Auditors' (IIA's) Standards for the Professional Proactive of Internal Auditing).

4. System of Risk Management (rev. 06/24/22)

Inquire of management, the Internal Audit Department, and the independent auditors about significant risks or exposures facing Bi-State; assess the steps management has taken or proposes to take to minimize such risks to Bi-State; and periodically review compliance with such steps.

Inquire of the ~~CEO~~ Chief Executive Officer and ~~CFO~~ Chief Financial Officer regarding the fiscal health of Bi-State, as well as the financial status of Bi-State in relation to its adopted budget.

Review with the independent auditors and ~~Director of Internal Audit~~ Chief Audit Executive:

a. The adequacy of Bi-State's internal controls including computerized information system controls and security;
b. Any related significant findings and recommendations of the independent auditors and internal auditors together with management's responses thereto.

5. Organization's Processes for Monitoring Compliance with Laws and Regulations and the Ethics Policy, Code of Conduct and Fraud Policy (rev. 06/24/2022)

a. Periodically review Bi-State's code of conduct to ensure that it is adequate and up to date.

b. Review with the ~~Director of Internal Audit~~ Chief Audit Executive and General Counsel the results of their review of compliance monitoring with the code of conduct.

Section 30.010 Annual Audit

A. Policy **(revised 5/22/09 and 6/24/22).** It is the policy of the Agency to submit its books and recordsto annual audit by a nationally recognized CPA firm. The firm selected shall have broad experience in auditing large local government and/or agencies in compliance with relevantfederal rules and regulations such as the Single Audit Act and examining any hedging activities. The firm, and any principal/s of the firm, shall have no direct or indirect personal or financial interest in the fiscal affairs of the Agency, or of any officer of the Agency. The Agency shall not engage any firm, or any lead or concurring audit partner connected with that firm's provision of audit services to the Agency, fora contract term in excess of five (5) consecutive years.

B. Reporting. This firm reports its findings and conclusions to the entire Commission each year and may meet with the Audit Committee at any time during the year. Upon receipt of the final management letter, the President & ~~CEO~~Chief Executive Officer will promptly forward a response to the Audit Committee indicating the status of each recommendation or finding.

Section 30.020 Internal Audit **(rev. 06/24/22)**

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A. Policy. It is the policy of the Agency to employ ~~an Internal Auditor~~ a Chief Audit Executive who shall report directly to the Board of Commissioners. The ~~Internal Auditor~~ Chief Audit Executive shall supervise and direct the staff of the Internal Audit Department. The Internal Audit Department shall provide independent objective analysis and recommendations to assist the President & Chief~~EO~~Executive Officer and management in effectively discharging their responsibilities. The Internal Audit Department shall perform routine audits of compliance of Agency divisions with internal Agency rules and regulations. The Internal Audit Department shall at all reasonable times have access to the accounts, books and records of the Agency, and the Department may in relation to such interview the President & Chief~~EO~~Executive Officer and other employees of the Agency.

B. Work Plan. The ~~Internal Auditor~~ Chief Audit Executive shall be responsible for preparing an annual Audit Work Plan. Additionally, Commissioners and Senior Managers shall identify potential areas for review by the Internal Audit Department. Upon completion of the Audit Work Plan, the ~~Internal Auditor~~ Chie~~ie~~f Audit Executive shall present the Plan to the Audit for their review and approval pursuant to these Board Policies.

C. Special Reviews. From time to time the President & Chief~~EO~~Executive Officer may assign to the ~~Internal Auditor~~ Chief Audit Executive special reviews designed to assure continuous quality improvement of Agency operations.

A. General. Each year the President & CEO shall prepare an annual budget for the forthcoming fiscal year that will be presented to the Board of Commissioners. The President & CEO will work with the Board in setting strategic objectives, update the Agency's long range planning document, and prepare both an operating and capital budget. The operating budget shall include proposed expenditures for current operations during the ensuing fiscal year and the method of financing such expenditures. The capital budget shall include capital expenditures during the ensuing fiscal year and the proposed method of financing such expenditures.

B. Approval. The President & CEO will present the annual budget at a regularly scheduled meeting of the Board of Commissioners. The Board of Commissioners shall approve annual operating and capital budgets prior to the beginning of the ensuing fiscal year.

Section 30.040 Banking and Investment (rev. 06/23/06. 11/19/10, 09/28/12)

A. General. Policy directs the investment of all operating, self-insurance restricted, capital and debt service funds of all entities of the Bi-State Development Agency not expressly controlled by Revenue Bond Trustees.

The preservation of funds is the first consideration in determining the investment of Agency cash. Thereafter, the highest yield consistent with safety is required, provided the maturities are short enough to maintain operational liquidity. Banks and other financial institutions, which meet the criteria below, will be selected for investments only on a competitive basis. The number of demand deposit non-interest bearing accounts will be kept to the minimum for operational efficiency and safety.

Notwithstanding the following authorized investments, it is the Board’s intent to have the majority of the available funds invested in local institutions provided the institutions meet the minimum credit standings set out below and yields are competitive.

The Board also directs management to refrain from investing Agency funds in anyfinancial institutions or businesses that conduct business with governments deemed unacceptableby the Federal Government through executive order or enacted legislation.

B. Authorized investment categories **(revised 4/24/09 and 11/19/10)**

1. Demand Deposit, Negotiable Order Withdrawal (NOW), Bank Money Market, Certificate of Deposit and Savings Accounts - issued by local banks or thrifts where the account or investment is either collateralized with direct obligations of the U.S. Government or its instrumentality's, or covered by FDIC insurance, or other AAA rated surety.

2. Negotiable Certificates of Deposit - provided that the institution maintains a Fitch rating of B or better and / or a Moody’s Investor Services short-

term rating of P-1. The institutions selected will have a minimum of $100 million in combined capital and unimpaired surplus.

3. Bankers Acceptances - provided that the institution maintains a Fitchrating of B or better and / or a Moody's Investor Services short-term ratingof P-1. The institutions selected will have a minimum of $100 million in combined capital and unimpaired surplus.

4. Direct Obligations of the United States Government, U.S. Government Agencies or U.S. Government Instrumentality's.

5. Commercial Paper - Commercial paper at the time of purchase shall have ratings of A-1 by Standard and Poors Rating Services and P-1 by Moody's Investors Services. Commercial paper of firms doing business within the St. Louis metropolitan region may have ratings of A-2 by Standard and Poors Rating Services and P-2 by Moody's Investor Services.

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6. Repurchase Agreements **(revised 11/19/10)** - Repurchase agreements (repos) are acceptable, using any of the securities listed in paragraphs B-4 above as collateral. Also, the firm with whom the repo is executed must be a credit acceptable bank, or broker-dealer. A credit acceptable bank or broker-dealer is defined as one whose senior debt rating is A- by one ofthe three nationally recognized ratings agencies (Standard & Poor's, Moody's, or Fitch). Banks in the Agency's service area that do not have a Standard & Poor's, Moody's or Fitch rating, may also be authorized repo counterparties, provided that they meet the "well capitalized" standard, as defined by the Federal Deposit Insurance Corporation. A written repurchase agreement, substantially modeled on, but in no case less restrictive than, the Securities Industry and Financial Markets Association's "Master Repurchase Agreement", shall be completed for each repo counter party. Such agreements shall be updated periodically, but-no less than once every five years. In all cases, repo collateral shall have a market value of 102% of the dollars invested, plus accrued interest. If the repo term is longer than an overnight maturity, the collateral must be delivered to a third party custodian, and priced-to-market weekly to assurecorrect collateral value coverage.

   The Director of Treasury Services shall obtain approval from the Chief Financial Officer before authorizing a repo counterparty. Before approval, documentation shall be furnished that the authorized counterparty meets the required criteria. The Director of Treasury Services will also monitor continued compliance with the criteria. The current authorized repo counterparties are:

   Bank of America
   Merrill Lynch Capital Markets

UMB Bank
Commerce Bank
U.S. Bank
Jefferson Bank & Trust

7. Money Market Funds - Acceptable funds shall be institutional money market funds having over $500 million in net assets and be rated AAA by Standard and Poor's, Moody's and/or Fitch rating services.

8. Reverse Repurchase Agreement - A reverse repurchase Agreement orshort-term borrowing (180 days or less), using securities in the Agency's portfolio as collateral, is acceptable. However, the firm with whom the borrowing is executed must meet the same requirements as stated previously for repurchase agreements. Also, the borrowed funds may be used to purchase other securities as an investment arbitrage. In this case, the new investment maturity date must match (+/- one week) the maturity date of the reverse repo, and those instruments must be delivered into the Agency's safekeeping account and held there until maturity. The Board shall be notified of all such transactions though the Treasurer's monthly report.

C. Banking Services. Banks will be negotiated with periodically for demand deposits and other banking services for the greater advantage to the Agency. Any two of the following may open bank accounts, subject to the approval of the Board of Commissioners through a confirming motion at the next meeting of the Board of Commissioners:

Chair, Board of Commissioners	President & CEO
Vice Chair, Board of Commissioners	Chief Financial Officer
Treasurer, Board of Commissioners	

The Treasurer, President & CEO and Internal Audit will monitor the potential for conflict of interest.

D. Investment Performance. Management will provide the Treasurer of the Board of Commissioners with a monthly list of deposits, investments, yields, monthly summary of the prior 12 months' funds experience, and the average amount of non-interest bearing deposits at each institution.

E. Investment Transaction Criteria: **(revised 4/24/09)**

1. Safekeeping Accounts - Securities purchased are delivered against payment and held in a custodian safekeeping account. Tri-party custodian agreements maintained with third party trust companies as well as the Federal Reserve Bank are acceptable. Hold-In-Custody repurchase agreements for fourteen days or less will be processed through special transaction control accounts. These accounts will be audited quarterly by

Internal Audit and the results reported through the Treasurer, to the Board of Commissioners.

2. Maturity Limitations - To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, no funds shall be invested for more than five years from the date of settlement. Theweighted average maturity of the portfolio shall at no time exceed eighteen months.

For Securities that are subject to redemption (call) before final maturity, the final maturity date shall be used both for compliance with the five year limitation and in calculating the weighted average maturity.

3. Diversification –

a. Unlimited investment in the following:

- U.S. Government obligations
- U. S. Government Agency obligations
- U. S. Government Instrumentality obligations
- Repurchase Agreements – secured by the 3 U. S. obligations noted immediately above.
- Money Market Funds – Institutional money market funds having over $500 million in net assets and rated AAA byStandard & Poor’s, Moody’s and/or Fitch rating services.

b. Investments not to exceed $5.0 million par value from any one issuer:

- Bankers Acceptances
- Commercial Paper
- Negotiable Certificates of Deposit

c. All investments must be paid for before they may be sold.

F. Authorized Individuals. **(Rev. 01/04/08)** The following individuals are authorized to conduct investment transactions for the Agency:

Chief Financial Officer	Treasury Specialist
Director of Treasury Services	Debt Analyst

G. Agency Debt. Agency debt may be incurred only by the specific authority of the Board of Commissioners through special action. Notwithstanding Sections B or E above, all funds under such debt resolutions or indentures of trust shall be controlled by the investment set forth in such documents.

H. Check Signatories **(rev. 01/04/08)**

1. All General Operating Funds Including Self-insurance Fund

   a. Under $501 for insurance settlement drafts - One signature from the following:

Claims Adjuster	Manager of Claims
Supervisor of Claims	Director of Risk Management

   b. Under $7,500 - One signature from the following:

Treasurer, Board of Commissioners (including facsimile signature)
or in the event of a vacancy in the Treasurer's position,
Secretary, Board of Commissioners (including facsimile signature)

President & CEO	Director of Treasury Services
Chief Financial Officer	Director of Passenger Revenue
Controller	Treasury Specialist

   c. $7,501 to $100,000 - Two signatures from the following:

Treasurer, Board of Commissioners (including facsimile signature)
or in the event of a vacancy in the Treasurer's position,
Secretary, Board of Commissioners (including facsimile signature)

President & CEO	Treasury Specialist
Chief Financial Officer	Director of Treasury Services
	Controller

   d. $100,001 to $500,000 - Two signatures from the following:

Chair, Board of Commissioners	Treasurer, Board of Commissioners
President & CEO	Director of Treasury Services
Chief Financial Officer	Treasury Specialist
	Controller

   e. $500,001 to $1,000,000 - Two signatures from the following:

Chair, Board of Commissioners	Treasurer, Board of Commissioners
President & CEO	Director of Treasury Services
Chief Financial Officer	Controller

   f. $1,000,001 and above - Two signatures, one each from Group A and Group B:

GROUP A	GROUP B
Treasurer, Board of Commissioners	Chair, Board of Commissioners
President & CEO	Vice Chair, Board of Commissioners
	Secretary, Board of Commissioners

2. Employee Medical Self Insurance Account

   a. Under $25,000 -- Approved Officer of Service Provider (including facsimile signature)

   b. $25,001 to $100,000 - Two Signatures, one each from Group A and Group B:

GROUP A	GROUP B
Approved Officer of Service Provider (including facsimile signature)	President & CEO Chief Financial Officer Director of Treasury Services Treasury Specialist Controller

   c. $100,001 to $500,000 - Two signatures, one each from Group A and Group B:

GROUP A	GROUP B
Approved Officer of Service Provider	Treasurer, Board of Commissioners President & CEO Chief Financial Officer Director of Treasury Services Controller Treasury Specialist

   d. $500,001 to $1,000,000 – Two signatures, one each from Group A and Group B:

GROUP A	GROUP B
Approved Officer of Service Provider	Treasurer, Board of Commissioners President & CEO Chief Financial Officer Director of Treasury Services Controller

I. Wire Transfer Authority **(rev. 01/04/08)**

1. Wire Transfers and Automated Clearing House Transactions (ACH) are authorized for the transfer of funds between checking, investment and

savings accounts, payment of services, equipment, construction in process, a well as payroll related expenditures that are authorized by and in the name of the Bi-State Development Agency.

2. Wire Transfer and Automated Clearing House Transactions (ACH) authority is limited to the below listed individuals. Wire transfers of a non-repetitive nature require the authority of any two of the below listed individuals:

Chief Financial Officer	Treasury Specialist
Director of Treasury Services	Controller
Manager of Accounts Payable	Debt Analyst

3. Authorization to create new repetitive Wire Transfers and Automated Clearing House Transactions (ACH) requires approval of any two of the following:

President & CEO
Chief Financial Officer
Chair, Vice Chair, Treasurer, Secretary, Board of Commissioners

J. Authorized Signatories for the Release of Pledged Collateral:

Chief Financial Officer	Director of Treasury Services
Treasury Specialist	Debt Analyst

K. Authorized Signatories for Self Insurance Related Letters of Credit Requests for Letters of Credit must be submitted to the Treasury Section. Treasury personnel will obtain the Letter of Credit and submit the application to one of the following for authorization.

$49,999 and Below	-	Chief Financial Officer
$99,990 and Below	-	President & CEO
$100,000 and Above	-	Chair, Vice Chair, Treasurer of the Board of Commissioners

L. Authorized Agency Bank Accounts: **(revised 8/15/07, 09/28/12)**

Bank	Account Numbers	Funds (Purpose)
Bank of America	XXXXXXXXXX90 -	Operating (Payroll)
-	XXXXXXXXXX91 -	Transit Pass Revenue
-	XXXXXXXXXX21 -	Transit Operating, Sales Tax, & Internally Restricted
-	XXXXXXXXXX34 -	Transit Farebox Revenue

-	XXXXXXXXXX58 -	Arch Garage Operations & Maintenance
-	XXXXXXXXXX48 -	Transit MetroLink Revenue
-	XXXXXXXXXX62 -	Regular Self Insurance
-	XXXXXXXXXX96 -	Investment Transitory
-	XXXXXXXXXX17-	Transit Revenue (TVM credit card)
-	XXXXXXXXXX46-	Call-A-Ride Revenue
-	XXXXXXXXXX13-	Accounts Payable EFT
-	XXXXXXXXXX39-	Accounts Payable
-	XXXXXXXXXX26-	Regular Self Insurance Claims
Jefferson Bank & Trust	XXXXXXXXXX15 -	Non-Transit Repo
J.P. Morgan Chase	XXXXXXXXXX66-	Cigna Medical Self Insurance Claims (funded by Metro, admin. By Cigna)
PNC	XXXXXXXXXX74-	Arch Revenue
	XXXXXXXXXX66-	Riverboat Revenue
UMB Bank	XXXXXXXXXX25 -	Arch Garage Revenue
	XXXXXXXXXX28 -	Transit Operating
Regions Bank -	XXXXXXXXXX41 -	Airport Revenue
US Bank -	XXXXXXXXXX24 -	Metroride Store Revenue

Section 30.050 Financial Reporting **(revised 09/25/09)**

A. Policy. It is the policy of the Agency to prepare the financial results of each operating company as required by specific agreement, but not less than quarterly. Financial statements for the Board of Commissioners shall be prepared quarterly, and include the following statements:

1. Transmittal letter of noteworthy variations, including disclaimer
2. Balance Sheet
3. Statement of Revenue, Expense Income (Loss)
4. Cash Receipts and Disbursement Schedule
5. Capital Expenditures for Active Projects
6. Statement of Cash Flows
7. Aged Receivables

Disclaimer:

The following disclaimer shall be included in each transmittal letter of noteworthy variance:

> "These interim financial statements are not in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) due to the following reasons: Depreciation is not shown as an operating expense, but as other non-operating expense; capital contributions and total net assets are now shown on the Statement of Revenue, Expense, Income (Loss); and there are no accompanying footnote disclosure requirements or Management Discussion and Analysis (MD & A) sections included."

Section 30.060 Risk Management **(revised 2/25/2000 and 08/20/2021)**

A. General. One of the Agency's primary objectives is to provide safe, reliable, and cost-effective transportation services while complying with federal, state, and local laws. In support of that objective, the Agency will develop and maintain an effective, integrated risk management program. This policy applies to all exposures to risk of loss that are fortuitous and result from external causes. These exposures include, but are not limited to, fires, collisions, theft, windstorm, construction accidents, workers' compensation claims, and auto or general liability claims as well as associated lawsuits against the Agency.

B. Authority and Responsibility. The Director of Risk Management is responsiblefor recommending the overall direction of the Agency's risk management program as specified inthe Agency's Management Policies & Procedures.

C. Self-Insurance (revised 08/20/21). The Agency will self-insure those routine risks associated with its core transit operations. Risk exposures above the self-insured retention will be covered by excess insurance if such excess insurance is available and affordable.

D. Third Party Administrator (revised 08/20/21). The Agency will contract with a third party adjusting firm to assist in administering claims handling (TPA). The Risk Management Department will monitor the TPA and hold quarterly claims reviews. An annual audit will be performed.

E. Insurance. Primary property and liability insurance will be purchased for unique or special risks of loss, for major construction projects, and when required by law or by contract. A Broker of Record will perform the insurance marketing function under the direction of the Director of Risk Management.

F. Self-Insurance Fund (revised 08/20/21). The Agency will maintain asset accounts, referred to as "Self-Insurance Funds", as authorized by the Board of Commissioners on October 1, 1982, to support liabilities accrued as a result of its self-insured losses. The Chief Financial Officer of the Agency will maintain the Self-Insurance Fund, complying with prudent business practices and all applicable governmental pronouncements, and determine the amount of annual funding required. The fund is subject to following guidelines:

1. The current balance will be sufficient to pay estimated judgments, settlements, losses, and expenses for a three (3) year time period.

2. The amounts held in the Self Insurance Funds shall be used solely for the purpose of paying such liabilities and expenses.

3. The Chief Financial Officer, with concurrence of the President & CEO, is authorized to borrow amounts from the Self Insurance Funds to pay expenses of the Transit System in anticipation of routine operating subsidies and capital grants. All amounts borrowed from the Self Insurance Funds shall be reimbursed to such Fund as soon as possible withnormal Agency revenues such as Farebox revenue, sales tax revenues, interest earnings and operating subsidy funds. The Board ofCommissioners is to be notified, in writing, of any borrowing, outlining the amount borrowed.

G. Excess Judgment Fund (revised 08/20/21). The Agency will maintain an additional asset account, referred to as the "Excess Judgment Fund", as authorized by the Board of Commissioners on July 7, 1989, to provide supplemental cash flow to the Self-Insurance Funds, in the event of a large or catastrophic loss that is greater than 50% of the Agency's Self-Insured retention amount for that year. In addition, this fund will provide temporary or emergency funds for property losses that are equal or greater than $500,000 and where the insurer has delayed payment or is questioning coverage under its policy. The Chief Financial Officer of the Agency will maintain the Excess Judgment Fund, complying with prudent business practices and all applicable governmental pronouncements. The fund is subject to following guidelines:

1. The goal is to attain and maintain a $5,000,000 fund balance.
2. A minimum of $250,000 shall be appropriated annually by the Board as part of the budget process until the fund goal of $5,000,000 is reached.

3. Interest earned by monies in the fund shall inure exclusively to the fund on a cash basis until the fund goal of $5,000,000 is reached.
4. Monies appropriated to the fund shall be deposited in the account at the beginning of the Fiscal Year, or as received from the funding jurisdictions.
5. This unencumbered balance of this fund may be used as collateral for short-term debt obligations.
6. The Chief Financial Officer, with concurrence of the President & CEO, is authorized to borrow amounts from the Excess Judgment Fund to pay expenses of the Transit System in anticipation of routine operating subsidies and capital grants. All amounts borrowed from the Excess Judgment Fund shall be reimbursed to such Fund as soon as possible with normal Agency revenues such as farebox revenue, sales tax revenues,interest earnings and operating subsidy funds. The Board ofCommissioners is to be notified, in writing, of any borrowing, outlining the amount borrowed.

H. Claim Settlement Authorization (revised 08/20/21). The Board of Commissioners must approve defense settlements exceeding the Missouri sovereign immunity limit for any one person in a single accident or occurrence. The Claim Settlement Authorization, based upon the Missouri sovereign immunity limit, shall be adjusted annually as published by the Missouri Department of Insurance. Authorization granted by the Board of Commissioners is deemed to include an additional contingency amount, equal to 20% of the actual authorization granted, for extraordinary use by the President & CEO. This additional authorization may be granted by the President & CEO as trial approaches or during the actual trial. For settlement amounts over $100,000 and up to the sovereign immunity limit, the President & CEO will approve and must notify and receive acknowledgement from the Board of Commissioner's Chair and Vice Chair. Settlements from $20,000 to $100,000 will require the approval of the Director of Risk Management who must notify and receive acknowledgement from the Agency's General Counsel.

I. Litigation Management and Board Notification (revised 08/20/21). In addition to requests for settlement, authorization, the Board of Commissioners will be notified by management about large claims or lawsuits that may significantly impact the Agency's financial stability, its assets, or its public image.

1. The Director of Risk Management will regularly provide informational briefs to the Board on claims and lawsuits that fall into the following classifications:

   a. Fatalities & severely disabling injuries.
   b. Jury verdict range or settlement range is expected to exceed $100,000.
   c. Other unusual or sensitive claims which may be of particular interest to the Commissioners.
   d. Final results on claims where the Board has extended settlement authorization.

2. The briefing to the Board will contain:

   a. Facts & background of the case.
   b. Summary of injuries & special damages.
   c. Assessment of liability and expected outcome.
   d. Litigation history and status if in suit.
   e. Opinion of legal counsel (if assigned).
   f. Recommendations and strategy for an appropriate resolution.

3. The Director of Risk Management will maintain a written litigation management program, attorney billing guidelines, and procedures for selecting and retaining defense counsel as specified in more detail in the Agency's Management Policies & Procedures.

J. Review of Agency Contracts and Documents. The Director of Risk Management, in consultation with the Agency's General Counsel as needed, will review Agency contracts, leases, agreements, easements or other documents that transfer risk, specify indemnity obligations, or require specific insurance from one or more of the parties.

Section 30.070 Hedging (effective 2/23/2001; revised 11/20/15; revised 06/25/21)

A. General. Because of the nature of its responsibilities to the St. Louis Metropolitan region, the Bi-State Development Agency (Agency) manages financial risks attributed to the price variability of fuel usage. This risk can be managed effectively through the use of hedging techniques. The purpose of this policy is to generally outline how the Agency will manage these risks, what techniques will be employed, and the general guidelines to be followed.

B. Definition. A hedge is a financial tool used to reduce the risk associated with normal business activities of buying fuel. The purpose of this hedging program is not to make orlose money but to manage risk. This program is not an investment and should not be construed as such. Realized gains or losses will be considered as an element of fuel cost. A hedging program will:

a. seek to decrease the volatility of fuel cost;
b. seek to increase the likelihood that actual net fuel cost will remain below the budgeted cost;
c. seek to increase the certainty of future fuel cost;
d. seek to attain a lower overall cost of fuel in the long-term;
e. seek to manage year-over-year changes in fuel cost.

C. Program Infrastructure.

a. Instruments. The agency will maintain a futures account with a Futures Commission Merchant (Broker, which may be a separate entity from the Advisor. The Agency, through the management and direction of an

Advisor, acquires, holds, and disposes of fuel futures contracts in the operation of its program. The high correlation between the movement of the price that the Agency pays for its fuel and the movement of the valueof the futures contracts produces the program's effectiveness as a hedge. Due to the liquidity of the futures contracts purchased, these contracts do not require an investment grade rating.

b. Maximum Hedge Ratio. The Agency's volume of fuel consumption is predictable and without significant variability over time. Given this, the maximum hedge ratio will be limited to 95% of forecasted consumption.

c. Maximum Hedge Maturity. To allow the establishment of cost certainty in current and future budget periods, the maximum maturity of the futures contracts taken in conjunction with the program is 36 months forward from the acquisition date.

d. Exiting Market Conditions. The advisor will exit the futures contracts evenly through time to coincide with the fuel supply contract pricing mechanism. This even liquidation of futures hedges through time and the even purchase of fuel via the Agency's fuel supply process assures the effectiveness of the hedging process. Based on the difference between the hedge price (entry price) and the settlement price (exit price), there will be a realized gain/loss associated with the hedge that will appear in thefutures account. Futures contracts will be held to maturity (exited when the corresponding fuel is purchased) and, in the normal operation of the program, there will be no interim trading or early exit allowed.Exceptions to this include situations where the volume of forecasted fuel consumption decreases in which case the hedge position may be adjusted to comply with the Maximum Hedge Ratio.

D. Physical Supply. The physical supply of fuel will be purchased according to the Agency's procurement policies, and will be priced according to the fuel supply contract.

E. Strategy. The Strategy is how the program's objectives are achieved. The strategy will utilize a process:

a. that addresses market opportunities and market risks;
b. that examines fundamental and technical market factors in the hedge decision-making process;
c. that holds the risk of exceeding budget at or below an acceptable level;
d. that uses historical pricing ranges as pricing parameters;
e. that is continuously applied through time;
f. that will take advantage of the inherent "dollar cost averaging" properties of a continuous hedging program;
g. that mitigates transaction timing risk by making more numerous smaller volume transactions.

These things will be accomplished by the advisor executing the appropriate transactions at the appropriate times to create the desired effect within the constraints of the policy.

F. Risk Management. The Agency will engage only in financial hedge transactions that are related to the Agency's principal business, including the operation of diesel buses and vans. The Agency will only trade specific contracts as necessary to hedge for the pricing of fuel/energy costs, as related to these areas of business, and as advised by the Advisor.

G. Execution, Reporting and Oversight.

a. The advisor will be responsible for the day to day execution of the program including the execution of transactions, generating reports on the program's status and results, and monitoring the program and the energy markets. The advisor will generate periodic updates on the status and results of the program.

b. The Treasury Department will provide the Board of Commissioners with a summary of its activity through the quarterly Treasurer's Report.

c. A Hedge Committee will oversee the activities of this program. The Committee shall include Chief Financial Officer, Director of Treasury, Assistant Executive Director Transit Assets, and the Vice President of Procurement, Inventory Management & Supplier Diversity. The role of the Hedge Committee will be to determine whether a proposed hedging strategy, transaction or group of transactions is consistent with this Hedge Policy and review the performance of the hedging activity on a periodic basis. The Hedge Committee will meet no less than quarterly, and meeting minutes and Committee decisions will be documented and approved by the Committee.

Section 30.080 Debt Issuance and Administration (revised 6/26/09)

A. The Agency. The Bi-State Development Agency of the Missouri-Illinois Metropolitan District (the "**Agency**") is a body corporate and politic created and existing by reason of a joint compact (the "**Compact**") between the States of Missouri and Illinois (Sections 70.370 *et seq*. of the Revised Statutes of Missouri, as amended, and Illinois Compiled Statutes, Chapter 45, Act 100, as amended) and approved by the United States Congress and the President.

B. Powers to Issue Debt. *RSMo Section 70.373; 45 ILCS 110/1 Ratified by Congress January 7, 1959; further amended and ratified by Congress January 3, 1985*

1. To borrow money for any of the authorized purposes of the Agency and to issue the negotiable notes, bonds or other instruments in writing of the Agency in evidence of the sum or sums to be borrowed;

2. To issue negotiable refunding notes, bonds or other instruments in writing for the purpose of refunding, extending or unifying the whole or any part of its valid indebtedness from time to time outstanding, whether evidenced by notes, bonds or other instruments in writing;

3. *To provide that all negotiable notes, bonds or other instruments shall be payable, both as to principal and interest, out of the revenues collected for the use of any facility or combination of facilities owned and operated by the Agency, or out of any other resources of the Agency, and may be further secured by a mortgage or deed of trust upon any property owned by the Agency. All notes, bonds or other instruments in writing issued by the Agency as herein provided shall mature in not to exceed thirty years from the date thereof, shall bear interest at a rate not exceeding fourteen percent per annum, and shall be sold for not less than ninety-five percent of the par value thereof. The Agency shall have the power toprescribe the details of such notes, bonds or other instruments in writing, and of the issuance and sale thereof, and shall have power to enter into covenants with the holders of such notes, bonds or other instruments in writing, not inconsistent with the powers herein granted to the Agency, without further legislative authority;*

4. *To issue bonds for industrial, manufacturing or commercial facilities located within the Bi-State metropolitan district upon the security of the revenue to be derived from such facilities; and, or upon any property held or to be held by it.*

C. Revenue Bonds.

I. General Management Policies

The Agency will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting and fare-setting process.

A. In recognition of periodic changes in the cost of providing service to system users, service costs and fees will be reviewed annually and adjusted commensurately.

B. The Agency will present any proposed adjustments to existing fares, rates, fees and charges at public meetings, and will consider recommendations and input from the public as it relates to such proposed changes.

C. All Agency funds will be invested according to the Investment Policies of the Agency.

D. Necessary appropriations for annual debt service requirements will be routinely included in the Agency's annual budget.

E. The Agency will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible rates.

F. The Agency may appoint a special committee of local financial experts to assist management as it develops financial plans.

G. Fund co-mingling and inter-fund borrowing.

The transit system is presently comprised of the following funds:

- Revenue Fund
- Operating Fund
- Internally Restricted Fund (Special Sales Tax Capital Fund)
- Sales Tax Capital Fund
- Prop M Fund
- Self Insurance Fund
- Stabilization Fund

The Agency maintains one bank depository account for operational and working capital purposes, which is comprised of the Operating, Internally Restricted, Sales Tax Capital, and Stabilization Funds. While these funds are co-mingled in a single bank account, specific accounting is maintained on the Agency's books at the fund level.

Transit operations have little seasonality and are generally consistent throughout the year. The annual appropriation process for state, local and federal formula funding, which combinedprovides approximately 75% of the Agency's funding, commences after the fiscal year begins. Local appropriations are subject to the legislative process, and Federal appropriations can be delayed up to 12 months. Consequently, Agency staff is authorized to transfer (borrow) funds within the groups identified above in order to maintain operational liquidity and adequate working capital.

In the event the above funds are exhausted, temporary operating deficits may be funded by unencumbered Self Insurance and Prop M Funds. Staff shall inform the Board any time the local funding jurisdictions fail to provide funds within ninety days of the beginning of the fiscal year. Management shall recommend a course of action up to and including service interruption for the jurisdiction in question.

Furthermore, the Agency utilizes the Transit Operating Fund (Accounts Payable Account) as the single disbursement account for the payment of both transit and business enterprise obligations. Liability accounts shall be maintained for the recording of all payments made by Transit for Business Enterprises, and Business Enterprises shall reimburse Transit, in the following month, for any such payments.

I. Financial Management Policies

The Agency utilizes a comprehensive planning process to determine its long-term capital needs. The Agency evaluates each capital project in relation to established federal, state and local grants and assistance programs and levels of reserves, current rate structure, expected asset life/replacement timeline, and available revenue sources to ensure that adequate financial resources are available to support the Agency's financial obligations. The Agency's Debt and Financial Management, Investment, and Swap Policies are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such the following policies outline the Agency's approach to debt management:

A. The Agency will evaluate financing for each capital project on a case-by-case basis. The Agency will seek to pay for all capital projects from current revenues, federal grants and assistance programs and available reserves prior to or in combination with the use of debt.

B. The Agency will seek to issue debt only in the case where there is an identified source of repayment. Bonds will be issued to the extent that (i) projected fixed revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such fixed revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.

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C. Debt issuance for a capital project will not be considered unless such issuance has been incorporated into the capital improvement plan (Long Range Financial Plan).

D. The Agency may designate a pool of qualified investment banking firms (or underwriters). The pools may be used for designating underwriting syndicates fora period extending through April 30, 2014. The Finance Division may terminate or extend the pools at any time prior to this date. The Finance Division may also periodically update the pools of underwriters, including the addition of firms that may submit their qualifications after the initial deadline. In addition, the Finance Division may request additional information or additional qualifications at any time from firms in the pools of underwriters. Expiration of the underwriting pool will not affect any previously designated syndicate(s) with which there are active negotiations for a bond sale.

II. Debt and Capital Management Policies

The following policies formally establish parameters for evaluating, issuing, and managing the Agency's debt. The policies outlined below are not intended to serve as a list of rules to be applied to the Agency's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management.

In issuing debt, the Agency objectives will be to:

1. Achieve the lowest cost of capital;
2. Maintain high credit ratings and access to credit enhancement;
3. Preserve financial flexibility.

III. Standards for Use of Debt Financing

When appropriate, the Agency will use long-term debt financing to: achieve an equitable allocation of capital costs/charges between current and future system users; to provide more manageable rates in the near and medium term; and to minimize rate volatility.

A. For growth related projects, debt financing will be utilized, as needed, to better match the cost of anticipated facility needs with timing of expected new connections to the system.

B. The Agency shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life.

C. Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

D. Lease Agreements and Installment Sale Agreements shall be considered as an alternative to long-term debt. Although these forms of alternative financing are subject to annual appropriation, they shall be considered as long-term fixed rate debt for the purposes of this policy until maturity.

V. Financing Criteria

Each debt issuance should be evaluated on an individual basis within the framework of the Agency's Long Range Financing Plan, as well as within the context of the Agency's overall financing objectives and current market conditions.

The Agency will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

A. Credit Enhancement – The Agency will consider the use of credit enhancementon a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

B. Cash-Funded Reserve vs. Surety – The Agency may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous.

C. Call Provisions – In general, the Agency's securities should include optional call provisions. The Agency will generally avoid the sale of non-callable long-term fixed rate bonds, absent careful evaluation of the value of the call option.

D. Additional Bonds Test/Rate Covenants - The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and these policies.

E. Short-Term Debt – The Agency may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

F. Use of Variable Rate Debt - The Agency will not issue variable interest rate debt unless: the proposed debt is converted to a fixed rate or hedged (for an interim period or to maturity) by use of a put-type mode, swap agreement or hedging mechanism (e.g., interest rate cap); outstanding un-hedged variable rate debt, including any proposed new variable debt, does not exceed the Agency's "hedge position" (defined herein) in aggregate; or, interest is capitalized during the expected term that bonds will be outstanding in a variable rate mode. For this purpose, the Agency's hedge position will be calculated as the Agency's cash reserves multiplied by 125%. Notwithstanding the above, the Agency will refrain from issuing new variable rate debt (including synthetic variable rate debt), whether hedged or un-hedged, which exceeds 20 percent of the Agency's aggregate debt outstanding.

G. Use of Swaps & Derivatives - The use of any swap agreement in conjunction with the issuance or management of debt instruments will be governed by the Agency's Swap Policy. The use of swaps to create synthetic fixed rate debt should generally be considered only such synthetic fixed rate debt would result in a 20% reduction in debt service vs. traditional fixed rate bonds.

H. Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction, unless further restricted or limited in the Agency's Investment Policy. The preservation of funds, notwithstanding, the Agency will seek to maximize investment earnings within the investment parameters set forth in each respective bond indenture. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a "net" debt service basis, where appropriate.

VI. Refinancing Outstanding Debt

The Agency shall have the responsibility to evaluate potential refunding opportunities presented by underwriting and/or financial advisory firms. The Agency will consider the following issues when analyzing potential refinancing opportunities:

A. Debt Service Savings – The Agency shall establish a target savings level equal to 3% (current refunding) to 5% (advance refunding) of par refunded on a netpresent value (NPV) basis. These figures should serve only as a guideline, the Agency must evaluate each refunding opportunity on a case-by-case basis, and must take into consideration: the time to maturity, size of the issue, current interest rate environment, annual cash flow savings, and the value of the call option. Economic savings resulting from a refunding will generally be structured to occur on a level basis over the life of the refunding bonds. The decision to take all savings upfront or on a deferred basis must be explicitly approved by the Agency's Finance and Audit Committee and Board of Commissioners.

B. Restructuring - The Agency may seek to refinance a bond issue on a non- economic basis in order to restructure debt, mitigate irregular debt service payments, accommodate revenue shortfalls, release reserve funds, comply with and/or eliminate rate/bond covenants, or terminate a swap.

C. Term/Final Maturity – The Agency may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is permissible under the Agency's Compact and Federal tax law. The term of the bonds should not extend beyond the reasonably expected useful life of the asset being financed. The Agency may also consider shortening the final maturity of the bonds..

D. Escrow Structuring - The Agency shall utilize the least costly securities available in structuring each escrow. A certificate will be required from a third party agent who is not acting as a broker-dealer, stating that the securities were purchased through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Series Securities (SLGS), and that the price paid was reasonable and within Federal guidelines. The Agency retains the right to use SLGS at any time in structuring its escrows.

When evaluating the economic viability of an economic versus legal defeasance, the Agency shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The Agency shall take all necessary steps to optimize its escrows and to avoid negative arbitrage in any refunding.

VII. Method of Issuance

The Agency will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation.

A. Competitive Sale – In a competitive sale, the Agency's bonds shall be awarded to the bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale.

B. Negotiated Sale – Due to the unique nature of the Agency's fundingarrangements, the Agency recognizes that many of its transactions are best sold through negotiation. In consideration of a negotiated sale, the Agency shall assess the following circumstances that weigh toward the use of a negotiated sale:

1. Issuance of variable rate or taxable bonds;
2. Complex structure or credit considerations (such as non-rated bonds),which requires a strong pre-marketing effort;
3. Significant par value, which may limit the number of potential bidders;

4. Unique/ proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process;
5. Market volatility, such that the Agency would be better served by flexibility in the timing of its sale in a changing interest rate environment;
6. When an Underwriter has identified new financing opportunities or presented alternative structures that financially benefit the Agency;
7. As a result of an Underwriter's familiarity with the project/financing,which enables the Agency to take advantage of efficiency and timing considerations.

C. Private Placement – From time to time the Agency may elect to issue debt on a private placement basis. Such method shall generally be considered only if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

D. Conduit Issuance – The Agency may elect to enter into financing agreements with other issuers, including but not limited to the City of St. Louis, St. Louis County, and the Missouri Development Finance Board, to permit debt to be issuedon the Agency's behalf. The Agency will consider this approach if such an arrangement is expected to produce lower borrowing costs, enhance the flexibilityof the Agency, or provide other operational efficiencies.

VIII. Market Communication, Debt Administration and Reporting Requirements

Rating Agencies and Investors – The Chief Financial Officer shall be responsible for maintaining the Agency's relationships with Moody's Investors Service, Standard & Poor's Ratings- Services, Fitch Ratings or any other nationally-recognized rating service. The Agency may, from time to time, choose to deal with fewer than all of these agencies as circumstances dictate.

In addition to general communication, the Chief Financial Officer shall: (1) meet with Credit Analysts at least once each fiscal year, and (2) prior to each competitive or negotiated sale, offer conference calls with Agency analysts in connection with the planned sale.

A. Board Communication – The Chief Financial Officer shall include in an annual report to the Finance and Audit Committee and the Board of Commissioners feedback from rating agencies and/or investors regarding the Agency's financial strengths and weaknesses and recommendations for addressing any weaknesses.

B. Continuing Disclosure – The Agency shall remain in compliance with Rule 15c2-12 or any successor rule or regulation by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within 270 days of the close of the fiscal year. The inability to make timely filings must be disclosed and would be a negative reflection on the Agency. While also relying ona timely audit and preparation of the Agency's annual report, the Chief Financial

Officer will ensure the Agency's timely filing with each Nationally Recognized Municipal Securities Information Repository.

C. Record-Keeping – A copy of all debt-related records shall be retained at the Agency’s offices. At minimum, these records shall include all official statements, bid documents, bond documents / transcripts, resolutions, trustee statements, leases, and title reports for each Agency financing (to the extent available). To theextent possible, the Agency shall retain an electronic copy of each document - preferably in Adobe Acrobat-compatible or CD-ROM format.

D. Arbitrage Rebate – The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code arbitrage rebate requirements. The Chief Financial Officer shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation; and, if rebate is due, such payments are made.

Section 30.090 Donation and Gift Policy **(NEW effective 11/19/21)**

A. Policy. It is the policy of the Agency that gifts and donations to the Agency are welcomed and encouraged. Gifts and donations are valued as expressions of individual support for the Agency’s mission and help to enhance its services, programs and facilities by supplementing federal, state, or contractual support.

B. Types of Gifts. The Agency accepts the following types of gifts and donations: cash, tangible personal property, publicly traded and recognizable securities, real estate, bequests, trust funds and annuities.

C. Use of Gifts. The President and CEO or Board of Commissioners will carefully consider the needs of the Agency and will use a gift where it determines it is most needed, so that all donations may directly and indirectly support the public purposes of the Agency. The Agency may choose not to accept a gift if the donor wishes to place limitations or restrictions on its use or disposal. The Agency may refuse any gift that does not sufficiently benefit the Agency, is in conflict with the Agency’s mission, puts the reputation of the Agency at risk, or is prohibited by law.

D. Acceptance of Gifts. The President and CEO may accept any gift or donation of the types described in Section B on behalf of the Agency. Other types of gifts and donations willbe evaluated on a case-by-case basis by the Board of Commissioners

When processing each gift, the Agency will follow generally accepted accounting principles. The Agency takes no responsibility for valuing gifts for tax purposes or for the tax consequences to the donor.

All accepted gifts and donations become the property of the Agency. The Agency reserves the right to sell or otherwise dispose of non-monetary gifts, if the Board of Commissioners or President and CEO, determines that such sale or disposition is advisable or necessary.

E. Documentation. The Agency will retain a written receipt of each donation and gift identifying the name of the donor, the amount and the date of the donation or gift, and the nature of restriction on the gift, if any. The Agency will acknowledge each donation by letter, thanking the donor. Donors who make a significant financial or material donation will receive a contemporaneous written acknowledgement of the donation from the Agency.

COLLECTED BOARD POLICIES

OF THE

BI-STATE DEVELOPMENT AGENCY

OF THE

MISSOURI-ILLINOIS METROPOLITAN DISTRICT

Chapter 30 Audit, Finance and Budget

Section 30.005 Audit Committee Charter **(added 03/25/11, rev. 09/23/11 and rev. 06/24/22)**

A. GENERAL (revised 09/23/11). The purpose of the Audit Charter is to assist the Board of Commissioners, through its Audit Committee, in fulfilling its fiduciary oversight responsibilities as follows:

(1) Audit Committee management and Reporting Responsibilities
(2) External Audit of the Financial Statements
(3) Internal Audit Process
(4) System of Risk Management
(5) Processes for Monitoring Compliance with Laws and Regulations and the Ethics Policy, Code of Conduct and Fraud Policy
(6) Special Investigations and Whistleblower Mechanism

Source: Information to develop this Charter is from *The AICPA Audit Committee TOOLKIT: Government Organizations*

B. AUTHORITY. The Audit Committee ("committee") has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to perform the following functions, which are numbered according to the purposes listed above.

1. Audit Committee Management and Reporting Responsibilities **(rev. 06/24/22)**

- Each member of the Committee should be appointed by the Chairman of The Bi-State Development Agency ("Bi-State") Board of Commissioners.
- At least one member of the Committee should have financial experience.
- The Committee should review this Charter annually, reassess the adequacy of the Charter, and recommend any proposed changes to the Board of Commissioners. It should consider changes that are necessary as a result of new laws, regulations, or accounting and auditing standards, including best auditing practices.
- The Committee should meet at least four times per year, and at additional times when necessary. These meetings may be combined with regularly scheduled meetings, or may be held more frequently as circumstances may require. The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
- Conduct executive sessions with the independent auditors, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Audit Executive (CAE), General Counsel, outside counsel, and anyone else as desired by the Committee.
- The Committee shall be authorized to hire professional consultants as necessary.
- Review and concur on the appointment, replacement, reassignment, or dismissal of the Chief Audit Executive.
- Oversee the appointment of the independent auditors to be engaged for external reporting, and establish the related audit fees.
- If the audit organization provides any non-audit services, determine that the audit organization has considered and documented its consideration of how providing these non-audit services does not violate the requirements that the audit organization (a) not provide services that involve performing management functions or making management decisions, and (b) not audit their own work, as stipulated by best auditing practices.
- Review and evaluate the performance of the independent auditors.
- Review with the full Board of Commissioners any proposed discharge of the independent auditors.
- Review with the independent auditor, the Chief Financial Officer, and the Chief Audit Executive, the audit scope and plan of the internal auditors and the independent auditors. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- The Committee should evaluate the independent auditors and internal auditors.
- The Committee should review its effectiveness.
- Create an agenda for the ensuing year, or review and approve the agenda submitted by the Chief Audit Executive.

2. External Audit of the Financial Statements **(rev. 06/24/22)**

- Review with management and the independent auditor the effect of any regulatory and accounting initiatives, such as related organizations financing structures, derivatives, or securities lending.
- Review with the independent auditor that performs the financial statement audit:

    a. All critical accounting policies and practices used by Bi-State.
    b. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with Bi-State's management, the ramifications of each alternative, and the preferred treatment.

- Review all significant written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
- Review with management and the independent auditors:

    a. The Bi-State Development Agency's annual financial statements, related footnotes, and management's discussion and analysis;
    b. The independent auditor's audit of the financial statements and their report thereon;
    c. The independent auditors' judgments about the quality, not just the acceptability, of Bi-State's accounting principles as applied in its financial reporting;
    d. The independent auditors' single audit of the federal awards administered by Bi-State and their reports thereon;
    e. The independent auditors' examination of the effectiveness of any hedging activities;
    f. Any significant changes required in the independent auditors' audit plan;
    g. Any serious difficulties or disputes with management encountered during the audit. Matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, *Communication With Audit Committees* (AICPA, *Professional Standards*, vol. 1, AU Sec. 380), as amended; U.S. Government Accountability Office's *Government Auditing Standards;* and the U.S. Office of Management and Budget's Circular A-133 related to the conduct of the audits.

- Review with the General Counsel and the Chief Audit Executive legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements and compliance with federal, state, and local laws and regulations.

3. Internal Audit Process **(rev. 06/24/22)**

- Review with management the policies and procedures with respect to Bi-State management's use of expense accounts, public monies, and public property, including for example, their use of Bi-State's vehicles. Consider the results of any review of these areas by the Internal Auditor or the independent auditors.

- Consider, with management, the rationale for employing audit firms other than the principal independent auditors for services that Bi-State or the independent auditor determines would not be appropriate for the principal independent auditor to perform.
- Review with management and the Chief Audit Executive:

  a. Significant findings on internal audits during the year and management's responses thereto.
  b. Any difficulties the internal audit team encountered in the course of their audits, including any restrictions on the scope of their work on access to required information.
  c. Any changes required in the scope of their internal audits.
  d. The Internal Audit Department budget and staffing.
  e. The Internal Audit Department charter.
  f. The Internal Audit Department's compliance with applicable standards (for example, *Government Auditing Standards,* or the Institute of Internal Auditors' (IIA's) Standards for the Professional Proactive of Internal Auditing).

4. System of Risk Management **(rev. 06/24/22)**

Inquire of management, the Internal Audit Department, and the independent auditors about significant risks or exposures facing Bi-State; assess the steps management has taken or proposes to take to minimize such risks to Bi-State; and periodically review compliance with such steps.

Inquire of the Chief Executive Officer and Chief Financial Officer regarding the fiscal health of Bi-State, as well as the financial status of Bi-State in relation to its adopted budget.

Review with the independent auditors and Chief Audit Executive:

a. The adequacy of Bi-State's internal controls including computerized information system controls and security;
b. Any related significant findings and recommendations of the independent auditors and internal auditors together with management's responses thereto.

5. Organization's Processes for Monitoring Compliance with Laws and Regulations and the Ethics Policy, Code of Conduct and Fraud Policy (rev. 06/24/2022)

a. Periodically review Bi-State's code of conduct to ensure that it is adequate and up to date.
b. Review with the Chief Audit Executive and General Counsel the results of their review of compliance monitoring with the code of conduct.

Section 30.010 Annual Audit

A. Policy **(revised 5/22/09 and 6/24/22).** It is the policy of the Agency to submit its books and recordsto annual audit by a nationally recognized CPA firm. The firm selected shall have broad experience in auditing large local government and/or agencies in compliance with relevantfederal rules and regulations such as the Single Audit Act and examining any hedging activities. The firm, and any principal/s of the firm, shall have no direct or indirect personal or financial interest in the fiscal affairs of the Agency, or of any officer of the Agency. The Agency shall not engage any firm, or any lead or concurring audit partner connected with that firm's provision of audit services to the Agency, fora contract term in excess of five (5) consecutive years.

B. Reporting. This firm reports its findings and conclusions to the entire Commission each year and may meet with the Audit Committee at any time during the year. Upon receipt of the final management letter, the President & Chief Executive Officer will promptly forward a response to the Audit Committee indicating the status of each recommendation or finding.

Section 30.020 Internal Audit (rev. 06/24/22)

A. Policy. It is the policy of the Agency to employ a Chief Audit Executive who shall report directly to the Board of Commissioners. The Chief Audit Executive shall supervise and direct the staff of the Internal Audit Department. The Internal Audit Department shall provide independent objective analysis and recommendations to assist the President & Chief Executive Officer and management in effectively discharging their administrative responsibilities. The Internal Audit Department shall perform routine audits of compliance of Agency divisions with internal Agency rules and regulations. The Internal Audit Department shall at all reasonable times have access to the accounts, books and records of the Agency, and the Department may in relation to such interview the President & Chief Executive Officer and other employees of the Agency.

B. Work Plan. The Chief Audit Executive shall be responsible for preparing an annual Audit Work Plan. Additionally, Commissioners and Senior Managers shall identify potential areas for review by the Internal Audit Department. Upon completion of the Audit Work Plan, the Chief Audit Executive shall present the Plan to the Audit Committee for their review and approval pursuant to these Board Policies.

C. Special Reviews. From time to time the President & Chief Executive Officer may assign to the Chief Audit Executive special reviews designed to assure continuous quality improvement of Agency operations.

Section 30.030 Annual Budget

A. General. Each year the President & CEO shall prepare an annual budget for the forthcoming fiscal year that will be presented to the Board of Commissioners. The President & CEO will work with the Board in setting strategic objectives, update the Agency's long range planning document, and prepare both an operating and capital budget. The operating budget shall include proposed expenditures for current operations during the ensuing fiscal year and the method of financing such expenditures. The capital budget shall include capital expenditures during the ensuing fiscal year and the proposed method of financing such expenditures.

B. Approval. The President & CEO will present the annual budget at a regularly scheduled meeting of the Board of Commissioners. The Board of Commissioners shall approve annual operating and capital budgets prior to the beginning of the ensuing fiscal year.

Section 30.040 Banking and Investment (rev. 06/23/06. 11/19/10, 09/28/12)

A. General. Policy directs the investment of all operating, self-insurance restricted, capital and debt service funds of all entities of the Bi-State Development Agency not expressly controlled by Revenue Bond Trustees.

The preservation of funds is the first consideration in determining the investment of Agency cash. Thereafter, the highest yield consistent with safety is required, provided the maturities are short enough to maintain operational liquidity. Banks and other financial institutions, which meet the criteria below, will be selected for investments only on a competitive basis. The number of demand deposit non-interest bearing accounts will be kept to the minimum for operational efficiency and safety.

Notwithstanding the following authorized investments, it is the Board's intent to have the majority of the available funds invested in local institutions provided the institutions meet the minimum credit standings set out below and yields are competitive.

The Board also directs management to refrain from investing Agency funds in anyfinancial institutions or businesses that conduct business with governments deemed unacceptableby the Federal Government through executive order or enacted legislation.

B. Authorized investment categories (revised 4/24/09 and 11/19/10)

1. Demand Deposit, Negotiable Order Withdrawal (NOW), Bank Money Market, Certificate of Deposit and Savings Accounts - issued by local banks or thrifts where the account or investment is either collateralized with direct obligations of the U.S. Government or its instrumentality's, or covered by FDIC insurance, or other AAA rated surety.

   Negotiable Certificates of Deposit - provided that the institution maintains a Fitch rating of B or better and / or a Moody's Investor Services short-term rating of P-1. The institutions selected will have a minimum of $100 million in combined capital and unimpaired surplus.

2. Bankers Acceptances - provided that the institution maintains a Fitchrating of B or better and / or a Moody's Investor Services short-term ratingof P-1. The institutions selected will have a minimum of $100 million in combined capital and unimpaired surplus.

3. Direct Obligations of the United States Government, U.S. Government Agencies or U.S. Government Instrumentality's.

4. Commercial Paper - Commercial paper at the time of purchase shall have ratings of A-1 by Standard and Poors Rating Services and P-1 by Moody's Investors Services. Commercial paper of firms doing business within the St. Louis metropolitan region may have ratings of A-2 by Standard and Poors Rating Services and P-2 by Moody's Investor Services.

5. Repurchase Agreements **(revised 11/19/10)** - Repurchase agreements (repos) are acceptable, using any of the securities listed in paragraphs B-4 above as collateral. Also, the firm with whom the repo is executed must be a credit acceptable bank, or broker-dealer. A credit acceptable bank or broker-dealer is defined as one whose senior debt rating is A- by one ofthe three nationally recognized ratings agencies (Standard & Poor's, Moody's, or Fitch). Banks in the Agency's service area that do not have a Standard & Poor's, Moody's or Fitch rating, may also be authorized repo counterparties, provided that they meet the "well capitalized" standard, as defined by the Federal Deposit Insurance Corporation. A written repurchase agreement, substantially modeled on, but in no case less restrictive than, the Securities Industry and Financial Markets Association's "Master Repurchase Agreement", shall be completed for each repo counter party. Such agreements shall be updated periodically, but-no less than once every five years. In all cases, repo collateral shall have a market value of 102% of the dollars invested, plus accrued interest. If the repo term is longer than an overnight maturity, the collateral must be delivered to a third party custodian, and priced-to-market weekly to assurecorrect collateral value coverage.

   The Director of Treasury Services shall obtain approval from the Chief Financial Officer before authorizing a repo counterparty. Before approval, documentation shall be furnished that the authorized counterparty meets the required criteria. The Director of Treasury Services will also monitor continued compliance with the criteria. The current authorized repo counterparties are:

   Bank of America
   Merrill Lynch Capital Markets

UMB Bank Commerce Bank
U.S. Bank
Jefferson Bank & Trust

6. Money Market Funds - Acceptable funds shall be institutional money market funds having over $500 million in net assets and rated AAA by Standard and Poor's, Moody's and/or Fitch rating services.

7. Reverse Repurchase Agreement - A reverse repurchase Agreement orshort-term borrowing (180 days or less), using securities in the Agency's portfolio as collateral, is acceptable. However, the firm with whom the borrowing is executed must meet the same requirements as stated previously for repurchase agreements. Also, the borrowed funds may be used to purchase other securities as an investment arbitrage. In this case, the new investment maturity date must match (+/- one week) the maturity date of the reverse repo, and those instruments must be delivered into the Agency's safekeeping account and held there until maturity. The Board shall be notified of all such transactions though the Treasurer's monthly report.

C. Banking Services. Banks will be negotiated with periodically for demand deposits and other banking services for the greater advantage to the Agency. Any two of the following may open bank accounts, subject to the approval of the Board of Commissioners through a confirming motion at the next meeting of the Board of Commissioners:

Chair, Board of Commissioners	President & CEO
Vice Chair, Board of Commissioners	Chief Financial Officer
Treasurer, Board of Commissioners	

The Treasurer, President & CEO and Internal Audit will monitor the potential for conflict of interest.

1. Investment Performance. Management will provide the Treasurer of the Board of Commissioners with a monthly list of deposits, investments, yields, monthly summary of the prior 12 months' funds experience, and the average amount of non-interest bearing deposits at each institution.

D. Investment Transaction Criteria: **(revised 4/24/09)**

1. Safekeeping Accounts - Securities purchased are delivered against payment and held in a custodian safekeeping account. Tri-party custodian agreements maintained with third party trust companies as well as the Federal Reserve Bank are acceptable. Hold-In-Custody repurchase agreements for fourteen days or less will be processed through special transaction control accounts. These accounts will be audited quarterly by

Internal Audit and the results reported through the Treasurer, to the Board of Commissioners.

2. Maturity Limitations - To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, no funds shall be invested for more than five years from the date of settlement. Theweighted average maturity of the portfolio shall at no time exceed eighteen months.

For Securities that are subject to redemption (call) before final maturity, the final maturity date shall be used both for compliance with the five year limitation and in calculating the weighted average maturity.

3. Diversification –

a. Unlimited investment in the following:

- U.S. Government obligations
- U. S. Government Agency obligations
- U. S. Government Instrumentality obligations
- Repurchase Agreements – secured by the 3 U. S. obligations noted immediately above.
- Money Market Funds – Institutional money market funds having over $500 million in net assets and rated AAA byStandard & Poor's, Moody's and/or Fitch rating services.

b. Investments not to exceed $5.0 million par value from any one issuer:

- Bankers Acceptances
- Commercial Paper
- Negotiable Certificates of Deposit

c. All investments must be paid for before they may be sold.

E. Authorized Individuals. **(Rev. 01/04/08)** The following individuals are authorized to conduct investment transactions for the Agency:

Chief Financial Officer	Treasury Specialist
Director of Treasury Services	Debt Analyst

F. Agency Debt. Agency debt may be incurred only by the specific authority of the Board of Commissioners through special action. Notwithstanding Sections B or E above, all funds under such debt resolutions or indentures of trust shall be controlled by the investment set forth in such documents.

G. Check Signatories **(rev. 01/04/08)**

1. All General Operating Funds Including Self-insurance Fund

a. Under $501 for insurance settlement drafts - One signature from the following:

Claims Adjuster	Manager of Claims
Supervisor of Claims	Director of Risk Management

b. Under $7,500 - One signature from the following:

Treasurer, Board of Commissioners (including facsimile signature)
or in the event of a vacancy in the Treasurer's position,
Secretary, Board of Commissioners (including facsimile signature)

President & CEO	Director of Treasury Services
Chief Financial Officer	Director of Passenger Revenue
Controller	Treasury Specialist

c. $7,501 to $100,000 - Two signatures from the following:

Treasurer, Board of Commissioners (including facsimile signature)
or in the event of a vacancy in the Treasurer's position,
Secretary, Board of Commissioners (including facsimile signature)

President & CEO	Treasury Specialist
Chief Financial Officer	Director of Treasury Services
	Controller

d. $100,001 to $500,000 - Two signatures from the following:

Chair, Board of Commissioners	Treasurer, Board of Commissioners
President & CEO	Director of Treasury Services
Chief Financial Officer	Treasury Specialist
	Controller

e. $500,001 to $1,000,000 - Two signatures from the following:

Chair, Board of Commissioners	Treasurer, Board of Commissioners
President & CEO	Director of Treasury Services
Chief Financial Officer	Controller

f. $1,000,001 and above - Two signatures, one each from Group A and Group B:

GROUP A	GROUP B
Treasurer, Board of Commissioners	Chair, Board of Commissioners
President & CEO	Vice Chair, Board of Commissioners
	Secretary, Board of Commissioners

2. Employee Medical Self Insurance Account

   a. Under $25,000 -- Approved Officer of Service Provider (including facsimile signature)

   b. $25,001 to $100,000 - Two Signatures, one each from Group A and Group B:

GROUP A	GROUP B
Approved Officer of Service Provider	President & CEO
(including facsimile signature)	Chief Financial Officer
	Director of Treasury Services
	Treasury Specialist
	Controller

   c. $100,001 to $500,000 - Two signatures, one each from Group A and Group B:

GROUP A	GROUP B
Approved Officer of Service Provider	Treasurer, Board of Commissioners
	President & CEO
	Chief Financial Officer
	Director of Treasury Services
	Controller
	Treasury Specialist

   d. $500,001 to $1,000,000 – Two signatures, one each from Group A and Group B:

GROUP A	GROUP B
Approved Officer of Service Provider	Treasurer, Board of Commissioners
	President & CEO
	Chief Financial Officer
	Director of Treasury Services
	Controller

H. Wire Transfer Authority **(rev. 01/04/08)**

1. Wire Transfers and Automated Clearing House Transactions (ACH) are authorized for the transfer of funds between checking, investment and

savings accounts, payment of services, equipment, construction in process, as well as payroll related expenditures that are authorized by and in the name of the Bi-State Development Agency.

2. Wire Transfer and Automated Clearing House Transactions (ACH) authority is limited to the below listed individuals. Wire transfers of a non-repetitive nature require the authority of any two of the below listed individuals:

Chief Financial Officer	Treasury Specialist
Director of Treasury Services	Controller
Manager of Accounts Payable	Debt Analyst

3. Authorization to create new repetitive Wire Transfers and Automated Clearing House Transactions (ACH) requires approval of any two of the following:

President & CEO
Chief Financial Officer
Chair, Vice Chair, Treasurer, Secretary, Board of Commissioners

I. Authorized Signatories for the Release of Pledged Collateral:

Chief Financial Officer	Director of Treasury Services
Treasury Specialist	Debt Analyst

J. Authorized Signatories for Self Insurance Related Letters of Credit Requests for Letters of Credit must be submitted to the Treasury Section. Treasury personnel will obtain the Letter of Credit and submit the application to one of the following for authorization.

$49,999 and Below	-	Chief Financial Officer
$99,990 and Below	-	President & CEO
$100,000 and Above	-	Chair, Vice Chair, Treasurer of the Board of Commissioners

K. Authorized Agency Bank Accounts: **(revised 8/15/07, 09/28/12)**

Bank		Account Numbers		Funds (Purpose)
Bank of America		XXXXXXXXXX90	-	Operating (Payroll)
	-	XXXXXXXXXX91	-	Transit Pass Revenue
	-	XXXXXXXXXX21	-	Transit Operating, Sales Tax, & Internally Restricted
	-	XXXXXXXXXX34	-	Transit Farebox Revenue

	-	XXXXXXXXXX58 -	Arch Garage Operations & Maintenance
	-	XXXXXXXXXX48 -	Transit MetroLink Revenue
	-	XXXXXXXXXX62 -	Regular Self Insurance
	-	XXXXXXXXXX96 -	Investment Transitory
	-	XXXXXXXXXX17-	Transit Revenue (TVM credit card)
	-	XXXXXXXXXX46-	Call-A-Ride Revenue
	-	XXXXXXXXXX13-	Accounts Payable EFT
	-	XXXXXXXXXX39-	Accounts Payable
	-	XXXXXXXXXX26-	Regular Self Insurance Claims
Jefferson Bank & Trust		XXXXXXXXXX15 -	Non-Transit Repo
J.P. Morgan Chase		XXXXXXXXXX66-	Cigna Medical Self Insurance Claims (funded by Metro, admin. By Cigna)
PNC		XXXXXXXXXX74-	Arch Revenue
		XXXXXXXXXX66-	Riverboat Revenue
UMB Bank		XXXXXXXXXX25 -	Arch Garage Revenue
		XXXXXXXXXX28 -	Transit Operating
Regions Bank	-	XXXXXXXXXX41 -	Airport Revenue
US Bank	-	XXXXXXXXXX24 -	Metroride Store Revenue

Section 30.050 Financial Reporting **(revised 09/25/09)**

A. Policy. It is the policy of the Agency to prepare the financial results of each operating company as required by specific agreement, but not less than quarterly. Financial statements for the Board of Commissioners shall be prepared quarterly, and include the following statements:

1. Transmittal letter of noteworthy variations, including disclaimer
2. Balance Sheet
3. Statement of Revenue, Expense Income (Loss)
4. Cash Receipts and Disbursement Schedule
5. Capital Expenditures for Active Projects
6. Statement of Cash Flows
7. Aged Receivables

Disclaimer:

The following disclaimer shall be included in each transmittal letter of noteworthy variance:

> "These interim financial statements are not in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) due to the following reasons: Depreciation is not shown as an operating expense, but as other non-operating expense; capital contributions and total net assets are now shown on the Statement of Revenue, Expense, Income (Loss); and there are no accompanying footnote disclosure requirements or Management Discussion and Analysis (MD & A) sections included."

Section 30.060 Risk Management **(revised 2/25/2000 and 08/20/2021)**

A. General. One of the Agency's primary objectives is to provide safe, reliable, and cost-effective transportation services while complying with federal, state, and local laws. In support of that objective, the Agency will develop and maintain an effective, integrated risk management program. This policy applies to all exposures to risk of loss that are fortuitous and result from external causes. These exposures include, but are not limited to, fires, collisions, theft, windstorm, construction accidents, workers' compensation claims, and auto or general liability claims as well as associated lawsuits against the Agency.

B. Authority and Responsibility. The Director of Risk Management is responsiblefor recommending the overall direction of the Agency's risk management program as specified inthe Agency's Management Policies & Procedures.

C. Self-Insurance (revised 08/20/21). The Agency will self-insure those routine risks associated with its core transit operations. Risk exposures above the self-insured retention will be covered by excess insurance if such excess insurance is available and affordable.

D. Third Party Administrator (revised 08/20/21). The Agency will contract with a third party adjusting firm to assist in administering claims handling (TPA). The Risk Management Department will monitor the TPA and hold quarterly claims reviews. An annual audit will be performed.

E. Insurance. Primary property and liability insurance will be purchased for unique or special risks of loss, for major construction projects, and when required by law or by contract. A Broker of Record will perform the insurance marketing function under the direction of the Director of Risk Management.

F. Self-Insurance Fund (revised 08/20/21). The Agency will maintain asset accounts, referred to as "Self-Insurance Funds", as authorized by the Board of Commissioners on October 1, 1982, to support liabilities accrued as a result of its self-insured losses. The Chief Financial Officer of the Agency will maintain the Self-Insurance Fund, complying with prudent business practices and all applicable governmental pronouncements, and determine the amount of annual funding required. The fund is subject to following guidelines:

1. The current balance will be sufficient to pay estimated judgments, settlements, losses, and expenses for a three (3) year time period.

2. The amounts held in the Self Insurance Funds shall be used solely for the purpose of paying such liabilities and expenses.

3. The Chief Financial Officer, with concurrence of the President & CEO, is authorized to borrow amounts from the Self Insurance Funds to pay expenses of the Transit System in anticipation of routine operating subsidies and capital grants. All amounts borrowed from the Self Insurance Funds shall be reimbursed to such Fund as soon as possible withnormal Agency revenues such as Farebox revenue, sales tax revenues, interest earnings and operating subsidy funds. The Board ofCommissioners is to be notified, in writing, of any borrowing, outlining the amount borrowed.

G. Excess Judgment Fund (revised 08/20/21). The Agency will maintain an additional asset account, referred to as the "Excess Judgment Fund", as authorized by the Board of Commissioners on July 7, 1989, to provide supplemental cash flow to the Self-Insurance Funds, in the event of a large or catastrophic loss that is greater than 50% of the Agency's Self-Insured retention amount for that year. In addition, this fund will provide temporary or emergency funds for property losses that are equal or greater than $500,000 and where the insurer has delayed payment or is questioning coverage under its policy. The Chief Financial Officer of the Agency will maintain the Excess Judgment Fund, complying with prudent business practices and all applicable governmental pronouncements. The fund is subject to following guidelines:

1. The goal is to attain and maintain a $5,000,000 fund balance.
2. A minimum of $250,000 shall be appropriated annually by the Board as part of the budget process until the fund goal of $5,000,000 is reached.

3. Interest earned by monies in the fund shall inure exclusively to the fund on a cash basis until the fund goal of $5,000,000 is reached.
4. Monies appropriated to the fund shall be deposited in the account at the beginning of the Fiscal Year, or as received from the funding jurisdictions.
5. This unencumbered balance of this fund may be used as collateral for short-term debt obligations.
6. The Chief Financial Officer, with concurrence of the President & CEO, is authorized to borrow amounts from the Excess Judgment Fund to pay expenses of the Transit System in anticipation of routine operating subsidies and capital grants. All amounts borrowed from the Excess Judgment Fund shall be reimbursed to such Fund as soon as possible with normal Agency revenues such as farebox revenue, sales tax revenues,interest earnings and operating subsidy funds. The Board ofCommissioners is to be notified, in writing, of any borrowing, outlining the amount borrowed.

H. Claim Settlement Authorization (revised 08/20/21). The Board of Commissioners must approve defense settlements exceeding the Missouri sovereign immunity limit for any one person in a single accident or occurrence. The Claim Settlement Authorization, based upon the Missouri sovereign immunity limit, shall be adjusted annually as published by the Missouri Department of Insurance. Authorization granted by the Board of Commissioners is deemed to include an additional contingency amount, equal to 20% of the actual authorization granted, for extraordinary use by the President & CEO. This additional authorization may be granted by the President & CEO as trial approaches or during the actual trial. For settlement amounts over $100,000 and up to the sovereign immunity limit, the President & CEO will approve and must notify and receive acknowledgement from the Board of Commissioner's Chair and Vice Chair. Settlements from $20,000 to $100,000 will require the approval of the Director of Risk Management who must notify and receive acknowledgement from the Agency's General Counsel.

I. Litigation Management and Board Notification (revised 08/20/21). In addition to requests for settlement, authorization, the Board of Commissioners will be notified by management about large claims or lawsuits that may significantly impact the Agency's financial stability, its assets, or its public image.

1. The Director of Risk Management will regularly provide informational briefs to the Board on claims and lawsuits that fall into the following classifications:

   a. Fatalities & severely disabling injuries.
   b. Jury verdict range or settlement range is expected to exceed $100,000.
   c. Other unusual or sensitive claims which may be of particular interest to the Commissioners.
   d. Final results on claims where the Board has extended settlement authorization.

2. The briefing to the Board will contain:

   a. Facts & background of the case.
   b. Summary of injuries & special damages.
   c. Assessment of liability and expected outcome.
   d. Litigation history and status if in suit.
   e. Opinion of legal counsel (if assigned).
   f. Recommendations and strategy for an appropriate resolution.

3. The Director of Risk Management will maintain a written litigation management program, attorney billing guidelines, and procedures for selecting and retaining defense counsel as specified in more detail in the Agency's Management Policies & Procedures.

J. Review of Agency Contracts and Documents. The Director of Risk Management, in consultation with the Agency's General Counsel as needed, will review Agency contracts, leases, agreements, easements or other documents that transfer risk, specify indemnity obligations, or require specific insurance from one or more of the parties.

Section 30.070 Hedging (effective 2/23/2001; revised 11/20/15; revised 06/25/21)

A. General. Because of the nature of its responsibilities to the St. Louis Metropolitan region, the Bi-State Development Agency (Agency) manages financial risks attributed to the price variability of fuel usage. This risk can be managed effectively through the use of hedging techniques. The purpose of this policy is to generally outline how the Agency will manage these risks, what techniques will be employed, and the general guidelines to be followed.

B. Definition. A hedge is a financial tool used to reduce the risk associated with normal business activities of buying fuel. The purpose of this hedging program is not to make orlose money but to manage risk. This program is not an investment and should not be construed as such. Realized gains or losses will be considered as an element of fuel cost. A hedging program will:

a. seek to decrease the volatility of fuel cost;
b. seek to increase the likelihood that actual net fuel cost will remain below the budgeted cost;
c. seek to increase the certainty of future fuel cost;
d. seek to attain a lower overall cost of fuel in the long-term;
e. seek to manage year-over-year changes in fuel cost.

C. Program Infrastructure.

a. Instruments. The agency will maintain a futures account with a Futures Commission Merchant (Broker, which may be a separate entity from the Advisor. The Agency, through the management and direction of an

Advisor, acquires, holds, and disposes of fuel futures contracts in the operation of its program. The high correlation between the movement of the price that the Agency pays for its fuel and the movement of the valueof the futures contracts produces the program's effectiveness as a hedge. Due to the liquidity of the futures contracts purchased, these contracts do not require an investment grade rating.

b. Maximum Hedge Ratio. The Agency's volume of fuel consumption is predictable and without significant variability over time. Given this, the maximum hedge ratio will be limited to 95% of forecasted consumption.

c. Maximum Hedge Maturity. To allow the establishment of cost certainty in current and future budget periods, the maximum maturity of the futures contracts taken in conjunction with the program is 36 months forward from the acquisition date.

d. Exiting Market Conditions. The advisor will exit the futures contracts evenly through time to coincide with the fuel supply contract pricing mechanism. This even liquidation of futures hedges through time and the even purchase of fuel via the Agency's fuel supply process assures the effectiveness of the hedging process. Based on the difference between the hedge price (entry price) and the settlement price (exit price), there will be a realized gain/loss associated with the hedge that will appear in thefutures account. Futures contracts will be held to maturity (exited when the corresponding fuel is purchased) and, in the normal operation of the program, there will be no interim trading or early exit allowed.Exceptions to this include situations where the volume of forecasted fuel consumption decreases in which case the hedge position may be adjusted to comply with the Maximum Hedge Ratio.

D. Physical Supply. The physical supply of fuel will be purchased according to the Agency's procurement policies, and will be priced according to the fuel supply contract.

E. Strategy. The Strategy is how the program's objectives are achieved. The strategy will utilize a process:

a. that addresses market opportunities and market risks;
b. that examines fundamental and technical market factors in the hedge decision-making process;
c. that holds the risk of exceeding budget at or below an acceptable level;
d. that uses historical pricing ranges as pricing parameters;
e. that is continuously applied through time;
f. that will take advantage of the inherent "dollar cost averaging" properties of a continuous hedging program;
g. that mitigates transaction timing risk by making more numerous smaller volume transactions.

These things will be accomplished by the advisor executing the appropriate transactions at the appropriate times to create the desired effect within the constraints of the policy.

F. Risk Management. The Agency will engage only in financial hedge transactions that are related to the Agency's principal business, including the operation of diesel buses and vans. The Agency will only trade specific contracts as necessary to hedge for the pricing of fuel/energy costs, as related to these areas of business, and as advised by the Advisor.

G. Execution, Reporting and Oversight.

a. The advisor will be responsible for the day to day execution of the program including the execution of transactions, generating reports on the program's status and results, and monitoring the program and the energy markets. The advisor will generate periodic updates on the status and results of the program.

b. The Treasury Department will provide the Board of Commissioners with a summary of its activity through the quarterly Treasurer's Report.

c. A Hedge Committee will oversee the activities of this program. The Committee shall include Chief Financial Officer, Director of Treasury, Assistant Executive Director Transit Assets, and the Vice President of Procurement, Inventory Management & Supplier Diversity. The role of the Hedge Committee will be to determine whether a proposed hedging strategy, transaction or group of transactions is consistent with this Hedge Policy and review the performance of the hedging activity on a periodic basis. The Hedge Committee will meet no less than quarterly, and meeting minutes and Committee decisions will be documented and approved by the Committee.

Section 30.080 Debt Issuance and Administration (revised 6/26/09)

A. The Agency. The Bi-State Development Agency of the Missouri-Illinois Metropolitan District (the "**Agency**") is a body corporate and politic created and existing by reason of a joint compact (the "**Compact**") between the States of Missouri and Illinois (Sections 70.370 *et seq*. of the Revised Statutes of Missouri, as amended, and Illinois Compiled Statutes, Chapter 45, Act 100, as amended) and approved by the United States Congress and the President.

B. Powers to Issue Debt. *RSMo Section 70.373; 45 ILCS 110/1 Ratified by Congress January 7, 1959; further amended and ratified by Congress January 3, 1985*

1. To borrow money for any of the authorized purposes of the Agency and to issue the negotiable notes, bonds or other instruments in writing of the Agency in evidence of the sum or sums to be borrowed;

2. To issue negotiable refunding notes, bonds or other instruments in writing for the purpose of refunding, extending or unifying the whole or any part of its valid indebtedness from time to time outstanding, whether evidenced by notes, bonds or other instruments in writing;

3. *To provide that all negotiable notes, bonds or other instruments shall be payable, both as to principal and interest, out of the revenues collected for the use of any facility or combination of facilities owned and operated by the Agency, or out of any other resources of the Agency, and may be further secured by a mortgage or deed of trust upon any property owned by the Agency. All notes, bonds or other instruments in writing issued by the Agency as herein provided shall mature in not to exceed thirty years from the date thereof, shall bear interest at a rate not exceeding fourteen percent per annum, and shall be sold for not less than ninety-five percent of the par value thereof. The Agency shall have the power toprescribe the details of such notes, bonds or other instruments in writing, and of the issuance and sale thereof, and shall have power to enter into covenants with the holders of such notes, bonds or other instruments in writing, not inconsistent with the powers herein granted to the Agency, without further legislative authority;*

4. *To issue bonds for industrial, manufacturing or commercial facilities located within the Bi-State metropolitan district upon the security of the revenue to be derived from such facilities; and, or upon any property held or to be held by it.*

C. Revenue Bonds.

I. General Management Policies

The Agency will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting and fare-setting process.

A. In recognition of periodic changes in the cost of providing service to system users, service costs and fees will be reviewed annually and adjusted commensurately.

B. The Agency will present any proposed adjustments to existing fares, rates, fees and charges at public meetings, and will consider recommendations and input from the public as it relates to such proposed changes.

C. All Agency funds will be invested according to the Investment Policies of the Agency.

D. Necessary appropriations for annual debt service requirements will be routinely included in the Agency's annual budget.

E. The Agency will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible rates.

F. The Agency may appoint a special committee of local financial experts to assist management as it develops financial plans.

G. Fund co-mingling and inter-fund borrowing.

Transit is presently comprised of the following funds:

- Revenue Fund
- Operating Fund
- Internally Restricted Fund (Special Sales Tax Capital Fund)
- Debt Service Fund
- Sales Tax Capital Fund
- Prop M Fund
- Prop A Fund
- FTA Capital Fund
- Illinois Allocated Fund
- Private Capital Fund
- Internal Service Funds (Property, Casualty, Workers Compensation, and Medical) Excess Judgement Fund

The Agency maintains one bank depository account for operational and working capital purposes, which is comprised of the Operating, Internally Restricted, and Sales Tax Capital, While these funds are co-mingled in a single bank account, specificaccounting is maintained on the Agency's books at the fund level.

Transit operations have little seasonality and are generally consistent throughout the year. Contractual funding and the annual appropriation process for state, local andfederal formula fundingprovides approximately 90% of the Agency's funding. The annual appropriation process commences after the fiscal year begins. Local appropriations are subject to the legislative process, and Federal appropriations can be delayed up to 12 months. Consequently, Agency staff is authorized to transfer (borrow) funds within the groups identified above in order to maintain operational liquidity and adequate working capital.

In the event the above funds are exhausted, temporary operating deficits may be funded by unencumbered Self Insurance,Prop M and Prop A Funds. Staff shall inform the Board any time the localfunding jurisdictions fail to provide funds within ninety days of the beginning of the fiscal year. Management shall recommend a course of action up to and including service interruption for the jurisdiction in question.

Furthermore, the Agency utilizes the Transit Operating Fund to fund disbursements for accounts payable and payroll. The Transit Operating account funds payments fortransit and business enterprise obligations. Liability accounts shall be maintained for the recording of all payments made by Transit for Business Enterprises, and Business Enterprises shall reimburse Transit, in the following month, for any such payments.

I. Financial Management Policies

The Agency utilizes a comprehensive planning process to determine its long-term capital needs. The Agency evaluates each capital project in relation to established federal, state and local grants and assistance programs and levels of reserves, current rate structure, expected asset life/replacement timeline, and available revenue sources to ensure that adequate financial resources are available to support the Agency's financial obligations. The Agency's Debt and Financial Management, Investment, and Swap Policies are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such the following policies outline the Agency's approach to debt management:

A. The Agency will evaluate financing for each capital project on a case-by-case basis. The Agency will seek to pay for all capital projects from current revenues, federal grants and assistance programs and available reserves prior to or in combination with the use of debt.

B. The Agency will seek to issue debt only in the case where there is an identified source of repayment. Bonds will be issued to the extent that (i) projected fixed revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such fixed revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.

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C. Debt issuance for a capital project will not be considered unless such issuance has been incorporated into the capital improvement plan (Long Range Financial Plan).

D. The Agency shall issue a request for proposal for underwriting services prior to the issuance or refunding of bonds.

II. Debt and Capital Management Policies

The following policies formally establish parameters for evaluating, issuing, and managing the Agency's debt. The policies outlined below are not intended to serve as a list of rules to be applied to the Agency's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management.

In issuing debt, the Agency objectives will be to:

1. Achieve the lowest cost of capital;
2. Maintain high credit ratings and access to credit enhancement;
3. Preserve financial flexibility.

III. Standards for Use of Debt Financing

When appropriate, the Agency will use long-term debt financing to: achieve an equitable allocation of capital costs/charges between current and future system users; to provide more manageable rates in the near and medium term; and to minimize rate volatility.

A. For growth related projects, debt financing will be utilized, as needed, to better match the cost of anticipated facility needs with timing of expected new connections to the system.

B. The Agency shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life.

C. Capital projects financed through debt issuance generally will not be financed for a term longer than the expected useful life of the project.

D. Lease Agreements and Installment Sale Agreements shall be considered as an alternative to long-term debt. Although these forms of alternative financing are subject to annual appropriation, they shall be considered as long-term fixed rate debt for the purposes of this policy until maturity.

IV.Financing Criteria

Each debt issuance should be evaluated on an individual basis within the framework of the Agency's Long Range Financing Plan, as well as within the context of the Agency's overall financing objectives and current market conditions.

The Agency will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

A. Credit Enhancement – The Agency will consider the use of credit enhancementon a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

B. Cash-Funded Reserve vs. Surety – The Agency may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous.

C. Call Provisions – In general, the Agency's securities should include optional call provisions. The Agency will generally avoid the sale of non-callable long-term fixed rate bonds, absent careful evaluation of the value of the call option.

D. Additional Bonds Test/Rate Covenants - The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and these policies.

E. Short-Term Debt – The Agency may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

F. Use of Variable Rate Debt - The Agency will not issue variable interest rate debt unless: the proposed debt is converted to a fixed rate or hedged (for an interim period or to maturity) by use of a put-type mode, swap agreement or hedging mechanism (e.g., interest rate cap); outstanding un-hedged variable rate debt, including any proposed new variable debt, does not exceed the Agency's "hedge position" (defined herein) in aggregate; or, interest is capitalized during the expected term that bonds will be outstanding in a variable rate mode. For this purpose, the Agency's hedge position will be calculated as the Agency's cash reserves multiplied by 125%. Notwithstanding the above, the Agency will refrain from issuing new variable rate debt (including synthetic variable rate debt), whether hedged or un-hedged, which exceeds 20 percent of the Agency's aggregate debt outstanding.

G. Use of Swaps & Derivatives - The use of any swap agreement in conjunction with the issuance or management of debt instruments will be governed by the Agency's Swap Policy. The use of swaps to create synthetic fixed rate debt should generally be considered only such synthetic fixed rate debt would result in a 20% reduction in debt service vs. traditional fixed rate bonds.

H. Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction, unless further restricted or limited in the Agency's Investment Policy. The preservation of funds, notwithstanding, the Agency will seek to maximize investment earnings within the investment parameters set forth in each respective bond indenture. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a "net" debt service basis, where appropriate.

V. Refinancing Outstanding Debt

The Agency shall have the responsibility to evaluate potential refunding opportunities presented by underwriting and/or financial advisory firms. The Agency will consider the following issues when analyzing potential refinancing opportunities:

A. Debt Service Savings – The Agency shall establish a target savings level equal to 3% (current refunding) to 5% (advance refunding) of par refunded on a netpresent value (NPV) basis. These figures should serve only as a guideline, the Agency must evaluate each refunding opportunity on a case-by-case basis, and must take into consideration: the time to maturity, size of the issue, current interest rate environment, annual cash flow savings, and the value of the call option. Economic savings resulting from a refunding will generally be structured to occur on a level basis over the life of the refunding bonds. The decision to take all savings upfront or on a deferred basis must be explicitly approved by the Agency's Finance and Audit Committee and Board of Commissioners.

B. Restructuring - The Agency may seek to refinance a bond issue on a non- economic basis in order to restructure debt, mitigate irregular debt service payments, accommodate revenue shortfalls, release reserve funds, comply with and/or eliminate rate/bond covenants, or terminate a swap.

C. Term/Final Maturity – The Agency may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is permissible under the Agency's Compact and Federal tax law. The term of the bonds generally should not extend beyond the reasonably expected useful life of the asset being financed. The Agency may also consider shortening the final maturity of the bonds.

D. Escrow Structuring - The Agency shall utilize the least costly securities available in structuring each escrow. A certificate will be required from a third party agent who is not acting as a broker-dealer, stating that the securities were purchased through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Series Securities (SLGS) or that SLGS were not available at the time of the pricing of the escrow,, and that the price paid was reasonable and within Federal guidelines. The Agency retains the right to use SLGS at any time in structuring its escrows.

When evaluating the economic viability of an economic versus legal defeasance, the Agency shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The Agency shall take all necessary steps to optimize its escrows and to avoid negative arbitrage in any refunding.

VI. Method of Issuance

The Agency will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation.

A. Competitive Sale – In a competitive sale, the Agency's bonds shall be awarded to the bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale.

B. Negotiated Sale –The Agency shall assess the following circumstances that weigh toward the use of a negotiated sale:

1. Issuance of variable rate or taxable bonds;
2. Complex structure or credit considerations (such as non-rated bonds),which requires a strong pre-marketing effort;
3. Significant par value, which may limit the number of potential bidders;

4. Unique/ proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process;
5. Market volatility, such that the Agency would be better served by flexibility in the timing of its sale in a changing interest rate environment;
6. When an Underwriter has identified new financing opportunities or presented alternative structures that financially benefit the Agency;
7. As a result of an Underwriter's familiarity with the project/financing,which enables the Agency to take advantage of efficiency and timing considerations.

C. Private Placement – From time to time the Agency may elect to issue debt on a private placement basis. Such method shall generally be considered only if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

D. Conduit Issuance – The Agency may elect to enter into financing agreements with other issuers, including but not limited to the City of St. Louis, St. Louis County, and the Missouri Development Finance Board, to permit debt to be issuedon the Agency's behalf. The Agency will consider this approach if such an arrangement is expected to produce lower borrowing costs, enhance the flexibilityof the Agency, or provide other operational efficiencies.

VII. Market Communication, Debt Administration and Reporting Requirements

Rating Agencies and Investors – The Chief Financial Officer shall be responsible for maintaining the Agency's relationships with Moody's Investors Service, Standard & Poor's Ratings- Services, Fitch Ratings, Kroll Bond Rating Agency or any other nationally-recognized rating service. The Agency may, from time to time, choose to deal with fewer than all of these agencies as circumstances dictate.

In addition to general communication, the Chief Financial Officer shall: (1) meet with Credit Analystsperiodically as requested, and (2) prior to each competitive or negotiated sale, offer conference calls with Agency analysts in connection with the planned sale.

A. Board Communication – The Chief Financial Officer shall include in an annual report to the Finance and Audit Committee and the Board of Commissioners feedback from rating agencies and/or investors regarding the Agency's financial strengths and weaknesses and recommendations for addressing any weaknesses.

B. Continuing Disclosure – The Agency shall remain in compliance with Rule 15c2-12 or any successor rule or regulation by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within 270 days of the close of the fiscal year. The inability to make timely filings must be disclosed and would be a negative reflection on the Agency. While also relying ona timely audit and preparation of the Agency's annual report, the Chief Financial

Officer will ensure the Agency's timely filing with each Nationally Recognized Municipal Securities Information Repository.

C. Record-Keeping and Post-Issuance Compliance – A copy of all debt-related records shall be retained at the Agency's offices. Consistent with the Agency's tax compliance agreements and post-issuance compliance policy, at minimum, these records shall include all official statements, bid documents, bond documents / transcripts, resolutions, trustee statements, leases, records related to expenditure and investment of bond proceeds, records related to periodic reviews of the use of bond financed facilities, and title reports for each Agency financing (to the extent available). To theextent possible, the Agency shall retain an electronic copy of each document.

D. Arbitrage Rebate – The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code arbitrage rebate requirements. The Chief Financial Officer shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation; and, if rebate is due, such payments are made.

Section 30.090 Donation and Gift Policy (NEW effective 11/19/21)

A. Policy. It is the policy of the Agency that gifts and donations to the Agency are welcomed and encouraged. Gifts and donations are valued as expressions of individual support for the Agency's mission and help to enhance its services, programs and facilities by supplementing federal, state, or contractual support.

B. Types of Gifts. The Agency accepts the following types of gifts and donations: cash, tangible personal property, publicly traded and recognizable securities, real estate, bequests, trust funds and annuities.

C. Use of Gifts. The President and CEO or Board of Commissioners will carefully consider the needs of the Agency and will use a gift where it determines it is most needed, so that all donations may directly and indirectly support the public purposes of the Agency. The Agency may choose not to accept a gift if the donor wishes to place limitations or restrictions on its use or disposal. The Agency may refuse any gift that does not sufficiently benefit the Agency, is in conflict with the Agency's mission, puts the reputation of the Agency at risk, or is prohibited by law.

D. Acceptance of Gifts. The President and CEO may accept any gift or donation of the types described in Section B on behalf of the Agency. Other types of gifts and donations willbe evaluated on a case-by-case basis by the Board of Commissioners

When processing each gift, the Agency will follow generally accepted accounting principles. The Agency takes no responsibility for valuing gifts for tax purposes or for the tax consequences to the donor.

All accepted gifts and donations become the property of the Agency. The Agency reserves the right to sell or otherwise dispose of non-monetary gifts, if the Board of Commissioners or President and CEO, determines that such sale or disposition is advisable or necessary.

E. Documentation. The Agency will retain a written receipt of each donation and gift identifying the name of the donor, the amount and the date of the donation or gift, and the nature of restriction on the gift, if any. The Agency will acknowledge each donation by letter, thanking the donor. Donors who make a significant financial or material donation will receive a contemporaneous written acknowledgement of the donation from the Agency.

Bi-State Development Agency
Audit, Finance & Administration Committee
Open Session Agenda Item
June 10, 2022

From:	Crystal M. Messner, CIA, CFE, CISA Chief Audit Executive
Subject:	**Draft - Internal Audit Policies and Procedures Manual Revision 4** Briefing Paper No. 22-26
Disposition:	Approval
Presentation:	Crystal M. Messner, Chief Audit Executive

<u>Objective:</u>
To present to the Committee the request for the Internal Audit Department's **(IAD's)** revised Internal Audit Policy and Procedures Manual for review and approval.

<u>Background:</u>
The Internal Audit Policies and Procedures Manual was created to provide a road map for how IAD should conduct audit activities, gives guidance on standards Auditors must follow, and designates authority and responsibility for audit documentation.

The manual was effective March 2, 2012 with a last revision approval date of June 25, 2021.

<u>Conclusion:</u>
Updates made to the policy include;

- Aligning professional standards to the most recent version of the Institute of Internal Auditor's **(IIA)** International Professional Practices Framework;
- Adjusting workpaper guidance on electronic files;
- Adjusting templates with newest versions;
- Adjusting the Internal Safety Audit Process to reference the standalone operating procedure; and
- Making basic editorial changes.

<u>Committee Action Requested:</u>
It is recommended that the Committee approve the revised Internal Audit Department Policy and Procedures Manual.

<u>Funding Source:</u>
Funding is provided through the Internal Audit Department Operating Budget.

<u>Attachment:</u>
1. Internal Audit Department Policy and Procedures Manual-effective 5.21.2021
2. Draft – 2022 Internal Audit Department Policy and Procedures Manual-REDLINE
3. Draft – 2022 Internal Audit Department Policy and Procedures Manual-CLEAN

Board Policy Chapter 30 - Audit, Finance and Budget, Section 30.020 Internal Audit, B. Work Plan and C. Special Reviews

INTERNAL AUDIT DEPARTMENT
POLICIES AND PROCEDURES MANUAL

Date approved by the
Audit, Finance and Administration Committee:
May 21, 2021

CRYSTAL M. MESSNER
Chief Audit Executive

MARY C. CRYER
Sr. Administrative Assistant

BI-STATE DEVELOPMENT
INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL

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Section 1.1
INTERNAL AUDIT CHARTER

MISSION STATEMENT

To perform audits in accordance with the appropriate professional standards, ensure proper accountability of public funds, and to add value by promoting a control environment through open communication, professionalism, expertise and trust.

To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

DEFINITION OF INTERNAL AUDIT

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

SCOPE OF WORK

The scope of work of the Internal Audit Department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by Management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the organization's control process; and
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving Management control, profitability, and the organization's image may be identified during audits. They will be communicated to the Audit, Finance & Administration Committee and the appropriate level of Management.

ACCOUNTABILITY

The Internal Audit Department shall be accountable to the Audit, Finance & Administration Committee and the Board of Commissioners to:

- Provide an assessment of the adequacy and effectiveness of the organization's process for controlling its activities and managing its risks in the areas set forth under the mission and scope of work;
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution;
- Periodically provide information on the status and results of the Annual Audit Plan and the sufficiency of department resources; and
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

INDEPENDENCE

To provide for the independence of the Internal Audit Department, its personnel report to the Chief Audit Executive, who reports functionally to the Audit, Finance & Administration Committee and administratively to the Board of Commissioners, as well as coordinates with Management in an appropriate manner.

RESPONSIBILITY

The Chief Audit Executive and staff of the Internal Audit Department have responsibility to:

- Develop a flexible Annual Audit Plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit that plan to the Audit, Finance & Administration Committee for review and approval, as well as periodic updates;
- Implement the Annual Audit Plan as approved, including, as appropriate, any special tasks or projects requested by Management and the Audit, Finance & Administration Committee;
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- Evaluate and assess significant functions and new or changing services, processes, operations, and control processes during development, implementation, and/or expansion phase;
- Issue periodic reports to the Audit, Finance & Administration Committee and Management summarizing results of audit activities;
- Keep the Audit, Finance & Administration Committee informed of emerging trends and successful practices in internal auditing;
- Provide a list of significant measurement goals and results to the Audit, Finance & Administration Committee;

- Assist in the investigation of significant suspected fraudulent activities within the organization and notify Management and the Audit, Finance & Administration Committee of the results;
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost; and
- Include any assignments given by the Audit, Finance & Administration Committee or the Board as a whole.

AUTHORITY

The Chief Audit Executive, and staff of the Internal Audit Department, are authorized to:

- Have unrestricted access to all functions, records, contracts, leases, property, and personnel, which are reasonably necessary to accomplish its responsibilities;
- Have full and free access to the Audit, Finance & Administration Committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The Chief Audit Executive, and staff of the Internal Audit Department, are not authorized to:

- Initiate or approve accounting transactions external to the Internal Audit Department; and/or
- Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Internal Audit Department is responsible for establishing and reporting to Senior Management and the Audit, Finance & Administration Committee and Board of Commissioners on a Quality Assurance and Improvement Program which contains the following major elements:

- Internal Assessments, including ongoing monitoring of performance and periodic self-assessments, and
- External Assessments.

STANDARDS OF AUDIT PRACTICE

The Internal Audit Department will be governed by the *Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors* **(IIA)**. The Internal Audit Department is committed to the implementation of the IIA's Quality Assurance and Improvement Program. The Quality Assurance and Improvement Program is designed to enable an evaluation of the internal audit activity's conformance with the definition of Internal Auditing and the Standards, and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal activity and identifies opportunities for improvement.

The Internal Audit Charter approved by the Board of Commissioners requires the Internal Audit Department to maintain auditing standards consistent with those established by the IIA. An external assessment is required to be performed at least once every five (5) years by a qualified, independent reviewer or review team from outside the organization. This report represents the results of a self-assessment with independent external validation.

The Quality Assurance Review **(QAR)** rating system, to express an opinion of conformance, includes three (3) levels which contain the following:

Generally Conforms (GC)
GC - means the evaluator has concluded that the Internal Audit Department's charter, structure, policies, and procedures, as well as the processes by which they are applied, are judged to be in accordance with the Standards, with some opportunities for improvement being possible.

Partially Conforms (PC)
PC - means the evaluator has concluded that a deviation from the Standards exist and action is needed to improve conformity. These deviations are not, however, significant enough to preclude the Internal Audit Department from carrying out its responsibilities in an acceptable manner.

Does Not Conform (DNC)
DNC - means the evaluator has concluded the Internal Audit Department is not aware of, is not making a good-faith effort to comply with, or is failing to achieve conformity with many/all of the Standards, thus impacting its ability to carry out its mission.

Chief Audit Executive

President and CEO

Chair, Board of Commissioners

Audit, Finance & Administration Committee Chair

Dated: 5 / 21 / 2021

Section 1.2
CODE OF ETHICS

Principles

Internal auditors are expected to apply and uphold the following principles:

- **Integrity**
  The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

  Internal Auditors:

  1.1 Shall perform their work with honesty, diligence and responsibility;

  1.2 Shall observe the law and make disclosures expected by the law and the profession;

  1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization; and

  1.4 Shall respect and contribute to the legitimate and ethical objects of the organization.

- **Objectivity**
  Internal auditors shall exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors shall make a balanced assessment of all the relevant circumstances and shall not be unduly influenced by their own interests or by others in forming judgments.

  Internal auditors:

  2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interest of the organization.

  2.2 Shall not accept anything that may impair or be presumed to impair their professional judgment.

  2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

- **Confidentiality**
  Internal auditors shall respect the value and ownership of information they receive and shall not disclose information without appropriate authority unless there is a legal professional obligation to do so.

  Internal auditors:

  3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

  3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

- **Competency**
  Internal auditors shall apply the knowledge, skills and experience needed in the performance of internal auditing services.

  Internal auditors:

  4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

  4.2 Shall perform internal auditing services in accordance with the *Standards for the Professional Practice of Internal Auditing*.

  4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

Section 1.3
INSTITUTE OF INTERNAL AUDITORS PROFESSIONAL STANDARDS

Introduction to the *Standards*

Internal auditing is conducted in diverse legal and cultural environments; for organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's *International Standards for the Professional Practice of Internal Auditing* **(*Standards*)** is essential in meeting the responsibilities of internal auditors and the internal audit activity.

The purpose of the *Standards* is to:

1. Guide adherence with the mandatory elements of the International Professional Practices Framework.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing services.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

The *Standards* are a set of principles-based, mandatory requirements consisting of:

- Statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance that are internationally applicable at organizational and individual levels.
- Interpretations clarifying terms or concepts within the *Standards*.

The *Standards*, together with the Code of Ethics, encompass all mandatory elements of the International Professional Practices Framework; therefore, conformance with the Code of Ethics and the *Standards* demonstrates conformance with all mandatory elements of the International Professional Practices Framework.

The *Standards* employ terms as defined specifically in the Glossary. To understand and apply the *Standards* correctly, it is necessary to consider the specific meanings from the Glossary. Furthermore, the *Standards* use the word "must" to specify an unconditional requirement and the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

The *Standards* comprise two main categories: Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. Attribute and Performance Standards apply to all internal audit services.

Implementation Standards expand upon the Attribute and Performance Standards by providing the requirements applicable to assurance (.A) or consulting (.C) services.

Assurance services involve the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor. Generally, three parties are participants in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — the internal auditor, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

The *Standards* apply to individual internal auditors and the internal audit activity. All internal auditors are accountable for conforming with the standards related to individual objectivity, proficiency, and due professional care, and the standards relevant to the performance of their job responsibilities. Chief Audit Executives are additionally accountable for the internal audit activity's overall conformance with the *Standards*.

If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the Standards, conformance with all other parts of the Standards and appropriate disclosures are needed.

If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, internal audit communications may also cite the use of other requirements, as appropriate. In such a case, if the internal audit activity indicates conformance with the *Standards* and inconsistencies exist between the *Standards* and other requirements, internal auditors and the internal audit activity must conform with the *Standards* and may conform with the other requirements if such requirements are more restrictive.

The review and development of the *Standards* is an ongoing process. The International Internal Audit Standards Board engages in extensive consultation and discussion before issuing the *Standards*. This includes worldwide solicitation for public comment through the exposure draft process. All exposure drafts are posted on The IIA's website as well as being distributed to all IIA institutes.

Suggestions and comments regarding the *Standards* can be sent to:

The Institute of Internal Auditors
Standards and Guidance
1035 Greenwood Blvd, Suite 401
Lake Mary, FL 32746 USA

E-mail: guidance@theiia.org Web: www.globaliia.org

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STANDARDS ESTABLISHED BY THE INSTITUTE OF INTERNAL AUDITORS

ATTRIBUTE STANDARDS

1000 – Purpose, Authority, and Responsibility
The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing). The Chief Audit Executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:
The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the Chief Audit Executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

1000.A1 – The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.

1000.C1 – The nature of consulting services must be defined in the internal audit charter.

1010 – Recognizing Mandatory Guidance in the Internal Audit Charter
The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing must be recognized in the internal audit charter. The Chief Audit Executive should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board.

1100 – Independence and Objectivity
The internal audit activity must be independent, and internal auditors must be objective in performing their work.

Interpretation:
Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Chief Audit Executive has direct and unrestricted access to senior management and the board.

This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

1110 – Organizational Independence

The Chief Audit Executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The Chief Audit Executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

Interpretation:
Organizational independence is effectively achieved when the Chief Audit Executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- *Approving the internal audit charter.*
- *Approving the risk-based internal audit plan.*
- *Approving the internal audit budget and resource plan.*
- *Receiving communications from the Chief Audit Executive on the internal audit activity's performance relative to its plan and other matters.*
- *Approving decisions regarding the appointment and removal of the Chief Audit Executive.*
- *Approving the remuneration of the Chief Audit Executive.*
- *Making appropriate inquiries of management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations.*

1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The Chief Audit Executive must disclose such interference to the board and discuss the implications.

1111 – Direct Interaction with the Board
The Chief Audit Executive must communicate and interact directly with the board.

1112 – Chief Audit Executive Roles Beyond Internal Auditing
Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Interpretation:
The Chief Audit Executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organizational independence of the internal audit activity or the individual objectivity of the

internal auditor. Safeguards are those oversight activities, often undertaken by the board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:
Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

1130 – Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:
Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the Chief Audit Executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

1130.A1 – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2 – Assurance engagements for functions over which the Chief Audit Executive has responsibility must be overseen by a party outside the internal audit activity.

1130.A3 – The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

1130.C1 – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2 – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 – Proficiency

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Interpretation:

Proficiency is a collective term that refers to the knowledge, skills, and other competencies required of internal auditors to effectively carry out their professional responsibilities. It encompasses consideration of current activities, trends, and emerging issues, to enable relevant advice and recommendations. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organizations.

1210.A1 – The Chief Audit Executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2 – Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3 – Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1 – The Chief Audit Executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 – Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1 – Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied.
- Adequacy and effectiveness of governance, risk management, and control processes.
- Probability of significant errors, fraud, or noncompliance.
- Cost of assurance in relation to potential benefits.

1220.A2 – In exercising due professional care, internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3 – Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1 – Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results.
- Relative complexity and extent of work needed to achieve the engagement's objectives.
- Cost of the consulting engagement in relation to potential benefits.

1230 – Continuing Professional Development

Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

1300 – Quality Assurance and Improvement Program

The Chief Audit Executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Chief Audit Executive should encourage board oversight in the quality assurance and improvement program.

1310 – Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both internal and external assessments.

1311 – Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the Standards.

Periodic assessments are conducted to evaluate conformance with the Code of Ethics and the Standards.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Chief Audit Executive must discuss with the board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The Chief Audit Executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs. The Chief Audit Executive should *encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.*

1320 – Reporting on the Quality Assurance and Improvement Program

The Chief Audit Executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:

- The scope and frequency of both the internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

Interpretation:

The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and Chief Audit Executive as contained in the internal audit charter. To demonstrate conformance with the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments, and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

1321 – Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"

Indicating that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* is appropriate only if supported by the results of the quality assurance and improvement program.

Interpretation:

The internal audit activity conforms with the Code of Ethics and the Standards when it achieves the outcomes described therein. The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322 – Disclosure of Nonconformance

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* impacts the overall scope or operation of the internal audit activity, the Chief Audit Executive must disclose the nonconformance and the impact to senior management and the board.

<u>PERFORMANCE STANDARDS</u>

2000 – Managing the Internal Audit Activity

The Chief Audit Executive must effectively manage the internal audit activity to ensure it adds value to the organization.

Interpretation:

The internal audit activity is effectively managed when:

- It achieves the purpose and responsibility included in the internal audit charter.
- It conforms with the Standards.
- Its individual members conform with the Code of Ethics and the Standards.
- It considers trends and emerging issues that could impact the organization.

The internal audit activity adds value to the organization and its stakeholders when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.

2010 – Planning

The Chief Audit Executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Interpretation:

To develop the risk-based plan, the Chief Audit Executive consults with senior management and the board and obtains an understanding of the organization's strategies, key business objectives, associated risks, and risk management processes. The Chief Audit Executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

2010.A1 – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2 – The Chief Audit Executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.

2010.C1 – The Chief Audit Executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.

2020 – Communication and Approval

The Chief Audit Executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The Chief Audit Executive must also communicate the impact of resource limitations.

2030 – Resource Management

The Chief Audit Executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan.

2040 – Policies and Procedures

The Chief Audit Executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 – Coordination and Reliance

The Chief Audit Executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

Interpretation:

In coordinating activities, the Chief Audit Executive may rely on the work of other assurance and consulting service providers. A consistent process for the basis of reliance should be established, and the Chief Audit Executive should consider the competency, objectivity, and due professional care of the assurance and consulting service providers. The Chief Audit Executive should also have a clear understanding of the scope, objectives, and results of the work performed by other providers of assurance and consulting services. Where reliance is placed on the work of others, the Chief Audit Executive is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

2060 – Reporting to Senior Management and the Board

The Chief Audit Executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board.

Interpretation:

The frequency and content of reporting are determined collaboratively by the Chief Audit Executive, senior management, and the board. The frequency and content of reporting depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the board.

The Chief Audit Executive's reporting and communication to senior management and the board must include information about:

- The audit charter.
- Independence of the internal audit activity.
- The audit plan and progress against the plan.
- Resource requirements.
- Results of audit activities.
- Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues.
- Management's response to risk that, in the Chief Audit Executive's judgment, may be unacceptable to the organization.

These and other Chief Audit Executive communication requirements are referenced throughout the Standards*.*

2070 – External Service Provider and Organizational Responsibility for Internal Auditing

When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.

Interpretation:

This responsibility is demonstrated through the quality assurance and improvement program which assesses conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk- based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

2110 – Governance

The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for:

- Making strategic and operational decisions.
- Overseeing risk management and control.
- Promoting appropriate ethics and values within the organization.
- Ensuring effective organizational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organization.
- Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.

2110.A1 – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

2110.A2 – The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives.

2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- *Organizational objectives support and align with the organization's mission.*
- *Significant risks are identified and assessed.*
- *Appropriate risk responses are selected that align risks with the organization's risk appetite.*
- *Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.*

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organization's risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1 – The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2120.A2 – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

2120.C1 – During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2120.C2 – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes.

2120.C3 – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 – Control

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2130.C1 – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes.

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement.

2201 – Planning Considerations

In planning the engagement, internal auditors must consider:

- The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity's objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.
- The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model.
- The opportunities for making significant improvements to the activity's governance, risk management, and control processes.

2201.A1 – When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1 – Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.

2210 – Engagement Objectives

Objectives must be established for each engagement.

2210.A1 – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2 – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

2210.A3 – Adequate criteria are needed to evaluate governance, risk management, and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and/or the board.

Interpretation:

Types of criteria may include:

- *Internal (e.g., policies and procedures of the organization).*
- *External (e.g., laws and regulations imposed by statutory bodies).*
- *Leading practices (e.g., industry and professional guidance).*

2210.C1 – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.

2210.C2 – Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives.

2220 – Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

2220.A1 – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

2220.A2 – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

2220.C1 – In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

2220.C2 – During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

2230 – Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care.

2240 – Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.

2240.A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

2240.C1 – Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 – Performing the Engagement

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals.

2320 – Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

2330.A1 – The Chief Audit Executive must control access to engagement records. The Chief Audit Executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.A2 – The Chief Audit Executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2330.C1 – The Chief Audit Executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2340 – Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The Chief Audit Executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 – Communicating Results

Internal auditors must communicate the results of engagements.

2410 – Criteria for Communicating

Communications must include the engagement's objectives, scope, and results.

2410.A1 – Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors' opinion should be provided. An opinion must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement *results and their significance.*

2410.A2 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

2410.C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair- minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organization and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 – Errors and Omissions

If a final communication contains a significant error or omission, the Chief Audit Executive must communicate corrected information to all parties who received the original communication.

2430 – Use of "Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*"

Internal auditors may report that their engagements are "conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*" only if the results of the quality assurance and improvement program support the statement.

2431 – Engagement Disclosure of Nonconformance

When nonconformance with the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:

- Principle(s) or rule(s) of conduct of the Code of Ethics or the Standard(s) with which full conformance was not achieved.

- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement and the communicated engagement results.

2440 – Disseminating Results

The Chief Audit Executive must communicate results to the appropriate parties.

Interpretation:

The Chief Audit Executive is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. When the Chief Audit Executive delegates these duties, he or she retains overall responsibility.

2440.A1 – The Chief Audit Executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2 – If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the Chief Audit Executive must:

- Assess the potential risk to the organization.
- Consult with senior management and/or legal counsel as appropriate.
- Control dissemination by restricting the use of the results.

2440.C1 – The Chief Audit Executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2 – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.

2450 – Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization; and the expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

The communication will identify:

- *The scope, including the time period to which the opinion pertains.*
- *Scope limitations.*
- *Consideration of all related projects, including the reliance on other assurance providers.*
- *A summary of the information that supports the opinion.*
- *The risk or control framework or other criteria used as a basis for the overall opinion.*
- *The overall opinion, judgment, or conclusion reached.*

2500 – Monitoring Progress

The Chief Audit Executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 – The Chief Audit Executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 – Resolution of Senior Management's Acceptance of Risks

When the Chief Audit Executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the Chief Audit Executive must discuss the matter with senior management. If the Chief Audit Executive determines that the matter has not been resolved, the Chief Audit Executive must communicate the matter to the board.

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the Chief Audit Executive to resolve the risk.

Glossary

Add Value
The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Adequate Control
Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

Assurance Services
An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Audit, Finance & Administration Committee
Audit, Finance and Administration Committee shall mean a committee compiled of the Bi-State Development Board of Commissioners.

Audit, Finance & Administration Committee (Revised 03/25/11, 11/18/11, and 11/18/16)
The purpose of this Committee is to assist the Board in the oversight of the Agency's financial management and operations, including the integrity of its financial statements, the appointment and performance of its internal and external auditors and its compliance with all legal and regulatory requirements. It shall have the authority, to the extent it deems necessary, to conduct investigations and to retain independent consultants in connection with its responsibilities. Additionally, the Committee has oversight of the development of the Agency's capital and operating budgets, its cash management policies and procedures, and its policies and procedure for investments and the issuance of debt; implementing its pension, health and welfare benefits; and providing input and advocacy for the implementation of the Agency's legislative, regulatory and public relations plans.

Specific responsibilities include, but are not limited to the following:

- To review the Agency's major financial risk exposures and the adequacy of the Agency's risk management assessment and control policies.
- To directly oversee the planning, staffing and work of any independent auditors retained to perform the annual financial audit of the Agency and issue an audit report, or to perform other audits, reviews or attests services.
- To appoint and directly oversee the work of the Chief Audit Executive and the Internal Audit Department staff, including reviewing all significant reports prepared by the internal auditing department, reviewing the internal audit plan for each upcoming year, and annually evaluating the performance of the Chief Audit Executive.

Board
Board shall mean Bi-State Development's Board of Commissioners. The highest level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organization's activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word "board" in the *Standards* refers to a group or person charged with governance of the organization. Furthermore, "board" in the *Standards* may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit, Finance & Administration Committee).

Charter
The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive
Chief Audit Executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the Chief Audit Executive may vary across organizations.

Code of Ethics
The Code of Ethics of The Institute of Internal Auditors **(IIA)** are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance
Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest
Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services
Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Control
Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment
The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes
The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

Core Principles for the Professional Practice of Internal Auditing
The Core Principles for the Professional Practice of Internal Auditing are the foundation for the International Professional Practices Framework and support internal audit effectiveness.

Engagement
A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives
Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Opinion
The rating, conclusion, and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.

Engagement Work Program
A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider
A person or firm outside of the organization that has special knowledge, skill, and experience in a particular discipline.

Fraud
Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance
The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

Impairment
Impairment to organizational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Independence
The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Information Technology Controls
Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.

Information Technology Governance
Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology supports the organization's strategies and objectives.

Internal Audit Definition
A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

International Professional Practices Framework
The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative guidance is composed of two categories – (1) mandatory and (2) recommended.

Must
The *Standards* use the word "must" to specify an unconditional requirement.

Objectivity
An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.

Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Overall Opinion

The rating, conclusion, and/or other description of results provided by the Chief Audit Executive addressing, at a broad level, governance, risk management, and/or control processes of the organization. An overall opinion is the professional judgment of the Chief Audit Executive based on the results of a number of individual engagements and other activities for a specific time interval.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite

The level of risk that an organization is willing to accept.

Risk Management

A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

Should

The *Standards* use the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard

A professional pronouncement promulgated by the International Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

Technology-based Audit Techniques

Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques **(CAATs)**.

Section 1.4
INTERNAL SAFETY AUDIT PROCESS (ISAP)

The Internal Audit Department's goal is to assist members of the Bi-State Safety Oversight Committee **(BSSO)**, Bi-State Development's Executive Safety & Security Committee **(ESSC)**, and Management in the effective discharge of their responsibilities. To this end, the Internal Audit Department will furnish them with analysis, recommendations, advice, and information concerning the activities reviewed.

The Internal Audit Department has the authority and responsibility to conduct, or oversee, regular internal audits of the *Bi-State Safety Oversight Program Standards Manual* support activities and shall provide a formal report of findings to the BSSO annually to ensure effective corrective action is taken to resolve deficiencies. Auditors shall be independent from the activity being audited.

In order to achieve this mission, the Internal Audit Department has developed an audit methodology that will allow the Internal Audit Department to focus on the key issues facing the Public Transportation Agency Safety Plan **(PTASP)** and System Security Plan **(SSP)**. Internal safety audits shall be conducted to determine if all organizational elements, equipment, procedures and functions are performing as intended, from a safety perspective. The Internal Safety Audit Process is intended to provide Bi-State Development **(BSD)** with mechanisms for assuring that plans are being implemented and procedures are being performed in accordance with BSD's own and with BSSO requirements. BSD must ensure that internal audits are conducted by individuals independent from the function being audited and free of any conflict of interest and/or the appearance of a conflict of interest.

The key objectives of the Internal Safety Audit Process are as follows:

1. Determining if the programs described in BSD's PTASP and SSP are being implemented through audit techniques such as interviews, document reviews, field observations, and measurements.

2. Determine if hazards exist in which BSD is non-compliant are being identified in a timely manner and appropriately tracked and mitigated, using BSD's established hazard management process.

3. Issue findings when hazardous conditions or non-compliant practices are discovered, and issue recommendations or observations when processes or procedures can be improved.

4. Work with affected departments to address findings, mitigate deficiencies, or improve business practices through development and tracking of Corrective Action Plans **(CAPs)**, in accordance with the BSD and BSSO established process.

5. Determine whether the PTASP or the SSP should be updated.

6. Ensure all elements of the PTASP and the SSP are reviewed in an ongoing manner and completed over a three-year cycle.

The Internal Audit Department consultant shall develop procedures and shall document the process for the performance of ongoing internal safety and security audits. The Internal Safety and Security Audit Procedures shall, at a minimum:

1. Describe the process used by to determine if all identified elements of its PTASP and SSP are performing as intended. BSD's annual internal audit procedures and overall schedule must be delineated in its PTASP.

2. Ensure that all elements of the PTASP and SSP are reviewed in an ongoing manner and completed over a three-year cycle. The three-year cycle commences on a date designated by BSD with the intention of completing at least one-third of the elements each year.

The Internal Audit Department shall permit the BSSO to participate in these reviews at the BSSO's request. To protect the independent nature of the review, the entity leading the audit shall not be the unit in charge of implementing the items being reviewed.

Internal Safety Audit Scheduling

The Internal Audit Department consultant is responsible for scheduling the annual audits, subject to BSSO approval. The Internal Audit Department consultant must notify the BSSO at least 30 calendar days before the commencement of scheduled internal audits, and at that time shall submit to the BSSO any checklists or procedures that it will use during the reviews.

The Internal Audit Department consultant, under the direction of the Chief Audit Executive, will develop, adopt, and distribute standard procedures for the Internal Safety Audit Process. Departments to be reviewed will be informed of the audit and will be provided with information regarding the purpose, scope, and content of the planned audit.

Internal Safety Audit Process

The Internal Safety Audit protocol is developed in accordance with the BSSO Program Standard Manual. Internal procedures and processes are implemented to ensure standards are being met. Specific audit guidelines and written checklists are developed by the Internal Audit Department consultant to measure the success of each BSD Department in implementation of safety policies, procedures, and requirements. In each case, the audit guidelines are tailored to the unique safety responsibilities of each department.

Internal Safety Audit Reports

At the conclusion of the audit, the Internal Audit Department consultant will discuss the audit findings and recommendations with the appropriate members of management to produce the draft audit report.

The draft audit report will be presented to the Bi-State Executive Safety and Security Committee for approval. Once the draft audit report is approved by the Bi-State Executive Safety and Security Committee it will be submitted to the BSSO for final review. All BSSO reviewed audit reports will be presented to the Bi-State Development Audit, Finance, and Administration Committee and Board of Commissioners.

Section 2.1
INTERNAL CONTROL PROCEDURES

Internal control is defined as a plan or organization, procedures and records concerned with the safeguarding of assets, which check the accuracy and reliability of accounting data, and promote operational efficiency and adherence to prescribed management policies.

Internal control can be classified as internal accounting control and administrative control.

(1) Administrative internal control is a plan of organization, procedures and records concerned with the decision processes leading to management's authorization of transactions to promote operational efficiency and encourage adherence to prescribed policies; and

(2) Internal accounting control is the plan of organization, procedures and records concerned with the safeguarding of assets and the reliability of financial records and designed to provide reasonable assurance that:

- Transactions are authorized;
- Transactions are properly recorded;
- Access to assets is limited and permitted only in accordance with management authorization;
- Records are compared with physical assets and variances are investigated; and
- Recorded amounts are reviewed for impairment in asset value.

The purpose of this procedure is to identify the process for evaluating auditee internal controls. The objective is to determine to what extent the internal controls are present and operational.

Audit methods used to study and evaluate existing internal controls include:

- Internal control survey questionnaires guide the auditor to query responsible managers regarding specific or general internal controls. The questionnaires are designed so that a negative response indicates a potential internal control weakness. A negative response will cause the auditor to determine whether compensating controls are in existence, which would offset the negative response.

- Narratives may be used to describe the system of internal controls.

Documentation to support the auditor's understanding of the internal controls:

- Audit workpapers provide the support for the conclusions reached by the auditor regarding the study and evaluation of internal control;
- Only those internal control functions, which are deemed critical or important to the strength within a particular transaction cycle, should be tested and evaluated; and
- Workpapers should be prepared to highlight the internal control attributes within the processes to be evaluated.

The Auditor should determine and document the appropriate statistical sampling or data analytics method to be used.

The procedures for the study and evaluation of internal control include:

- <u>Preliminary Survey</u> - To obtain internal familiarization with auditee's overall organization, operation, and control systems;
- <u>Determine Facts</u> – To ascertain by analysis and inquiry what controls have been established;
- <u>Walk Through</u> – To trace selected transactions through the system to confirm whether it is functioning as described;
- <u>Document</u> – To prepare a procedural memorandum covering the steps above; and
- <u>Evaluate</u> - Make a tentative evaluation of the effectiveness of internal control.

Section 2.2
AUDIT PLANNING MEMO

A major function of the Audit-Planning memo is to serve as a means of communication. Existence of a plan will ensure that the Chief Audit Executive of Internal Audit and the assigned personnel have a mutual understanding of the audit objectives and how and when they are to be achieved. Elements of a good plan include:

1. Problem Definition - Why the audit is to be performed; and

2. Work Definition - Identify the major tasks to be performed.

No matter how well conceived, nearly every plan will be changed from time to time. The impact of these changes as they affect the tasks, work assignments, completion dates, etc., must be reflected in the appropriate planning documents. Failure to do so will mean that the plan will eventually become so outmoded as to become valueless.

Care must be exercised in the formulation of the plan. It must be complete as to the statement of work to be accomplished and realistic as to the estimates of time and manpower required to do the job. At the same time, caution must be used to ensure that the plan does not become too detailed. Such a plan is cumbersome to maintain and, as such, will use up too much of the "in-charge" time or not be maintained at all. Either circumstance could imperil the successful completion of the audit.

Additionally, the planning memo should include the name of the Lead Auditor and the team members. The audit objectives should also be included.

Section 2.3
ENTRANCE CONFERENCE

Prior to the entrance conference an Engagement Letter should be sent to the department to be audited. A copy of the letter should be sent to the person that directly supervises the auditee, President & CEO and Audit, Finance & Administration Committee Chairperson. This process is performed to communicate to the auditee the beginning date of our audit and to request from the auditee any information that will help during the preliminary section of our audit. It is also used as a mechanism to inform senior management as to the activities of the Internal Audit Department.

After completing the preliminary planning stages of the assignment, and prior to commencing the fieldwork, Audit Management and the Lead Auditor should:

- Meet with the auditee's management and key supervisory personnel. The entrance conference provides the opportunity to begin building good relationships;

- Explain the purpose of the audit, to establish the necessary working arrangements, and to gain an overall understanding of the function/department to be audited; and

- The auditor should assure that all appropriate items are discussed in sufficient detail, that the meeting is kept brief and that a cooperative atmosphere is established.

Points that should be discussed during the conference include:

Introductions – The opening remarks should include an introduction of the attendees.

Scope and Objectives – Review basic scope and objectives planned for the audit. Outline the general audit work plan. Emphasize that the purpose of the audit is to add value and improve an organization's operations by helping an organization accomplish its objectives by making recommendations to improve the effectiveness of risk management, control and governance processes. Emphasize that the initial scope of audit coverage may be modified during the audit.

Audit Findings and Observations – Explain how audit Findings and/or Observations will be handled, e.g., resolution of minor Findings and/or Observations; the discussion of all Observations on a current basis to permit auditee to take timely corrective action; the exit conference at the completion of the fieldwork; the review of the report draft; and the distribution of the audit report. Discuss status of prior audit Findings and/or Observations, if applicable.

Audit Progress – Establish a clear understanding with client management about keeping their personnel advised of the audit progress Findings and/or Observations. Determine frequency of progress updates and management levels to be apprised of audit progress and Findings and/or Observations.

Auditee Input – Solicit the auditee's comments regarding aspects of the entity's organization, operations and procedures. Extend an invitation to discuss areas in which audit attention is scheduled to be directed and any other matters or views that the auditee believes should be considered during the audit. Care must be exercised not to undertake work in an area of interest to management but not essential to the audit objectives.

Cooperative Administration – Inquire about working hours, access to records, staff available to work with audit staff/furnish records, available work area for auditors, the auditee's various work deadlines and any other information which can be used to help schedule the audit activities to fit into the office routine with minimal disruption to the auditee's personnel.

Introduction and Tour – Arrange to meet other personnel the auditor will be working with during the audit. Also, arrange for a familiarization tour of the physical facilities.

A summary should be written for the workpapers showing the date, attendees, items discussed, resolutions, promises, disagreements and other items to be considered during the review.

See Sample Entrance Conference Agendas on the following pages.

BI-STATE DEVELOPMENT
GATEWAY ARCH OPERATIONS AUDIT
ENTRANCE CONFERENCE AGENDA
[DATE]

I. INTRODUCTION: Objectives, Scope

II. METHODOLOGIES/PROCESSES

III. AUDIT WORK REQUIREMENTS

IV MANAGEMENT CONCERNS/OTHER COMMENTS

BI-STATE DEVELOPMENT
GATEWAY ARCH OPERATIONS AUDIT
ENTRANCE CONFERENCE AGENDA
[DATE]

I. INTRODUCTION:

1. Explain Meeting Format
2. Emphasis will be given on the spirit of cooperation, working together, open door policy and helping the management to improve weaknesses, if there are any.
3. <u>Objectives:</u>
    - To gain an understanding of the Gateway Arch Operations process;
    - To determine whether that process is working effectively and efficiently;
    - To determine whether internal controls are in place;
    - To determine if compliance has been met as determined by the Board, Government and Management; and
4. Who is the Lead Auditor, and audit scope.

II. METHODOLOGIES/PROCESSES:

1. Traditional Operational Audit Objectives - ICQ, walk through of the process and the forms/reports being used, observation, extent of test and sampling based on preliminary assessments and findings in progress, various interviews as needed, and request copies of certain reports or documents.
2. While the audit is in progress, supervisor/management will be notified of possible findings prior to exit conference.
3. Usual Process: A draft report is usually issued prior to the exit conference so that management could respond to the findings and be prepared for exit discussion. It is preferable that management draft or official response and timetable of the course of actions are given for inclusion in the draft report to be discussed in the exit conference. (Provide copy of MAP). Exit conference will be scheduled and after that, the final report will be issued and submitted to the Board.
4. Provide management with a copy of the Satisfaction Survey. Mention to management at the end of the audit, we'll request completion of the Satisfaction Survey of the recently concluded audit as part of Internal Audit's ongoing process improvement.

III. AUDIT WORK REQUIREMENTS:

A. AUDITOR'S REQUIREMENT:

1. Don't forget to notify the staff that there is an ongoing audit to avoid any misunderstanding.
2. We need cooperation for immediate response on questions and requests so we could finish the audit timely and be out of your way.
3. Work Area: Need a place to work when work requires the auditor to be at the Arch area.

B. AUDITEE'S REQUIREMENT:

1. Please let us know in advance if there are less desirable times, situations, and dates to perform what I need to do. I will be Flexible, and will be glad to work around situations.

IV. MANAGEMENT CONCERNS/OTHER COMMENTS:

Obtain any concern that management has with regards to this unit:

1. Any areas within your control that need most attention or improvement?
2. Is there any experienced, consistent systems-related problem that impacts the effective and efficient processing of transactions?
3. Any corporate policies or procedures that you believe require change to improve the efficiency and effectiveness of the process?

Section 2.4
AUDIT PROGRAM

An audit program is a detailed plan for work to be performed during an audit. Well-constructed audit programs are essential to conducting audits in an efficient manner. Some of the benefits provide:

(1) A systematic plan for each phase of the work, which can be communicated to all officials and staff members concerned.

(2) The basis for a summary record of work actually performed.

(3) Assistance in familiarizing successive audit groups with the nature of work previously carried out.

The program consists of specific directions for carrying out the assignment. It should be subdivided into sections covering audit objective elements and may be amended as work on the assignment progresses.

Most audit programs will be prepared from the preliminary audit approach. All audit programs should be approved by the Chief Audit Executive prior to the commencement of engagement work.

Adjustments to audit work plans should be approved in a timely manner. Initially, approval may be obtained orally, if factors preclude obtaining written approval prior to commencing audit work.

Audit programs, in addition to guiding the auditor to a successful completion of the audit, serve to document audit work in many areas.

Heading and Completion – Each page of the program heading should indicate the name of the company, the division/department being audited, the type of audit program and the audit date. A program approval section should be included for the Chief Audit Executive signature and a section for the date should also be included. All Audit Programs should be approved prior to the beginning of every audit.

Objectives - Each audit program should include an audit objectives section where the audit objectives are listed. Establishing clear objectives provides a structure and discipline that helps the auditor to focus on the expected results and avoid confusion. Clear objectives also help ensure that the audit work will be conducted timely and efficiently, and that the work will produce the desired results.

Objectives should be stated in such a way that a response can be given in specific positive terms. The method most frequently used in attempting to phrase objectives are: (1) as a “to determine” statements. For example: To determine if standard procedures are followed.

Completion of each audit step is documented by the auditor initialing the audit step and indicating the date (month/day/year). In the column beside each program step, the auditor should reference the location of the applicable workpaper. When a workpaper is not prepared, the auditor should write a clear explanation giving positive assurance that the work was performed and state the results of the work and the conclusion reached. Also, if a program step does not apply, the reason why it does not apply should be explained. Marginal comments such as “done,” “no exceptions’” and N/A” are not acceptable.

Section 2.5
AUDIT WORKPAPERS

AUDIT WORKPAPER STANDARDS

GENERAL

Audit workpapers contain the results of internal control evaluations, analytical review, and audit tests. They serve to document the evidential matter examined, explain unusual items found, summarize deficiencies notes, and provide conclusions regarding the significant elements of each auditee's controls, financial reporting, and operating procedures. Workpapers are prepared for each assignment. They are designed to substantiate our audit concerns and reports, provide a medium for supervisory review to determine the adequacy of audit work performed, and demonstrate our compliance with the *Standards for the Professional Practice of Internal Auditing*.

OBJECTIVES

On an overall basis, workpapers provide documentation for the scope of the work performed, the sources of audit evidence examined, and the conclusions reached from our reviews. Completed audit workpapers accomplish the following objectives:

1. Provide evidence of all audit work performed.

2. Provide documentation for conclusion reached during the audit and whether audit objectives were achieved.

3. Provide support for audit concerns and the audit report.

4. Provide documentation of the internal control system and our evaluations of that system.

5. Provide a means to conduct the audit in an orderly manner – controlling what has been done, indicating what is still to be done, and giving reasons for what will be left undone.

6. Provide a ready reference for discussions with operating management or serve as a line of defense when conclusions or recommendations are challenged.

7. Provide a basis for supervisory review of the adequacy and effectiveness of audit work performed and the soundness of conclusions reached.

8. Provide a basis for appraising auditor's performance.

9. Provide reference data for peer reviews conducted by independent parties.

WORKPAPERS AND THE AUDIT PROCESS

Workpapers are prepared from the time the auditor first begins the assignment until the final report is written. The organization, design, and content of workpapers will depend upon the nature of the audit. The workpapers should, however, document the following aspects of the audit process:

Planning – Resulting workpapers will include an audit program and/or modifications, financial statements and the results of an initial analytical review, organizations charts, the audit scope memorandum, time budgets, prior internal and external audit reports, memorandum of issues carried forward from the prior audit, and all other documents used in the planning process.

Audit Test – These workpapers document the auditing procedures performed, the information obtained, and the conclusions reached. Examples include interview memorandums, schedules of detailed tests, analyses, confirmation replies, and financial statements.

Statistical Sampling - Statistical or probability sampling allows the auditor to stipulate, with a given level of confidence, the condition of a large population by reviewing only a percentage of the total items. Several sampling techniques are available to the auditor:

- Attribute sampling wherein the auditor identifies the expected frequency of occurrence of an event;

- Variables sampling wherein the auditor samples for values in a population, which vary from item to item; and

- Other techniques the auditor may wish to use include Random and Judgment sampling.

Review – Supervisory review will be documented by the Chief Audit Executive's signature on the Audit Workpaper Checklist.

Reporting – Workpapers in this area will consist of the audit report including management's responses.

Follow-up – Workpapers will include any correspondence or memorandums regarding the audit subsequent to report issuance.

GENERAL WORKPAPER REQUIREMENTS

In order to be a usable record of the audit work performed, workpapers must follow a consistent organization and format. This consistency will assist the auditor in the orderly conduct of the audit and allow for comprehensive and constructive reviews.

In preparing well-documented workpapers, the following general requirements must be observed.

GUIDELINES:

Understandable – All workpapers must be clear and concise and require no supplementary information to be understood. Workpapers must document the source of the information, the scope of the work, the actual work performed, and the conclusions reached without raising significant additional questions. For every concern raised in a workpaper conclusion, the disposition must be stated.

Relevant – Only workpapers which relate to the audit objectives or, are specifically required by the audit program should be included as workpapers.

Electronic Files – All electronic files pertaining to an audit are to be kept in the Internal Audit Department shared "W Drive" within the unique "Audit Project Folder" that has been created for the specific audit. Within the "Audit Project Folder" there will be a minimum of five (5) sub-folders, named as follows: Audit Planning, Workpapers, Draft Audit Report, Audit Follow-Up, and Survey Results.

No work product pertaining to an audit shall be kept in any manner on the employee's own private "U Drive," a "Jump Drive" and/or the "C Drive."

Electronic files pertaining to an audit include the following items created by the auditor, such as: spreadsheets, tables, graphs, Word documents, photographs, unique files containing specific data extracted from Agency databases (i.e., Oracle), and unique files containing information extracted from external sources.

Furthermore, all electronic files shall be maintained in accordance with the "Bi-State Development Electronic Records Management Guide" contained in the Agency's Policy and Procedures **(PPM)** application.

Complete – Audit workpapers should be complete with respect to heading, indexes, cross-references, tickmarks, legends and other explanations and conclusions. Workpapers must be able to "stand alone". This means that all questions must be answered, all points raised by the reviewer must be cleared, and a logical, well-thought-out conclusion must be reached for each audit segment.

WORKPAPER ORGANIZATION

Workpapers are to be arranged by section in the order indicated on the Table of Contents. The workpapers should include the following:

- Table of Contents
- Workpaper Checklist
- Audit Program
- Internal Control Evaluation (As Needed)
- Schedules of auditing procedures performed
- Draft Audit Report
- Final Audit Report

At the conclusion of the audit, the auditor should bind the workpapers in program section sequence, using a standard two-hole punch and "ACCO type" fastener. The audit report, workpaper review notes, and memorandum of concerns for the next audit should be filed in front of the audit program section. The auditor should prepare a file cover, which lists the name of the company, the division/department being audited and the type of audit being conducted. It should also contain the audit completion date, the audit period covered, the name of the auditors who worked on the assignment and the program section contained (if more than one binder is used). A blank cover should be used on the back of each binder to prevent damage to the last workpapers bound. The specific project number for each audit project should also be noted on the file cover. The Chief Audit Executive will assign the specific project number.

SPECIFIC WORKPAPER REQUIREMENTS

Specific guidelines have been established to have workpapers prepared in a consistent format. This format will aid in the development of new staff members, make multiple-staff audits more effective, and permit an easier review of the workpapers by third parties. Once the auditor becomes accustomed to a consistent format, he or she can spend less time on workpaper arrangement and more time concentrating on the audit at hand.

Workpapers include a wide variety of documents, as detailed previously under the "Workpapers and the Audit Process" heading. Requirements for preparing specific documents such as the audit scope memorandum and the audit report are covered in other headings. Following are the specific requirements established for the audit program the internal control evaluation, and the schedules of auditing procedures performed.

INTERNAL CONTROL EVALUATION (AS NEEDED)

The internal control review may be accomplished through the use of questionnaires and procedural flowcharts or narratives. Workpapers for the control review should test compliance with BSD's internal control policies and document how the auditor adjusted the scope of the audit based upon control weaknesses noted in this study. After completing the review, the auditor must reach a conclusion as to the amount of additional work, if any that must be performed. Generally, when a weakness is discovered, three types of conclusions can be reached:

Weakness Mitigated – In many cases the lack of control technique is mitigated by another control technique or segregation of duties. In any case, the auditor should clearly state that conclusion and that no further work is necessary.

Normal Testing Required – The auditor may determine that the potential exploration of the weakness noted in the control review will be adequately tested in the normal audit procedures as outlined in the audit program. In this case, the auditor should indicate the program step(s) where the audit work will be performed and a cross-reference to the actual workpaper being prepared.

Additional Testing - The auditor may also determine that because of the special nature of the unit's operation or poor overall control environment, special testing will be required as a review for potential exploitation. In this case, the auditor should briefly summarize the additional testing, indicating where in the audit program the testing was added and cross-reference the weakness noted to the actual workpaper.

Under most circumstances an actual workpaper should never be prepared to address the control weakness discovered until applicable testing of the weakness has been completed. In addition, should subsequent testing indicate that the system of controls is not functioning as described in control review; the control review workpapers should be updated to reflect this change.

SCHEDULES

The most common audit workpapers are those which document the auditing procedures performed, generally referred to as schedules. These require the following components:

Heading – The heading for audit schedules must include the name of the company, the division/department being audited, type of audit being conducted, type of audit step or test being performed and the audit period being audited. In addition, the auditor must sign or initial the workpaper and note the date (month/day/year) the workpaper was prepared. The signature/initials and date should be documented in the upper right corner of the workpaper.

Objective, Source, Conclusion, Discussion and/or Procedures – On every schedule, the auditor must state why a test(s) is being performed (**Objective**). On workpapers where the auditor selects and tests specific items, the workpaper must indicate what information or evidence was examined (**Source**). The schedule must include the date(s) that describe the time period being tested (**Conclusion**). How and where the information was selected for testing should be obtained **(Discussion and/or Procedures)**.

Indexing and Referencing – Good indexing and referencing techniques assist the auditor in developing an organized approach to audit work and simplify the review process. Since schedules are required for the completion of many steps in the audit program, the index number assigned to most schedules is designated in the audit program.

Conclusion – An important element of the audit is the conclusions, which the auditor draws, based on his or her evaluations of controls and procedures. Conclusions should be clear and concise statements of the work performed and what exceptions (if any) were noted. Conclusions are also written as to the adequacy of the amount of work done in relationship to errors (if any) noted. In all cases, conclusions should be prepared that indicate audit objectives have been achieved and give positive assurance of satisfactory conditions where no exceptions have been noted.

A conclusion is required on every workpaper except schedules of simple supporting information, which are referenced to a main schedule containing a conclusion. An appropriate conclusion for a schedule of a general ledger account analysis should state whether the balance recorded in the financial records is adequately documented and is reliable. An appropriate conclusion for a schedule of a test for compliance should state whether policy has been observed. For every deficiency addressed in a workpaper conclusion, the disposition must be stated.

WORKPAPER REVIEW

Audit workpapers should be reviewed to ensure that they document the completion of all required auditing procedures and that they properly support the conclusions reached and, ultimately, the audit report.

CONTROLLING WORKPAPERS

Workpapers are the Audit Department's property, and they should be kept under its control. While locking away workpapers overnight is not required during an audit engagement, they should be reasonably restricted from viewing by anyone who is not in the auditor's work area. **Workpapers containing confidential data should always be safeguarded**.

ACCESS TO WORKPAPERS

Workpapers developed during an audit become official records upon the issuance of the final report and must be adequately safeguarded to prevent unauthorized use or premature disclosure. Under most circumstances the use of workpapers will be restricted to auditors within the office. Because some of the data could be helpful to others in the performance of their official duties, it is general policy to furnish information or permit them to review the workpapers after they have established the validity of their requests. The Chief Audit Executive will consider each request individually. Permission to release workpapers to others must be obtained from the Chief Audit Executive.

The requests for audit data or use of workpapers may arise from the disclosure of discrepancies and deficiencies, from the desire by the operating officials to conduct a further investigation into a problem, or from their intent to follow-through on the auditors' recommendations. In cases of this type, it is usually desirable to furnish the information requested. Before any file of workpapers is made available to operating officials, it should be reviewed to determine whether it contains information that was received in confidence and which should not be disclosed to them. The audit program and other papers, which contain details of confidential nature, should be withheld.

Access to workpapers must not be allowed to become routine and should be based upon a demonstrated need-to-know.

SUMMARY

The quality of audit workpapers is a major factor in determining the professional competence of any auditor. See Workpaper Checklist on next page. This checklist will be approved by the Chief Audit Executive.

BI-STATE DEVELOPMENT
INTERNAL AUDIT DEPARTMENT
WORKPAPER CHECKLIST

	Yes	No	Reference
Project Title: ____________			
Project Number: ____________	____	____	________
1. Are audit workpapers cross-referenced to the audit program?	____	____	________
2. Are the workpapers consistent in form and logical arrangement?	____	____	________
3. Do workpapers contain the following:			
a) A descriptive heading?	____	____	________
b) Source of information?	____	____	________
c) Purpose of workpaper?	____	____	________
d) The date of preparation and the auditor's initials?	____	____	________
4. Do workpapers contain the following major sections:			
a) Audit Program?	____	____	________
(b) Audit Documentation (findings analysis, follow-up, etc.)?	____	____	________
c) Planning (project assignment, opening conference, narratives, sampling documents)?	____	____	________
d) Audit Report?	____	____	________
5. Are the workpapers concise, clear, accurate and complete?			
6. Do workpapers support audit findings with enough detail to substantiate them?			

____ ________________________________
Lead Auditor Date

____ ________________________________
Chief Audit Executive Date

Section 2.6
EXIT CONFERENCE

A major part of completing each audit is the Exit Conference. This will include the preparation and presentation of the written draft audit report.

<u>OBJECTIVES</u>

To ensure that the auditee is fully aware of all findings prior to issuance of the audit report.

1. To provide a record of the discussion of audit findings at the Exit Conference.

2. To determine concurrence/non-concurrence with recommendations and obtain auditee's comments regarding same.

3. To discuss with the auditee the course of action to be taken on each recommendation including target dates.

4. To obtain information that might clarify or explain the audit findings.

A meeting request will be sent to the auditee and the auditee's direct supervisor and/or the appropriate members of management informing them of the meeting and indicating that they are welcomed to attend if they desire. A draft audit report will be submitted to the auditee.

During the Exit Conference it should be stated and understood that responses from the auditee are due within 10 business days after the Exit Conference.

Section 2.7

AUDIT REPORT

TYPES OF REPORTS

There are three types of Audit Reports: **Routine, Special, and Interim**.

1. Routine audits are those set forth by the Annual Audit Plan.

2. Special reports are used to report on significant matters and could be expected to receive limited distribution and be confidential in nature.

   If a Commissioner requests that the Internal Audit Department prepare a Special Report, then upon completion of the Special Report it will be sent to all Commissioners at the same time, using each Commissioner's official BSD Commissioner email address.

3. Interim reports are issued while audits are in process for the purpose of bringing findings of an urgent nature to the attention of management or to keep management informed of conditions found in audits performed over a long period of time.

TIMELINESS

When a routine report is used, the President and CEO will be provided a draft report with the briefing paper before the Audit Committee meeting, after which time the draft audit report, which shall incorporate any response received, will be issued. The draft audit report will be issued to the members of the Audit Committee for approval at the Audit Committee meeting. The approved draft audit report will be issued to the full Board of Commissioners for approval at the next Board of Commissioners meeting.

RESOLUTION OF NON-CONCURRENCE CONCERNING THE AUDIT REPORT

1. If the response to the audit report included a non-concurrence that is considered to be significant by the auditor, then a meeting shall be arranged between:

   (a) Auditor
   (b) Auditee
   (c) President & CEO
   (d) Chief Audit Executive

2. If the issue cannot be resolved, then additional audit comments regarding reasons for the difference of opinion will be incorporated into the report. The matter may be referred to the Audit, Finance & Administration Committee for resolution. The decision of the Audit, Finance & Administration Committee shall be final.

Section 2.8

MANAGEMENT ACTION PLAN (MAP)

Background
BSD's Internal Audit Department is governed by and follows the *Standards for the Professional Practice of Internal Auditing* established by the Institute of Internal Auditors. The Internal Audit Department has developed this document to provide auditees information on the audit process and to provide guidelines for responding to audit findings to ensure adherence to the Standards.

Process
Once the Internal Audit Department concludes the fieldwork phase of an audit, a draft Audit Report is composed and issued to the auditee. In accordance with the Internal Audit Department's Policies & Procedures, the report contains "findings, [which] are pertinent statements of fact which are necessary to support or prevent misunderstanding of the internal auditor conclusions and recommendations." The Audit Report also contains recommendations that "call for action to correct existing conditions or improve operations. Recommendations may suggest approaches to correcting or enhancing performance as a guide for management in achieving desired results." The auditee is required to respond to the findings and recommendations noted in the Audit Report. Once management's responses are received, an exit conference is scheduled and the report is discussed during that conference. Below are guidelines for developing the auditee's response. The response consists of three components: Concurrence, Action Plan, and Implementation Date.

1. **Concurrence**
   A definite statement of management's acknowledgement of the validity of the finding is necessary. This statement should be "management concurs" or "management does not concur". If management does not concur, the acknowledgement should be followed by a statement of what part of the finding management does not concur with and the reason.

2. **Management's Action Plan**
   The plan should be brief, clear and concise. It should not necessarily provide a reason for the deficiency, but the steps management will take to correct the deficiency or improve the inefficient or ineffective process. Many findings cite several points. Management's action plan should address each point and consider the recommendations provided by the Internal Audit Department. In the event management chooses to implement corrective actions other than those recommended, they should ensure all components of the finding have been addressed and that the risk mitigated by the Internal Audit Department's recommendations has been fully mitigated by the corrective actions chosen by management.

3. **Target Implementation Date**
   The Target Implementation Date should be a reasonable date in which the action plan will be implemented. Reasonableness is based on the timeliness in which management will correct the deficiency noted by the Internal Audit Department. Secondly, it is based on the ability of the auditee to meet that date.

PLEASE NOTE:

The Audit Report is a product of the Internal Audit Department. Therefore, the Internal Audit Department reserves the right to wordsmith Management's responses to meet the above guidelines, without changing their meaning. The Internal Audit Department also reserves the right to respond to all action plans. An auditor's response is generally included in two instances. First is in the event Management chooses an alternative method of improvement or correction than the Internal Audit Department's recommendation. Second is in the event Management does not concur with the Internal Audit Department's finding. The auditor's response contains two components: concurrence and response. The concurrence is a definite statement of auditor's acknowledgement that the action plan presented appears to be reasonable to mitigate the risk identified in the finding in a timely manner. In cases of concurrence, the response is a statement supporting Management's action plans and possibly advising Management of cautions to consider when implementing its action plan. In cases of non-concurrence the response will attempt to clarify the Internal Audit Department's position and reiterate the need for improvement. If concurrence cannot be reached between the Internal Audit Department and the auditee, the matter will be referred to the President & CEO for resolution. If resolution cannot be obtained, the matter will then be referred to the Board of Commissioners.

Section 2.9

REPORT FOLLOW-UP

AUDIT FOLLOW-UPS

1. The head of the department which was audited shall be responsible for ensuring that appropriate actions are taken in accordance with the timetables contained in the audit response. Any delays in taking such actions shall be explained in a letter from the Departmental Director to the President & CEO and the Chief Audit Executive.

2. The Chief Audit Executive shall schedule follow-up reviews as necessary to determine compliance. One of our primary responsibilities as professional auditors is determining that the auditee takes corrective action on recommendations. This applies in all cases, except where "management or the Board has assumed the risk of not taking corrective action on reported findings."

Being an integral part of the internal audit process, follow-up should be scheduled, along with the other steps necessary to perform the audit. However, specific follow-up activity depends on the results of the audit and can be scheduled at the closing conference or as a separate activity.

Follow-up activities may generally be broken down into two areas:

1. Limited - Limited follow-up typically involves more auditee interaction. This may include verifying procedures or transactions, and in most cases is not accomplished through memos or phone conversations with the auditee.

2. Detailed - Detailed follow-up is usually more time consuming and can include substantial auditee involvement. Verifying procedures and audit trails as well as substantiating account balances and computerized records are examples. The more critical audit findings usually require detailed follow-up.

Follow-up scheduling can begin when corrective action is confirmed by acceptance of an audit or when management/board elects to accept the risk of not implementing the recommendation. Based on the risk and exposure involved, as well as the degree of difficulty in achieving the recommended action, follow-up activity should be scheduled to monitor the situation or confirm completion of the changes, which were planned. These same factors establish whether a simple phone call would suffice or whether further audit procedures would be required.

At the end of each quarter, a summary report is prepared. This report reflects all period findings with appropriate comments to reflect end-of-quarter status.

Additionally, this report highlights all outstanding findings from prior periods and their status. It is the intent of this summary report to track all findings so that they are appropriately resolved.

Section 3.1

BI-STATE DEVELOPMENT
INTERNAL AUDIT DEPARTMENT
ENGAGEMENT LETTER

S A M P L E

BI·STATE DEVELOPMENT

Memorandum

To: [Name]
[Department/Job Title]

[Name]
[Department/Job Title]

From: ___________________________
Crystal M. Messner, CFE, CIA, CISA
Chief Audit Executive

Date: [Date]

Subject: [**Audit Name]**

In accordance with the FY20XX Annual Audit Plan, the Internal Audit Department has scheduled an audit of the **[Audit Name].** This audit will commence on May 10, 2021. **The Lead Auditor** for this project will be **[Senior Auditor's Full Name].**

[Auditor's First Name] will perform a review of the [Audit Name] process as it relates to your department. This review will require involvement from you and your staff in the form of staff interviews, procedural walkthroughs and other audit techniques as it relates to the [Audit Name] process.

If there are any additional areas that you think warrant the attention of the audit staff or that would benefit from our review, please let us know.

If you have any questions please feel free to contact me at ext. 3001. Thank you in advance for your cooperation.

cc: Commissioner Justin Zimmerman
Taulby Roach
Tom Curran
File

Section 3.2

BI-STATE DEVELOPMENT
INTERNAL AUDIT DEPARTMENT
FINDING ANALYSIS

S A M P L E

Project Title: **Project No.**

STATEMENT OF CONDITION: *What is*

CRITERIA: *What should be*

CAUSE: *Why the deviation from the criteria occurred. Cause explains why standards were deviated from, why goals were not met, and why objectives were not attained.*

EFFECT: *What happened or could happen because the condition differed from the criteria.*

RECOMMENDATION: *What is needed to correct the condition and improve operations.*

Section 3.3

INTERNAL AUDIT DEPARTMENT – TIME REPORT

S A M P L E

NAME: Staff Auditor

List all open projects below.		**Sun**	**M**	**Tu**	**W**	**Th**	**F**	**Sat**	**TOTAL**
IA PROJECT/ ACTIVITY DESCRIPTION	**JOB#**								
S A M P L E T I M E S H E E T									
Bi-Weekly Payroll Timesheets									0
Audit Projects/Assignments are Listed Below:									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
Total Hours Charged to Project Activity:		0	0	0	0	0	0	0	0
Paid Time Off (PTO)									
Total Hours (minimum of 8 per day):		0	0	0	0	0	0	0	0

Section 3.4

BI-STATE DEVELOPMENT
INTERNAL AUDIT DEPARTMENT
AUDIT EFFECTIVENESS QUESTIONNAIRE

AUDIT: ______________________________ DATE COMPLETED:__________________

Please provide your reaction to the recently completed audit by circling the number on the indicated scale to the right of each question that best reflects the manner in which you feel the audit was conducted. We would be interested in any additional comments you might have.

1= Lowest to 5 = Highest					
1. Were the objectives and scope of the audit stated clearly?	1	2	3	4	5
2. Were the stated audit objectives consistent with your objectives?	1	2	3	4	5
3. Did the auditors clearly explain to you their audit requirements (working space, required documents, etc.)?	1	2	3	4	5
4. How difficult was it for you to meet those needs?	1	2	3	4	5
5. To what degree was the audit disruptive to your operations?	1	2	3	4	5
6. Were the requests for information reasonable?	1	2	3	4	5
7. How would you rate the professionalism and competence of the auditor(s)?	1	2	3	4	5
8. Were the auditors courteous in their dealings with your staff?	1	2	3	4	5
9. How often did the auditors discuss audit progress with you?	1	2	3	4	5
10. Were the audit findings:	1	2	3	4	5
➢ consistent with the audit objectives?	1	2	3	4	5
➢ accurate?	1	2	3	4	5
➢ clearly stated and discussed with you?	1	2	3	4	5
➢ useful or of value to you?	1	2	3	4	5
11. Was a discussion draft of the audit report delivered to you in a timely manner?	1	2	3	4	5
12. Did the draft audit report accurately and clearly reflect the objectives, observations, and recommendations?	1	2	3	4	5
13. Was the time span from the start of the audit to the issuance of the final report reasonable?	1	2	3	4	5
14. Overall, how would you rate your satisfaction with the purpose, scope, objectives, conduct, and results of the audit?	1	2	3	4	5

Please provide any other comments that you feel will help us evaluate the quality and effectiveness of future audits in this department.

____
____
____
____

Name________________________ Signature________________________ Date: ___________

Please return the completed questionnaire at your convenience to the Internal Audit Department. It will be used to ensure on-going client satisfaction and to measure our effectiveness.

DRAFT

INTERNAL AUDIT DEPARTMENT POLICIES AND PROCEDURES MANUAL

Date to be Presented to the
Audit, Finance and Administration Committee:
June 10, 2022

CRYSTAL M. MESSNER
Chief Audit Executive

MARY C. CRYER
~~Sr. Administrative Assistant~~Internal Audit Coordinator

BI-STATE DEVELOPMENT
INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL

TABLE OF CONTENTS

Section 1.1
INTERNAL AUDIT CHARTER

MISSION STATEMENT

To perform audits in accordance with the appropriate professional standards, ensure proper accountability of public funds, and to add value by promoting a control environment through open communication, professionalism, expertise, and trust.

To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

DEFINITION OF INTERNAL AUDIT

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

SCOPE OF WORK

The scope of work of the Internal Audit Department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by Management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the organization's control process; and
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving Management control, profitability, and the organization's image may be identified during audits. They will be communicated to the Audit, Finance & Administration Committee and the appropriate level of Management.

ACCOUNTABILITY

The Internal Audit Department shall be accountable to the Audit, Finance & Administration Committee and the Board of Commissioners to:

- Provide an assessment of the adequacy and effectiveness of the organization's process for controlling its activities and managing its risks in the areas set forth under the mission and scope of work;
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution;
- Periodically provide information on the status and results of the Annual Audit Plan and the sufficiency of department resources; and
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

INDEPENDENCE

To provide for the independence of the Internal Audit Department, its personnel report to the Chief Audit Executive, who reports functionally to the Audit, Finance & Administration Committee and administratively to the Board of Commissioners, as well as coordinates with Management in an appropriate manner.

RESPONSIBILITY

The Chief Audit Executive and staff of the Internal Audit Department have responsibility to:

- Develop a flexible Annual Audit Plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit that plan to the Audit, Finance & Administration Committee for review and approval, as well as periodic updates;
- Implement the Annual Audit Plan as approved, including, as appropriate, any special tasks or projects requested by Management and the Audit, Finance & Administration Committee;
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- Evaluate and assess significant functions and new or changing services, processes, operations, and control processes during development, implementation, and/or expansion phase;
- Issue periodic reports to the Audit, Finance & Administration Committee and Management summarizing results of audit activities;
- Keep the Audit, Finance & Administration Committee informed of emerging trends and successful practices in internal auditing;
- Provide a list of significant measurement goals and results to the Audit, Finance & Administration Committee;
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify Management and the Audit, Finance & Administration Committee of the results;

- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost; and
- Include any assignments given by the Audit, Finance & Administration Committee or the Board as a whole.

AUTHORITY

The Chief Audit Executive, and staff of the Internal Audit Department, are authorized to:

- Have unrestricted access to all functions, records, contracts, leases, property, and personnel, which are reasonably necessary to accomplish its responsibilities;
- Have full and free access to the Audit, Finance & Administration Committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The Chief Audit Executive, and staff of the Internal Audit Department, are not authorized to:

- Initiate or approve accounting transactions external to the Internal Audit Department; and/or
- Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Internal Audit Department is responsible for evaluating conformance of the *Standards* reporting to Senior Management and the Audit, Finance & Administration Committee and Board of Commissioners on a Quality Assurance and Improvement ~~Program which~~Program, which ~~ ~~contains major elements:

- Internal Assessments, including ongoing monitoring of performance and periodic self-assessments, and
- External Assessments.

STANDARDS OF AUDIT PRACTICE

The Internal Audit Department will be governed by the *Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors* **(IIA)**. The Internal Audit Department is committed to the implementation of the IIA's Quality Assurance and Improvement Program. The Quality Assurance and Improvement Program is designed to enable an evaluation of the internal audit activity's conformance with the definition of Internal Auditing, Core Principles, and the *Standards*, ~~and~~ along with an evaluation of whether internal auditors apply the Code of Ethics~~. ~~. The program also assesses the efficiency and effectiveness of the internal activity and identifies opportunities for improvement.

The Internal Audit Charter approved by the Board of Commissioners requires the Internal Audit Department to maintain auditing standards consistent with those established by the IIA. An external assessment is required to be performed at least once every five (5) years by a qualified, independent reviewer or review team from outside the organization. This report represents the results of a self-assessment with independent external validation.

The Quality Assurance Review **(QAR)** rating system, to express an opinion of conformance, includes three (3) ~~levels which~~levels, which contain the following:

Generally Conforms (GC)
GC - means the evaluator has concluded that the Internal Audit Department's charter, structure, policies, and procedures, as well as the processes by which they are applied, are judged to be in accordance with the Standards, with some opportunities for improvement being possible.

Partially Conforms (PC)
PC - means the evaluator has concluded that a deviation from the Standards exist and action is needed to improve conformity. These deviations are not, however, significant enough to preclude the Internal Audit Department from carrying out its responsibilities in an acceptable manner.

Does Not Conform (DNC)
DNC - means the evaluator has concluded the Internal Audit Department is not aware of, is not making a good-faith effort to comply with, or is failing to achieve conformity with many/all of the Standards, thus impacting its ability to carry out its mission.

____
Chief Audit Executive

____
President and CEO

____
Chair, Board of Commissioners

____
Audit, Finance & Administration Committee Chair

Dated~~: ~~: __________/_________/____________

Section 1.2
CODE OF ETHICS

Principles

Internal auditors are expected to apply and uphold the following principles:

- **Integrity**
  The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

  Internal Auditors:

  1.1 Shall perform their work with honesty, diligence and responsibility;

  1.2 Shall observe the law and make disclosures expected by the law and the profession;

  1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization; and

  1.4 Shall respect and contribute to the legitimate and ethical objects of the organization.

- **Objectivity**
  Internal auditors shall exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors shall make a balanced assessment of all the relevant circumstances and shall not be unduly influenced by their own interests or by others in forming judgments.

  Internal auditors:

  2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interest of the organization.

  2.2 Shall not accept anything that may impair or be presumed to impair their professional judgment.

  2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

- **Confidentiality**
  Internal auditors shall respect the value and ownership of information they receive and shall not disclose information without appropriate authority unless there is a legal professional obligation to do so.

  Internal auditors:

  3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

  3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

- **Competency**
  Internal auditors shall apply the knowledge, skills and experience needed in the performance of internal auditing services.

  Internal auditors:

  4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

  4.2 Shall perform internal auditing services in accordance with the *Standards for the Professional Practice of Internal Auditing*.

  4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

Section 1.3
INSTITUTE OF INTERNAL AUDITORS PROFESSIONAL STANDARDS

Introduction to the *Standards*

Internal auditing is conducted in diverse legal and cultural environments; for organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's *International Standards for the Professional Practice of Internal Auditing* **(*Standards*)** is essential in meeting the responsibilities of internal auditors and the internal audit activity.

The purpose of the *Standards* is to:

1. Guide adherence with the mandatory elements of the International Professional Practices Framework.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing services.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

The *Standards* are a set of principles-based, mandatory requirements consisting of:

- Statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance that are internationally applicable at organizational and individual levels.
- Interpretations clarifying terms or concepts within the *Standards*.

The *Standards*, together with the Code of Ethics, encompass all mandatory elements of the International Professional Practices Framework; therefore, conformance with the Code of Ethics and the *Standards* demonstrates conformance with all mandatory elements of the International Professional Practices Framework.

The *Standards* employ terms as defined specifically in the Glossary. To understand and apply the *Standards* correctly, it is necessary to consider the specific meanings from the Glossary. Furthermore, the *Standards* use the word "must" to specify an unconditional requirement and the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

The *Standards* comprise two main categories: Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. Attribute and Performance Standards apply to all internal audit services.

Implementation Standards expand upon the Attribute and Performance Standards by providing the requirements applicable to assurance (.A) or consulting (.C) services.

Assurance services involve the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor.

Generally, three parties are participants in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — the internal auditor, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility.

The *Standards* apply to individual internal auditors and the internal audit activity. All internal auditors are accountable for conforming with the standards related to individual objectivity, proficiency, and due professional care, and the standards relevant to the performance of their job responsibilities. Chief Audit Executives are additionally accountable for the internal audit activity's overall conformance with the *Standards*.

If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the *Standards*, conformance with all other parts of the *Standards* and appropriate disclosures are needed.

If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, internal audit communications may also cite the use of other requirements, as appropriate. In such a case, if the internal audit activity indicates conformance with the *Standards* and inconsistencies exist between the *Standards* and other requirements, internal auditors and the internal audit activity must conform ~~with~~to the *Standards* and may conform with the other requirements if such requirements are more restrictive.

The review and development of the *Standards* is an ongoing process. The International Internal Audit Standards Board engages in extensive consultation and discussion before issuing the *Standards*. This includes worldwide solicitation for public comment through the exposure draft process. All exposure drafts are posted on The IIA's website as well as being distributed to all IIA institutes~~.~~ .

Suggestions and comments regarding the *Standards* can be sent to:

The Institute of Internal Auditors
Standards and Guidance
1035 Greenwood Blvd, Suite 401
Lake Mary, FL 32746 USA

E-mail: guidance@theiia.org Web: www.globaliia.org

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STANDARDS ESTABLISHED BY THE INSTITUTE OF INTERNAL AUDITORS

ATTRIBUTE STANDARDS

1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing). The Chief Audit Executive must periodically review the internal audit charter and present it to senior management and the ~~board~~Board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the Chief Audit Executive's functional reporting relationship with the ~~board~~Board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the ~~board~~Board.

1000.A1 – The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.

1000.C1 – The nature of consulting services must be defined in the internal audit charter.

1010 – Recognizing Mandatory Guidance in the Internal Audit Charter

The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing must be recognized in the internal audit charter. The Chief Audit Executive should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the ~~board~~Board.

1100 – Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

Interpretation:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Chief Audit Executive has direct and unrestricted access to senior management and the ~~board~~Board.

This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

1110 – Organizational Independence

The Chief Audit Executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The Chief Audit Executive must confirm to the ~~board~~Board, at least annually, the organizational independence of the internal audit activity.

Interpretation:
Organizational independence is effectively achieved when the Chief Audit Executive reports functionally to the ~~board~~Board. Examples of functional reporting to the ~~board~~Board involve the ~~board~~Board:

- *Approving the internal audit charter.*
- *Approving the risk-based internal audit plan.*
- *Approving the internal audit budget and resource plan.*
- *Receiving communications from the Chief Audit Executive on the internal audit activity's performance relative to its plan and other matters.*
- *Approving decisions regarding the appointment and removal of the Chief Audit Executive.*
- *Approving the remuneration of the Chief Audit Executive.*
- *Making appropriate inquiries of management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations.*

1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The Chief Audit Executive must disclose such interference to the ~~board~~Board and discuss the implications.

1111 – Direct Interaction with the Board
The Chief Audit Executive must communicate and interact directly with the ~~board~~Board.

1112 – Chief Audit Executive Roles Beyond Internal Auditing
Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Interpretation:
The Chief Audit Executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management

activities. These roles and responsibilities may impair, or appear to impair, the organizational independence of the internal audit activity or the individual objectivity of the internal auditor. Safeguards are those oversight activities, often undertaken by the ~~board~~Board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:
Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

1130 – Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:
Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the Chief Audit Executive's responsibilities to senior management and the ~~board~~Board as described in the internal audit charter, as well as the nature of the impairment.

1130.A1 – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2 – Assurance engagements for functions over which the Chief Audit Executive has responsibility must be overseen by a party outside the internal audit activity.

1130.A3 – The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

1130.C1 – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2 – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 – Proficiency

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Interpretation:

Proficiency is a collective term that refers to the knowledge, skills, and other competencies required of internal auditors to effectively carry out their professional responsibilities. It encompasses consideration of current activities, trends, and emerging issues, to enable relevant advice and recommendations. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organizations.

1210.A1 – The Chief Audit Executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2 – Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3 – Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1 – The Chief Audit Executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 – Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1 – Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied.
- Adequacy and effectiveness of governance, risk management, and control processes.
- Probability of significant errors, fraud, or noncompliance.
- Cost of assurance in relation to potential benefits.

1220.A2 – In exercising due professional care, internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3 – Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1 – Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results.
- Relative complexity and extent of work needed to achieve the engagement's objectives.
- Cost of the consulting engagement in relation to potential benefits.

1230 – Continuing Professional Development

Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

1300 – Quality Assurance and Improvement Program

The Chief Audit Executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Chief Audit Executive should encourage ~~board~~Board oversight in the quality assurance and improvement program.

1310 – Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both internal and external assessments.

1311 – Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the Standards.

Periodic assessments are conducted to evaluate conformance with the Code of Ethics and the Standards.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Chief Audit Executive must discuss with the ~~board~~Board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The Chief Audit Executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs. The Chief Audit Executive should encourage ~~board~~Board oversight in the external assessment to reduce perceived or potential conflicts of interest.

1320 – Reporting on the Quality Assurance and Improvement Program

The Chief Audit Executive must communicate the results of the quality assurance and improvement program to senior management and the ~~board~~Board. Disclosure should include:

- The scope and frequency of both the internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

Interpretation:

The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the ~~board~~Board and considers the responsibilities of the internal audit activity and Chief Audit Executive as contained in the internal audit charter. To demonstrate conformance with the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments, and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

1321 – Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"

Indicating that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* is appropriate only if supported by the results of the quality assurance and improvement program.

Interpretation:

The internal audit activity conforms with the Code of Ethics and the Standards when it achieves the outcomes described therein. The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322 – Disclosure of Nonconformance

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* impacts the overall scope or operation of the internal audit activity, the Chief Audit Executive must disclose the nonconformance and the impact to senior management and the ~~board~~Board.

PERFORMANCE STANDARDS

2000 – Managing the Internal Audit Activity

The Chief Audit Executive must effectively manage the internal audit activity to ensure it adds value to the organization.

Interpretation:

The internal audit activity is effectively managed when:

- It achieves the purpose and responsibility included in the internal audit charter.
- It conforms with the *Standards*.
- Its individual members conform with the Code of Ethics and the *Standards*.
- It considers trends and emerging issues that could impact the organization.

The internal audit activity adds value to the organization and its stakeholders when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.

2010 – Planning

The Chief Audit Executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Interpretation:

To develop the risk-based plan, the Chief Audit Executive consults with senior management and the ~~board~~ Board and obtains an understanding of the organization's strategies, key business objectives, associated risks, and risk management processes. The Chief Audit Executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

2010.A1 – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the ~~board~~Board must be considered in this process.

2010.A2 – The Chief Audit Executive must identify and consider the expectations of senior management, the ~~board~~Board, and other stakeholders for internal audit opinions and other conclusions.

2010.C1 – The Chief Audit Executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.

2020 – Communication and Approval

The Chief Audit Executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the ~~board~~Board for review and approval. The Chief Audit Executive must also communicate the impact of resource limitations.

2030 – Resource Management

The Chief Audit Executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan.

2040 – Policies and Procedures

The Chief Audit Executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 – Coordination and Reliance

The Chief Audit Executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

Interpretation:

In coordinating activities, the Chief Audit Executive may rely on the work of other assurance and consulting service providers. A consistent process for the basis of reliance should be established, and the Chief Audit Executive should consider the competency, objectivity, and due professional care of the assurance and consulting service providers. The Chief Audit Executive should also have a clear understanding of the scope, objectives, and results of the work performed by other providers of assurance and consulting services. Where reliance is placed on the work of others, the Chief Audit Executive is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

2060 – Reporting to Senior Management and the Board

The Chief Audit Executive must report periodically to senior management and the ~~board~~Board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the ~~board~~Board.

Interpretation:

The frequency and content of reporting are determined collaboratively by the Chief Audit Executive, senior management, and the ~~board~~Board. The frequency and content of reporting *depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the ~~board~~Board.*

The Chief Audit Executive's reporting and communication to senior management and the ~~board~~Board must include information about:

- The audit charter.
- Independence of the internal audit activity.
- The audit plan and progress against the plan.
- Resource requirements.
- Results of audit activities.
- Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues.
- Management's response to risk that, in the Chief Audit Executive's judgment, may be unacceptable to the organization.

These and other Chief Audit Executive communication requirements are referenced throughout the Standards*.*

2070 – External Service Provider and Organizational Responsibility for Internal Auditing

When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.

Interpretation:

This responsibility is demonstrated through the quality assurance and improvement program which assesses conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards*.*

2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk- based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

2110 – Governance

The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for:

- Making strategic and operational decisions.
- Overseeing risk management and control.
- Promoting appropriate ethics and values within the organization.
- Ensuring effective organizational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organization.
- Coordinating the activities of, and communicating information among, the ~~board~~Board, external and internal auditors, other assurance providers, and management.

2110.A1 – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

2110.A2 – The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives.

2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- *Organizational objectives support and align with the organization's mission.*
- *Significant risks are identified and assessed.*
- *Appropriate risk responses are selected that align risks with the organization's risk appetite.*
- *Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the ~~board~~Board to carry out their responsibilities.*

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organization's risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1 – The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2120.A2 – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

2120.C1 – During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2120.C2 – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes.

2120.C3 – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 – Control

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2130.C1 – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes.

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement.

2201 – Planning Considerations

In planning the engagement, internal auditors must consider:

- The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity's objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.
- The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model.
- The opportunities for making significant improvements to the activity's governance, risk management, and control processes.

2201.A1 – When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1 – Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.

2210 – Engagement Objectives

Objectives must be established for each engagement.

2210.A1 – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2 – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

2210.A3 – Adequate criteria are needed to evaluate governance, risk management, and controls. Internal auditors must ascertain the extent to which management and/or the ~~board~~Board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and/or the ~~board~~Board.

Interpretation:

Types of criteria may include:

- *Internal (e.g., policies and procedures of the organization).*
- *External (e.g., laws and regulations imposed by statutory bodies).*
- *Leading practices (e.g., industry and professional guidance).*

2210.C1 – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.

2210.C2 – Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives.

2220 – Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

2220.A1 – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

2220.A2 – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

2220.C1 – In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

2220.C2 – During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

2230 – Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care.

2240 – Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.

2240.A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

2240.C1 – Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 – Performing the Engagement

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals.

2320 – Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

2330.A1 – The Chief Audit Executive must control access to engagement records. The Chief Audit Executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.A2 – The Chief Audit Executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2330.C1 – The Chief Audit Executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2340 – Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The Chief Audit Executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 – Communicating Results

Internal auditors must communicate the results of engagements.

2410 – Criteria for Communicating

Communications must include the engagement's objectives, scope, and results.

2410.A1 – Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors' opinion should be provided. An opinion must take into account the expectations of senior management, the ~~board~~Board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

2410.A2 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

2410.C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organization and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 – Errors and Omissions

If a final communication contains a significant error or omission, the Chief Audit Executive must communicate corrected information to all parties who received the original communication.

2430 – Use of "Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*"

Internal auditors may report that their engagements are "conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*" only if the results of the quality assurance and improvement program support the statement.

2431 – Engagement Disclosure of Nonconformance

When nonconformance with the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:

- Principle(s) or rule(s) of conduct of the Code of Ethics or the Standard(s) with which full conformance was not achieved.
- Reason(s) for nonconformance.

- Impact of nonconformance on the engagement and the communicated engagement results.

2440 – Disseminating Results

The Chief Audit Executive must communicate results to the appropriate parties.

Interpretation:

The Chief Audit Executive is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. When the Chief Audit Executive delegates these duties, he or she retains overall responsibility.

2440.A1 – The Chief Audit Executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2 – If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the Chief Audit Executive must:

- Assess the potential risk to the organization.
- Consult with senior management and/or legal counsel as appropriate.
- Control dissemination by restricting the use of the results.

2440.C1 – The Chief Audit Executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2 – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the ~~board~~Board.

2450 – Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization~~;~~, and the expectations of senior management, the ~~board~~Board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

The communication will identify:

- *The scope, including the time period to which the opinion pertains.*
- *Scope limitations.*
- *Consideration of all related projects, including the reliance on other assurance providers.*
- *A summary of the information that supports the opinion.*
- *The risk or control framework or other criteria used as a basis for the overall opinion.*
- *The overall opinion, judgment, or conclusion reached.*

2500 – Monitoring Progress

The Chief Audit Executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 – The Chief Audit Executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 – Resolution of Senior Management's Acceptance of Risks

When the Chief Audit Executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the Chief Audit Executive must discuss the matter with senior management. If the Chief Audit Executive determines that the matter has not been resolved, the Chief Audit Executive must communicate the matter to the ~~board~~Board.

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the Chief Audit Executive to resolve the risk.

~~Glossary~~

Internal Safety and Security Management Audit Standard Operating Procedure

~~INTERNAL SAFETY AUDIT PROCESS (ISAP)~~

The Internal Audit Department's goal is to assist members of the Bi-State Safety Oversight Committee **(BSSO)**, Bi-State Development's Executive Safety & Security Committee **(ESSC)**, and Management in the effective discharge of their responsibilities~~—~~. To this end, the Internal Audit Department will furnish them with analysis, recommendations, advice, and information concerning the activities reviewed.

The Internal Audit Department has the authority and responsibility to conduct, or oversee, regular internal audits of the *Bi-State Safety Oversight Program Standards Manual* support activities and shall provide a formal report of findings to the BSSO annually to ensure effective corrective action is taken to resolve deficiencies. Auditors shall be independent from the activity being audited.

The new policy and procedures for the Internal Safety Audit process became a standalone procedure effective January 1, 2022. See the most recent version of the Internal Safety and Security Management Audit Standard Operating Procedure for more information.

INTERNAL CONTROL PROCEDURES

Internal control is defined as a plan or organization, procedures and records concerned with the safeguarding of assets, which check the accuracy and reliability of accounting data, and promote operational efficiency and adherence to prescribed management policies.

Internal control can be classified as internal accounting control and administrative control.

(1) Administrative internal control is a plan of organization, procedures and records concerned with the decision processes leading to management's authorization of transactions to promote operational efficiency and encourage adherence to prescribed policies; and

(2) Internal accounting control is the plan of organization, procedures and records concerned with the safeguarding of assets and the reliability of financial records and designed to provide reasonable assurance that:

- Transactions are authorized;
- Transactions are properly recorded;
- Access to assets is limited and permitted only in accordance with management authorization;
- Records are compared with physical assets and variances are investigated; and
- Recorded amounts are reviewed for impairment in asset value.

The purpose of this procedure is to identify the process for evaluating auditee internal controls. The objective is to determine to what extent the internal controls are present and operational.

Audit methods used to study and evaluate existing internal controls include:

- Internal control survey questionnaires guide the auditor to query responsible managers regarding specific or general internal controls. The questionnaires are designed so that a negative response indicates a potential internal control weakness. A negative response will cause the auditor to determine whether compensating controls are in existence, which would offset the negative response.

Narratives may be used to describe the system of internal controls.

- Audit workpapers provide the support for the conclusions reached by the auditor regarding the study and evaluation of internal control;
- Only those internal control functions, which are deemed critical or important to the strength within a particular transaction cycle, should be tested and evaluated; and
- Workpapers should be prepared to highlight the internal control attributes within the processes to be evaluated.

The Auditor should determine and document the appropriate statistical sampling or data analytics method to be used.

The procedures for the study and evaluation of internal control include:

- Preliminary Survey – To obtain internal familiarization with auditee's overall organization, operation, and control systems;
- Determine Facts – To ascertain by analysis and inquiry what controls have been established;
- Walk Through – To trace selected transactions through the system to confirm whether it is functioning as described;
- Document – To prepare a procedural memorandum covering the steps above; and
- Evaluate – Make a tentative evaluation of the effectiveness of internal control.

AUDIT PLANNING MEMO

A major function of the Audit-Planning memo is to serve as a means of communication. Existence of a plan will ensure that the Chief Audit Executive of Internal Audit and the assigned personnel have a mutual understanding of the audit objectives and how and when they are to be achieved. Elements of a good plan include:

1. Problem Definition - Why the audit is to be performed; and

2. Work Definition - Identify the major tasks to be performed.

No matter how well conceived, nearly every plan will be changed from time to time. The impact of these changes as they affect the tasks, work assignments, completion dates, etc., must be reflected in the appropriate planning documents. Failure to do so will mean that the plan will eventually become so outmoded as to become valueless.

Care must be exercised in the formulation of the plan. It must be complete as to the statement of work to be accomplished and realistic as to the estimates of time and manpower required to do the job. At the same time, caution must be used to ensure that the plan does not become too detailed. Such a plan is cumbersome to maintain and, as such, will use up too much of the "in-charge" time or not be maintained at all. Either circumstance could imperil the successful completion of the audit.

Additionally, the planning memo should include the name of the Lead Auditor and the team members. The audit objectives should also be included.

ENTRANCE CONFERENCE

Prior to the entrance conference an Engagement Letter should be sent to the department to be audited. A copy of the letter should be sent to the person that directly supervises the auditee, President & CEO, and Audit, Finance & Administration Committee Chairperson. This process is performed to communicate to the auditee the beginning date of ~~our~~ the audit and to request from the auditee any information that will help during the preliminary section of ~~our~~ the audit. It is also used as a mechanism to inform senior management as to the activities of the Internal Audit Department.

After completing the preliminary planning stages of the assignment, and prior to commencing the fieldwork, Audit Management and the Lead Auditor should:

- Meet with the auditee's management and key supervisory personnel. The entrance conference provides the opportunity to begin building good relationships;

- Explain the purpose of the audit, to establish the necessary working arrangements, and to gain an overall understanding of the function/department to be audited; and

- The auditor should assure that all appropriate items are discussed in sufficient detail, that the meeting is kept brief, and that a cooperative atmosphere is established.

Points that should be discussed during the conference include:

Introductions – The opening remarks should include an introduction of the attendees.

Scope and Objectives – Review basic scope and objectives planned for the audit. Outline the general audit work plan. Emphasize that the purpose of the audit is to add value and improve an organization's operations by helping an organization accomplish its objectives by making recommendations to improve the effectiveness of risk management, control, and governance processes. Emphasize that the initial scope of audit coverage may be modified during the audit.

Audit Findings and Observations – Explain how audit Findings and/or Observations will be handled, e.g., resolution of minor Findings and/or Observations; the discussion of all Observations on a current basis to permit auditee to take timely corrective action; the exit conference at the completion of the fieldwork; the review of the report draft; and the distribution of the audit report. Discuss status of prior audit Findings and/or Observations, if applicable.

Audit Progress – Establish a clear understanding with client management about keeping their personnel advised of the audit progress Findings and/or Observations. Determine frequency of progress updates and management levels to be apprised of audit progress and Findings and/or Observations.

Auditee Input – Solicit the auditee's comments regarding aspects of the entity's organization, operations, and procedures. Extend an invitation to discuss areas in which audit attention is scheduled to be directed and any other matters or views that the auditee believes should be considered during the audit~~—~~. Care must be exercised not to undertake work in an area of interest to management but not essential to the audit objectives.

Cooperative Administration – Inquire about working hours, access to records, staff available to work with audit staff/furnish records, available work area for auditors, the auditee's various work deadlines, and any other information which can be used to help schedule the audit activities to fit into the office routine with minimal disruption to the auditee's personnel.

Introduction and Tour – Arrange to meet other personnel the auditor will be working with during the audit~~—~~. Also, arrange for a familiarization tour of the physical facilities.

A summary should be written for the workpapers showing the date, attendees, items discussed, resolutions, promises, disagreements, and other items to be considered during the review.

See: Entrance Conference Agenda Sample Template on pages 53-55. **~~See~~** ~~Sample Entrance Conference Agendas on the following pages.~~

~~**BI-STATE DEVELOPMENT**~~
~~**GATEWAY ARCH OPERATIONS AUDIT**~~
~~**ENTRANCE CONFERENCE AGENDA**~~
~~**[DATE]**~~

~~**I. INTRODUCTION:** Objectives, Scope~~

~~**II. METHODOLOGIES/PROCESSES**~~

~~**III. AUDIT WORK REQUIREMENTS**~~

~~**IV MANAGEMENT CONCERNS/OTHER COMMENTS**~~

~~BI-STATE DEVELOPMENT~~

AUDIT PROGRAM

An audit program is a detailed plan for work to be performed during an audit. Well-constructed audit programs are essential to conducting audits in an efficient manner. Some of the benefits provide:

(1) A systematic plan for each phase of the work, which can be communicated to all officials and staff members concerned.

(2) The basis for a summary record of work actually performed.

(3) Assistance in familiarizing successive audit groups with the nature of work previously carried out.

The program consists of specific directions for carrying out the assignment. It should be subdivided into sections covering audit objective elements and may be amended as work on the assignment progresses.

Most audit programs will be prepared from the preliminary audit approach. All audit programs should be approved by the Chief Audit Executive prior to the commencement of engagement work.

Adjustments to audit work plans should be approved in a timely manner~~. –~~. Initially, approval may be obtained ~~orally~~verbally, if factors preclude obtaining written approval prior to commencing audit work.

Audit programs, in addition to guiding the auditor to a successful completion of the audit, serve to document audit work in many areas.

Heading and Completion – Each page of the program heading should indicate the name of the company, the division/department being audited, the type of audit program, and the audit date~~. –~~. A program approval section should be included for the Chief Audit Executive's signature and a section for the date should also be included~~. –~~. All Audit Programs should be approved prior to the beginning of every audit~~. –~~.

Objectives - Each audit program should include ~~an audit objectives~~a section where the audit objectives are listed~~. –~~. Establishing clear objectives provides a structure and discipline that helps the auditor ~~to~~ focus on the expected results and avoid confusion~~. –~~. Clear objectives also help ensure that the audit work will be conducted timely and efficiently, and that the work will produce the desired results.

Objectives should be stated in such a way that a response can be given in specific positive terms~~. –~~. The method most frequently used in attempting to phrase objectives ~~are~~is~~: (1)~~ as a "to determine" statement~~s. –~~. For example~~: –~~: To determine if standard procedures are followed.

Completion of each audit step is documented by the auditor initialing the audit step and indicating the date (month/day/year)~~.~~ . In the column beside each program step, the auditor should reference the location of the applicable workpaper~~.~~ . When a workpaper is not prepared, the auditor should write a clear explanation giving positive assurance that the work was performed, ~~and~~ state the results of the work, and state the conclusion reached~~.~~ . Also, if a program step does not apply, explain the reason why it does not apply. ~~should be explained.~~ . Marginal comments such as "done," "no ~~exceptions"~~ exceptions," and "N/A" are not acceptable.

See: Audit Program Sample Template on pages 58-60

Section 2.5
AUDIT WORKPAPERS

<u>AUDIT WORKPAPER STANDARDS</u>

<u>GENERAL</u>

Audit workpapers contain the results of internal control evaluations, analytical review, and audit tests. They serve to document the evidential matter examined, explain unusual items found, summarize deficiencies ~~notes~~noted, and provide conclusions regarding the significant elements of each auditee's controls, financial reporting, and operating procedures. Workpapers are prepared for each assignment. They are designed to substantiate our audit concerns and reports, provide a medium for supervisory review to determine the adequacy of audit work performed, and demonstrate our compliance with the *Standards for the Professional Practice of Internal Auditing*.

<u>OBJECTIVES</u>

On an overall basis, workpapers provide documentation for the scope of the work performed, the sources of audit evidence examined, and the conclusions reached from our reviews. Completed audit workpapers accomplish the following objectives:

1. Provide evidence of all audit work performed.

2. Provide documentation for conclusion reached during the audit and whether audit objectives were achieved.

3. Provide support for audit concerns and the audit report.

4. Provide documentation of the internal control system and our evaluations of that system.

5. Provide a means to conduct the audit in an orderly manner – controlling what has been done, indicating what is still to be done, and giving reasons for what will be left undone.

6. Provide a ready reference for discussions with operating management or serve as a line of defense when conclusions or recommendations are challenged.

7. Provide a basis for supervisory review of the adequacy and effectiveness of audit work performed and the soundness of conclusions reached.

8. Provide a basis for appraising auditor's performance.

9. Provide reference data for peer reviews conducted by independent parties.

<u>WORKPAPERS AND THE AUDIT PROCESS</u>

Workpapers are prepared from the time the auditor first begins the assignment until the final report is written. The organization, design, and content of workpapers will depend upon the nature of the audit. The workpapers should, however, document the following aspects of the audit process:

Planning – Resulting workpapers will include an audit program and/or modifications, financial statements and the results of an initial analytical review, organization~~s~~ charts, the audit scope memorandum, time budgets, prior internal and external audit reports, memorandum of issues carried forward from the prior audit, and all other documents used in the planning process.

Audit Test – These workpapers document the auditing procedures performed, the information obtained, and the conclusions reached~~—~~. Examples include interview memorandums, schedules of detailed tests, analyses, confirmation replies, and financial statements.

Statistical Sampling - Statistical or probability sampling allows the auditor to stipulate, with a given level of confidence, the condition of a large population by reviewing only a percentage of the total items~~—~~. Several sampling techniques are available to the auditor:

- Attribute sampling wherein the auditor identifies the expected frequency of occurrence of an event;

- Variables sampling wherein the auditor samples for values in a population, which vary from item to item; and

- Other techniques the auditor may wish to use include Random and Judgment sampling.

Review – Supervisory review will be documented by the Chief Audit Executive's signature on the Audit Workpaper Checklist.

Reporting – Workpapers in this area will consist of the audit report including management's responses.

Follow-up – Workpapers will include any correspondence or memorandums regarding the audit subsequent to report issuance.

GENERAL WORKPAPER REQUIREMENTS

In order to be a usable record of the audit work performed, workpapers must follow a consistent organization and format~~—~~. This consistency will assist the auditor in the orderly conduct of the audit and allow for comprehensive and constructive reviews.

In preparing well-documented workpapers, the following general requirements must be observed.

GUIDELINES:

Understandable – All workpapers must be clear and concise and require no supplementary information to be understood~~—~~. Workpapers must document the source of the information, the scope of the work, the actual work performed, and the conclusions reached without raising significant additional questions~~—~~. For every concern raised in a workpaper conclusion, the disposition must be stated.

Relevant – Only workpapers which relate to the audit objectives or~~,~~ are specifically required by the audit program should be included as workpapers.~~ –~~.

Electronic Files – All electronic files pertaining to an audit are to be kept in the Internal Audit Department shared "W Drive" within the unique "Audit Project Folder" that has been created for the specific audit~~ –~~. Within the "Audit Project ~~Folder"~~Folder,"~~,~~ there will be a minimum of five (5) sub-folders, named as follows~~: –~~: Audit Planning, Workpapers, Draft Audit Report, Audit Follow-Up, and Survey Results.

No work product pertaining to an audit shall be kept in any manner on the employee's own private "U Drive," a removable "Jump Drive," and/or the computer's internal hard drive ("C Drive~~.~~")."

Electronic files pertaining to an audit include ~~the following~~ items created by the auditor, such as~~: –~~: spreadsheets, tables, graphs, Word documents, photographs, unique files containing specific data extracted from Agency databases (i.e., Oracle), and unique files containing information extracted from external sources.

Furthermore, all electronic files shall be maintained in accordance with the "Bi-State Development Electronic Records Management Guide" contained in the Agency's Policy and Procedures **(PPM)** application.

Complete – Audit workpapers should be complete with respect to heading, indexes, cross-references, tickmarks, legends, and other explanations and conclusions~~. –~~. Workpapers must be able to "stand alone."~~ –~~. This means that all questions must be answered, all points raised by the reviewer must be cleared, and a logical, well-thought-out conclusion must be reached for each audit segment.

WORKPAPER ORGANIZATION

Audit file documents ~~Workpapers are~~should ~~to~~ be arranged by the sections listed below. ~~in the order indicated on the Table of Contents. –~~ The Internal Audit Coordinator will assign the audit project number.~~.~~ The audit file must include the following workpapers ~~should include the following~~:

- Order of Electronic ~~Table of Contents~~
  1. Planning
     - Contents:
       - a. Audit Program
       - b. Engagement Letter
       - c. Entrance Conference
       - d. Criteria
       - e. Risk Assessment
       - f. All other misc. planning documentation
  2. Workpapers
     - Contents:
       - a. Workpaper Spreadsheet
       - b. Raw Data
       - c. Data Analytics
       - d. Testing Documents/Samples

e. All other documentation related to field work

3. Audit Reports
   - Contents:
     a. Draft Report
     b. Final Report
     c. Exit Conference
     d. Audit Checklist with CAE's final approval/sign-off
4. Audit Survey
   - Contents:
     a. Surveys from audit customers
     b. Emails for sending survey and receiving response back
5. Follow-Up
     a. All CAPs
     b. Emails and/or any other communication documents
     c. Follow-up documentation
     d. Closeout memo

- ~~Internal Control Evaluation (As as Neededneeded)~~

At the conclusion of the audit, the auditor should ~~bind~~ finalize ~~the~~ all workpapers in the ~~program section sequence~~electronic audit file, delete any extra draft audit report versions, and send notification to CAE for final approval and file closure.~~, using a standard two-hole punch and "ACCO type" fastener. The audit report, workpaper review notes, and memorandum of concerns for the next audit should be filed in front of the audit program section. The auditor should prepare a file cover, which lists the name of the company, the division/department being audited and the type of audit being conducted. It should also contain the audit completion date, the audit period covered, the name of the auditors who worked on the assignment and the program section contained (if more than one binder is used). A blank cover should be used on the back of each binder to prevent damage to the last workpapers bound. The specific project number for each audit project should also be noted on the file cover. The Chief Audit Executive will assign the specific project number.~~

SPECIFIC WORKPAPER REQUIREMENTS

Specific guidelines have been established to have workpapers prepared in a consistent format. This format will aid in the development of new staff members, make multiple-staff audits more effective, and permit an easier review of the workpapers by third parties. Once the auditor becomes accustomed to a consistent format, ~~he or she~~they can spend less time on workpaper arrangement and more time concentrating on the audit at hand.

Workpapers include a wide variety of documents, as detailed previously under the "Workpapers and the Audit Process" heading. Requirements for preparing specific documents such as the audit scope memorandum and the audit report are covered in other headings. Following are the specific requirements established for the audit program the internal control evaluation, and the schedules of auditing procedures performed.

INTERNAL CONTROL EVALUATION (AS NEEDED)

The internal control review may be accomplished through the use of questionnaires and procedural flowcharts or narratives. Workpapers for the control review should test compliance with BSD's internal control policies and document how the auditor adjusted the scope of the audit based upon control weaknesses noted in this study~~.—~~. After completing the review, the auditor must reach a conclusion as to the amount of additional work, if any, that must be performed~~.—~~. Generally, when a weakness is discovered, three types of conclusions can be reached:

Weakness Mitigated – In many ~~cases~~cases, the lack of control technique is mitigated by another control technique or segregation of duties~~.—~~. In any case, the auditor should clearly state that conclusion and that no further work is necessary.

Normal Testing Required – The auditor may determine that the potential exploration of the weakness noted in the control review will be adequately tested in the normal audit procedures as outlined in the audit program~~.—~~. In this case, the auditor should indicate the program step(s) where the audit work will be performed and a cross-reference to the actual workpaper being prepared.

Additional Testing – ~~—~~The auditor may also determine that because of the special nature of the unit's operation or poor overall control environment, special testing will be required as a review for potential exploitation~~.—~~. In this case, the auditor should briefly summarize the additional testing, indicating where in the audit program the testing was added and cross-reference the weakness noted to the actual workpaper.

Under most ~~circumstances~~circumstances, an actual workpaper should never be prepared to address the control weakness discovered until applicable testing of the weakness has been completed~~.—~~. In addition, should subsequent testing indicate that the system of controls is not functioning as described in control review~~;~~, the control review workpapers should be updated to reflect this change.

SCHEDULES

The most common audit workpapers are those which document the auditing procedures performed, generally referred to as schedules~~.—~~. These require the following components:

Heading – The heading for audit schedules must include the name of the company, the division/department being audited, type of audit being conducted, type of audit step or test being performed, and the audit period being audited~~.—~~. In addition, the auditor must sign or initial the workpaper and note the date (month/day/year) the workpaper was prepared. The signature/initials and date should be documented in the upper ~~right~~ left corner of the workpaper.

Objective, Source, Time Period, ~~Conclusion,~~ Discussion and/or Procedures – On every schedule, the auditor must state why a test(s) is being performed (**Objective**). On workpapers where the auditor selects and tests specific items, the workpaper must indicate what information or evidence was examined (**Source**)~~.—~~. The schedule must include the date(s) that describe the time period being tested (**~~Conclusion~~Time Period**)~~.—~~. How and where the information was selected for testing should be obtained **(Discussion and/or Procedures)**~~.—~~.

Indexing and Referencing – Good indexing and referencing techniques assist the auditor in developing an organized approach to audit work and simplify the review process~~.—~~. Since schedules are required for the completion of many steps in the audit program, the index number assigned to most schedules is designated in the audit program~~.—~~.

Conclusion – An important element of the audit is the conclusions, which the auditor draws~~,~~ based on his or her evaluations of controls and procedures~~.—~~. Conclusions should be clear and concise statements of the work performed and what exceptions (if any) were noted~~.—~~. Conclusions are also written as to the adequacy of the amount of work done in relationship to errors (if any) noted~~.—~~. In all cases, conclusions should be prepared that indicate audit objectives have been achieved and give positive assurance of satisfactory conditions where no exceptions have been noted.

A conclusion is required on every workpaper except schedules of simple supporting information, which are referenced to a main schedule containing a conclusion~~.—~~. An appropriate conclusion for a schedule of a general ledger account analysis should state whether the balance recorded in the financial records is adequately documented and is reliable~~.—~~. An appropriate conclusion for a schedule of a test for compliance should state whether policy has been observed~~.—~~. For every deficiency addressed in a workpaper conclusion, the disposition must be stated.

WORKPAPER REVIEW

Audit workpapers should be reviewed to ensure that they document the completion of all required auditing procedures and that they properly support the conclusions reached and, ultimately, the audit report~~.~~ .

CONTROLLING WORKPAPERS

Workpapers are the Internal Audit Department's property, and they should be kept under its control~~.~~ . ~~While locking away workpapers overnight is not required during an audit engagement, they~~Workpapers should be reasonably restricted from viewing by anyone who is not in the auditor's work area~~.~~ . **Workpapers containing confidential data ~~should~~ must always be safeguarded**.

ACCESS TO WORKPAPERS

Workpapers developed during an audit become official records upon the issuance of the final report and must be adequately safeguarded to prevent unauthorized use or premature disclosure. Under most circumstances the use of workpapers will be restricted to auditors within the office. Because some of the data could be helpful to others in the performance of their official duties, it is general policy to furnish information or permit them to review the workpapers after they have established the validity of their requests. The Chief Audit Executive will consider each request individually. Permission to release workpapers to others must be obtained from the Chief Audit Executive.

The requests for audit data or use of workpapers may arise from the disclosure of discrepancies and deficiencies, from the desire by the operating officials to conduct a further investigation into a problem, or from their intent to follow-through on the auditors' recommendations. In cases of this type, it is usually desirable to furnish the information requested. Before any file of workpapers is made available to operating officials, it should be reviewed to determine whether it contains information that was received in confidence and which should not be disclosed to them~~.~~ . The audit program and other ~~papers~~documentation, which contain details of confidential nature, should be withheld.

Access to workpapers must not be allowed to become routine and should be based upon a demonstrated need-to-know.

SUMMARY

The quality of audit workpapers is a major factor in determining the professional competence of any auditor~~.~~ . See Workpaper Checklist on next page~~.~~ . This checklist will be approved by the Chief Audit Executive.

~~BI STATE DEVELOPMENT~~

EXIT CONFERENCE

A major part of completing each audit is the Exit Conference. This will include the preparation and presentation of the written draft audit report.

OBJECTIVES

- To ensure that the auditee is fully aware of all findings prior to issuance of the audit report.
- ~~1.~~ To provide a record of the
- ~~2.~~ To determine concurrence/non-comments regarding same.
- ~~3.~~ To discuss with the auditee the target dates.
- ~~4.~~ To obtain information that might

A meeting request will be sent to the auditee and the auditee's direct supervisor and/or the appropriate members of management informing them of the meeting and indicating that they are welcome~~d~~ to attend if they desire. A draft audit report will be submitted to the auditee.

During the Exit Conference it should be stated and understood that responses from the auditee are due within ten (10) business days after the Exit Conference.

Section 2.7

AUDIT REPORT

TYPES OF REPORTS

There are three (3) types of Audit Reports: **Routine, Special, and Interim**.

1. Routine audits are those set forth by the Annual Audit Plan.

2. Special reports are used to report on significant matters and could be expected to receive limited distribution and be confidential in nature.

   If a Commissioner requests that the Internal Audit Department prepare a Special Report, then upon completion of the Special Report it will be sent to all Commissioners at the same time, using each Commissioner's official BSD Commissioner email address.

3. Interim reports are issued while audits are in process for the purpose of bringing findings of an urgent nature to the attention of management or to keep management informed of conditions found in audits performed over a long period of time.

TIMELINESS

When a routine report is used, the President and CEO will be provided a draft report with the briefing paper before the Audit Committee meeting, after which time the draft audit report, which shall incorporate any response received, will be issued~~.—~~. The draft audit report will be issued to the members of the Audit Committee for approval at the Audit Committee meeting. The approved draft audit report will be issued to the full Board of Commissioners for approval at the ~~next~~subsequent Board of Commissioners meeting.

RESOLUTION OF NON-CONCURRENCE CONCERNING THE AUDIT REPORT

1. If the response to the audit report included a non-concurrence that is considered to be significant by the auditor, then a meeting shall be arranged between:

   (a) Auditor
   (b) Auditee
   (c) President & CEO
   (d) Chief Audit Executive

2. If the issue cannot be resolved, then additional audit comments regarding reasons for the difference of opinion will be incorporated into the report. The matter may be referred to the Audit, Finance & Administration Committee for resolution. The decision of the Audit, Finance & Administration Committee shall be final.

Section 2.8
MANAGEMENT CORRECTIVE ACTION PLAN (C~~M~~AP)

Background
BSD's Internal Audit Department is governed by and follows the *Standards for the Professional Practice of Internal Auditing* established by the Institute of Internal Auditors. The Internal Audit Department has developed this document to provide auditees information on the audit process and to provide guidelines for responding to audit findings to ensure adherence to the Standards.

Process
Once the Internal Audit Department concludes the fieldwork phase of an audit, a draft Audit Report is composed and issued to the auditee. In accordance with the Internal Audit Department's Policies & Procedures, the report contains "findings, [which] are pertinent statements of fact ~~which~~ that are necessary to support or prevent misunderstanding of the internal auditor conclusions and recommendations." The Audit Report also contains recommendations that "call for action to correct existing conditions or improve operations. Recommendations may suggest approaches to correcting or enhancing performance as a guide for management in achieving desired results." The auditee is required to respond to the findings and recommendations noted in the Audit Report. Once management's responses are received, an exit conference is scheduled and the report is discussed during that conference. Below are guidelines for developing the auditee's response. The response consists of three components: Concurrence, Action Plan, and Implementation Date.

1. **Concurrence**
   A definite statement of management's acknowledgement of the validity of the finding is necessary. This statement should be "management concurs" or "management does not concur". If management does not concur, the acknowledgement should be followed by a statement of what part of the finding management does not concur with and the reason.

2. **Management's Corrective Action Plan**
   The plan should be brief, clear and concise. It should not necessarily provide a reason for the deficiency, but the steps management will take to correct the deficiency or improve the inefficient or ineffective process. Many findings cite several points. Management's corrective action plan should address each point and consider the recommendations provided by the Internal Audit Department. In the event management chooses to implement corrective actions other than those recommended, they should ensure all components of the finding have been addressed and that the risk mitigated by the Internal Audit Department's recommendations has been fully mitigated by the corrective actions chosen by management.

3. **Target Implementation Date**
   The Target Implementation Date should be a reasonable date in which the action plan will be implemented. Reasonableness is based on the timeliness in which management will correct the deficiency noted by the Internal Audit Department. Secondly, it is based on the ability of the auditee to meet that date.

PLEASE NOTE:

The Audit Report is a product of the Internal Audit Department. Therefore, the Internal Audit Department reserves the right to wordsmith Management's responses to meet the above guidelines, without changing ~~their~~ its meaning. The Internal Audit Department also reserves the right to respond to all action plans. An auditor's response is generally included in two instances. First is in the event Management chooses an alternative method of improvement or correction than the Internal Audit Department's recommendation. Second is in the event Management does not concur with the Internal Audit Department's finding. The auditor's response contains two components: concurrence and response. The concurrence is a definite statement of auditor's acknowledgement that the action plan presented appears to be reasonable to mitigate the risk identified in the finding in a timely manner. In cases of concurrence, the response is a statement supporting Management's action plans and possibly advising Management of cautions to consider when implementing its action plan. In cases of non-concurrence, the response will attempt to clarify the Internal Audit Department's position and reiterate the need for improvement. If concurrence cannot be reached between the Internal Audit Department and the auditee, the matter will be referred to the President & CEO for resolution. If resolution cannot be obtained, the matter will then be referred to the Board of Commissioners.

Section 2.9
REPORT FOLLOW-UP

AUDIT FOLLOW-UPS

1. The head of the department which was audited shall be responsible for ensuring that appropriate actions are taken in accordance with the timetables contained in the audit response. Any delays in taking such actions shall be explained in a letter from the Departmental Director to the President & CEO and the Chief Audit Executive.

2. The Chief Audit Executive shall schedule follow-up reviews as necessary to determine compliance. One of our primary responsibilities as professional auditors is determining that the auditee takes corrective action on recommendations. This applies in all cases, except where "management or the Board has assumed the risk of not taking corrective action on reported findings."

Being an integral part of the internal audit process, follow-up should be scheduled, along with the other steps necessary to perform the audit. However, specific follow-up activity depends on the results of the audit and can be scheduled at the closing conference or as a separate activity.

Follow-up activities may generally be broken down into two areas:

1. Limited - Limited follow-up typically involves more auditee interaction. This may include verifying procedures or transactions, and in most cases is not accomplished through memos or phone conversations with the auditee.

2. Detailed - Detailed follow-up is usually more time consuming and can include substantial auditee involvement. Verifying procedures and audit trails as well as substantiating account balances and computerized records are examples. The more critical audit findings usually require detailed follow-up.

Follow-up scheduling can begin when corrective action is confirmed by acceptance of an audit or when management/~~board~~Board elects to accept the risk of not implementing the recommendation. Based on the risk and exposure involved, as well as the degree of difficulty in achieving the recommended action, follow-up activity should be scheduled to monitor the situation or confirm completion of the changes~~, which were~~ planned. These same factors establish whether a simple phone call would suffice or whether further audit procedures would be required.

At the end of each quarter, a summary report is prepared. This report reflects all period findings with appropriate comments to reflect end-of-quarter status.

Additionally, this report highlights all outstanding findings from prior periods and their status. It is the intent of this summary report to track all findings so that they are appropriately resolved.

Glossary

Add Value
The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Adequate Control
Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

Assurance Services
An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Audit, Finance & Administration Committee
Audit, Finance and Administration Committee shall mean a committee compiled of the Bi-State Development Board of Commissioners.

Audit, Finance & Administration Committee ***(Revised 03/25/11, 11/18/11, and 11/18/16)***
The purpose of this Committee is to assist the Board in the oversight of the Agency's financial management and operations, including the integrity of its financial statements, the appointment and performance of its internal and external auditors and its compliance with all legal and regulatory requirements. It shall have the authority, to the extent it deems necessary, to conduct investigations and to retain independent consultants in connection with its responsibilities. Additionally, the Committee has oversight of the development of the Agency's capital and operating budgets, its cash management policies and procedures, and its policies and procedures for investments and the issuance of debt; implementing its pension, health and welfare benefits; and providing input and advocacy for the implementation of the Agency's legislative, regulatory and public relations plans.

Specific responsibilities include, but are not limited to the following:

- To review the Agency's major financial risk exposures and the adequacy of the Agency's risk management assessment and control policies.
- To directly oversee the planning, staffing and work of any independent auditors retained to perform the annual financial audit of the Agency and issue an audit report, or to perform other audits, reviews or attest services.
- To appoint and directly oversee the work of the Chief Audit Executive and the Internal Audit Department staff, including reviewing all significant reports prepared by the internal auditing department, reviewing the internal audit plan for each upcoming year, and annually evaluating the performance of the Chief Audit Executive.

Board

Board shall mean Bi-State Development's Board of Commissioners. The highest level governing body (e.g., a Board of Directors, a supervisory board, or a Board of Governors or trustees) charged with the responsibility to direct and/or oversee the organization's activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the Board includes members who are not part of management. If a board does not exist, the word "board" in the *Standards* refers to a group or person charged with governance of the organization. Furthermore, "board" in the *Standards* may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit, Finance & Administration Committee).

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

Chief Audit Executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the Chief Audit Executive may vary across organizations.

Code of Ethics

The Code of Ethics of The Institute of Internal Auditors **(IIA)** are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, and/or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Control

Any action taken by management, the Board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of the Board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes

The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

Core Principles for the Professional Practice of Internal Auditing

The Core Principles for the Professional Practice of Internal Auditing are the foundation for the International Professional Practices Framework and support internal audit effectiveness.

Engagement

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives

Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Opinion

The rating, conclusion, and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.

Engagement Work Program

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider
A person or firm outside of the organization that has special knowledge, skill, and experience in a particular discipline.

Fraud
Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance
The combination of processes and structures implemented by the Board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

Impairment
Impairment to organizational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Independence
The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Information Technology Controls
Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.

Information Technology Governance
Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology supports the organization's strategies and objectives.

Internal Audit Definition
A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

International Professional Practices Framework
The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative guidance is composed of two categories – (1) mandatory and (2) recommended.

Must
The *Standards* use the word "must" to specify an unconditional requirement.

Objectivity
An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Overall Opinion
The rating, conclusion, and/or other description of results provided by the Chief Audit Executive addressing, at a broad level, governance, risk management, and/or control processes of the organization. An overall opinion is the professional judgment of the Chief Audit Executive based on the results of a number of individual engagements and other activities for a specific time interval.

Risk
The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite
The level of risk that an organization is willing to accept.

Risk Management
A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

Should
The *Standards* use the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Significance
The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard
A professional pronouncement promulgated by the International Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

Technology-based Audit Techniques
Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques **(CAATs)**.

Memorandum

To: [Auditee]
[Title]

[Auditee]
[Title]

From:
Crystal M. Messner, CFE, CIA, CISA

Date: [Date]

Subject: [Audit Name]

In accordance with the FY20XX Annual Audit Plan, the Internal Audit Department has scheduled an audit of the [Department/Process]. This audit will commence on [Start Date]. The Lead Auditor for this project will be [Auditor Name].

[Auditor Name] will perform a review of the [Department/Procedure]. This review will require involvement from you and your staffs in the form of staff interviews, procedural walkthroughs and other audit techniques as it relates to [description of procedures to be reviewed and/or audit activities].

If there are any additional areas that you think warrant the attention of the audit staff or that would benefit from our review, please let us know.

If you have any questions please feel free to contact me at ext. 3001. Thank you in advance for your cooperation.

cc: Taulby Roach
[Department Leads]
File

BI-STATE DEVELOPMENT
GATEWAY ARCH OPERATIONS AUDIT
ENTRANCE CONFERENCE AGENDA
[DATE]

I. INTRODUCTION: Objectives, Scope

II. METHODOLOGIES/PROCESSES

III. AUDIT WORK REQUIREMENTS

IV MANAGEMENT CONCERNS/OTHER COMMENTS

SAMPLE

BI-STATE DEVELOPMENT
GATEWAY ARCH OPERATIONS AUDIT
ENTRANCE CONFERENCE AGENDA
[DATE]

I. INTRODUCTION:

1. Explain Meeting Format
2. Emphasis will be given on the spirit of cooperation, working together, open door policy, and helping the management to improve weaknesses, if there are any.
3. Objectives:
    - To gain an understanding of the Gateway Arch Operations process;
    - To determine whether that process is working effectively and efficiently;
    - To determine whether internal controls are in place;
    - To determine if compliance has been met as determined by the Board, Government, and Management; and
4. Who will be the Lead Auditor and identify the audit scope.

II. METHODOLOGIES/PROCESSES:

1. Traditional Operational Audit Objectives – Internal control reviews, walk through of the process and the forms/reports being used, observation, extent of test and sampling based on preliminary assessments and findings in progress, various interviews as needed, and request copies of certain reports or documents.
2. While the audit is in progress, supervisor/management will be notified of possible findings prior to exit conference.
3. Usual Process: A draft report is usually issued prior to the exit conference so that management can respond to the findings and be prepared for exit discussion. Management should draft an official management corrective action plan (CAP) response and expected implementation dates for inclusion in the draft report to be discussed in the exit conference. Exit conference will be scheduled and after that, the final report will be issued and submitted to the Board.
4. Provide management with an electronic copy of the Satisfaction Survey. Notify management that, upon completion of the audit, IAD will request auditees to complete the Satisfaction Survey regarding the audit as part of Internal Audit's ongoing process improvement.

SAMPLE

III. AUDIT WORK REQUIREMENTS:

A. AUDITOR'S REQUIREMENT:

1. Don't forget to notify the staff that there is an ongoing audit to avoid any misunderstanding.
2. We need cooperation for immediate response on questions and requests so we can finish the audit timely and be out of your way.
3. Work Area: Need a place to work when work requires the auditor to be on site at the Arch.

B. AUDITEE'S REQUIREMENT:

1. Please let us know in advance if there are less desirable times, situations, and dates to perform what I need to do. I will be flexible, and will be glad to work around situations.

IV. MANAGEMENT CONCERNS/OTHER COMMENTS:

Obtain any concern that management has with regards to this unit:

1. Any areas within your control that need most attention or improvement?
2. Is there any experienced, consistent systems-related problem that impacts the effective and efficient processing of transactions?
3. Any corporate policies or procedures that you believe require change to improve the efficiency and effectiveness of the process?

~~INTERNAL AUDIT DEPARTMENT   TIME REPORT~~

~~*S A M P L E*~~

~~**NAME: Staff Auditor**~~

~~*List all open projects below.*~~	-	~~Sun~~	~~M~~	~~Tu~~	~~W~~	~~Th~~	~~F~~	~~Sat~~	~~TOTAL~~
~~IA PROJECT/ ACTIVITY DESCRIPTION~~	~~JOB#~~	-	-	-	-	-	-	-	-
~~S A M P L E T I M E S H E E T~~	-	-	-	-	-	-	-	-	-
~~Bi-Weekly Payroll Timesheets~~	-	-	-	-	-	-	-	-	~~0~~
~~Audit Projects/Assignments are Listed Below:~~	-	-	-	-	-	-	-	-	~~0~~
-	-	-	-	-	-	-	-	-	~~0~~
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~~**Total Hours Charged to Project Activity:**~~	-	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
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~~Paid Time Off (PTO)~~	-	-	-	-	-	-	-	-	-
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~~Total Hours (minimum of 8 per day):~~	-	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
-	-	-	-	-	-	-	-	-	-

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S A M P L E   T E M P L A T E

BSD Internal Audit – Post-Audit Survey

How Did We Do?

Please provide your reaction to the recently completed audit by choosing the rating, on a scale of 1-5, that reflects the manner in which you feel the audit was conducted. (1=worst 3=neutral 5=best)

The objectives and scope of the audit were clearly stated.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The stated audit objectives were consistent with your objectives.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The auditors clearly explained their audit requirements (working space, required documents, etc.)

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The auditors were organized, courteous, and not disruptive to our daily operations.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The type and amount of information requested was reasonable.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The auditors were professional and competent.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The auditors kept me informed of audit progress.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The audit findings were consistent with objectives.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The audit findings were clearly stated.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The audit findings were useful and valuable.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The audit findings were accurate.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The draft audit report was delivered in a timely matter.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The draft audit report was consistent with the stated objectives.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The time span from the start of the audit to the issuance of the final report was reasonable.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

Overall, how would you rate your satisfaction with the purpose, scope, objectives, conduct, and results of the audit?

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

Please share any additional comments, suggestions, or feedback regarding your experience with the auditors and Internal Audit processes.

Audit Name

Audit Date

Your Name **Dept/Title**

On behalf of the Chief Audit Executive and the Internal Audit Department, *THANK YOU* for completing this post-audit survey. Your feedback is important to us.

~~**BI-STATE DEVELOPMENT**~~

SAMPLE TEMPLATE

Audit Program							
Audit Name:							
Auditor Name:							
Audit Objective:							
-	-	-	-	-	-	-	-
Planning Phase							
A:	**Preliminary**						
The purpose of this section is perform preliminary steps to prepare a risk assessment, create a preliminary audit program, and to conduct an entrance conference.			**Workpaper Ref.**	**Date completed**	**Auditor Initials**	**Approver Initials**	**Findings**
1	Preliminary Meeting	-	**A.1**	-	-	-	-
2	Program Information (Org. Chart, Intranet/Internet information)		**A.2**	-	-	-	-
3	Prior Audit Report For prior Audit look in W Drive > Internal Audit > Audit Archive Folders. Review most recent prior audit (if any). Determine the extent of corrective action taken. Follow up on any open items.		**A.3**	-	-	-	-
4	CRITERIA: Review of relevant federal, state, and BSD/Metro Policies.	-	**A.4**	-	-	-	-
-	4.1 Criteria	-	**A.4.1**	-	-	-	-
-	4.2 Criteria	-	**A.4.2**	-	-	-	-
5	Risk Matrix to summarize preliminary Risk Assessment.		**A.5**	-	-	-	-
6	Audit Program		**A.6**	-	-	-	-
7	Background, Scope, Objective, and Methodology		**A.7**	-	-	-	-
8	Entrance Conference	-	**A.8**	-	-	-	-
-	8.1 Engagement Letter	-	**A.8.1**	-	-	-	-
-	8.2 Prepare Entrance Conference Agenda. Discuss topics in the Entrance Conference Agenda (document in the Working Papers) re:		**A.8.2**	-	-	-	-

	date, attendees, topics covered, etc. document in meeting minutes.						
Fieldwork Phase							
B.	**Fieldwork**						
The purpose of this section is to obtain data to be further analyzed.			**Workpaper Ref.**	**Date completed**	**Auditor Initials**	**Approver Initials**	**Findings**
1	Interviews		**B.1**	-	-	-	-
-	1.1		**B.1.1**	-	-	-	-
-	1.2		**B.1.2**	-	-	-	-
2	Observations/Walkthroughs		**B.2**	-	-	-	-
-	2.1		**B.2.1**	-	-	-	-
-	2.2		**B.2.2**	-	-	-	-
3	Flow Chart and Processes		**B.3**	-	-	-	-
C. Testing		-					
CONTROL OBJECTIVE:			**Workpaper Ref.**	**Date completed**	**Auditor Initials**	**Approver Initials**	**Findings**
1	Testing		**C.1**	-	-	-	-
2	Testing		**C.2**	-	-	-	-
3	Testing		**C.3**	-	-	-	-
4	Testing		**C.4**	-	-	-	-
Reporting Phase							
-					**Date Completed**	**Approver Initials**	**Auditor Initials**
1	Prepare Draft Report	-	-	-	-	-	-
-	*Prepare Reference Report*	-	-	-	-	-	-
2	Submit draft report to another team member for preliminary feedback/review	-	-	-	-	-	-
3	Submit draft report to CAE for review	-	-	-	-	-	-

4	Incorporate CAE's comments and revise draft as needed	-	-	-	-	-	-
5	Once approved by CAE send draft to audit area's management	-	-	-	-	-	-
6	Schedule Exit Conference	-	-	-	-	-	-
-	6.1 Prepare Entrance Conference Agenda. Discuss topics in the Exit Conference Agenda (document in the Working Papers) re: date, attendees, topics covered, etc. document in meeting minutes.	-	-	-	-	-	-
7	Make any necessary revisions discussed at Exit Conference to draft report	-	-	-	-	-	-
8	Prepare final draft report for CAE to submit to AFA Committee and Board for approvals	-	-	-	-	-	-
9	Once fully approved, issue final report	-	-	-	-	-	-
-	-	-					
	Audit Closure						
-	-	-	-	-			
	-				**Date Completed**	-	**Auditor Initials**
1	Document any findings in the follow-up spreadsheet				-	-	-
2	Clear all working paper review notes				-	-	-
3	Delete ALL drafts of reports in folders. Only the ***final*** report should be in the report section of the audit file.				-	-	-
4	Update planning document in audit folder with actual dates				-	-	-
5	Notify CAE that Audit is finished and ready for final approvals				-	-	-
	Prepared by NAME, DATE						
	Revised: 5.18.2022 CM						

~~Please provide any other comments that you feel will help us evaluate the quality and effectiveness of future audits in this department.~~

~~Name__ Signature_____ Date: _~~

~~Please return the completed questionnaire at your convenience to the Internal Audit Department. It will be used to ensure on-going client satisfaction and to measure our effectiveness.~~

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DRAFT

INTERNAL AUDIT DEPARTMENT POLICIES AND PROCEDURES MANUAL

Date to be Presented to the
Audit, Finance and Administration Committee:
June 10, 2022

CRYSTAL M. MESSNER
Chief Audit Executive

MARY C. CRYER
Internal Audit Coordinator

BI-STATE DEVELOPMENT
INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL

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Section 1.1
INTERNAL AUDIT CHARTER

MISSION STATEMENT

To perform audits in accordance with the appropriate professional standards, ensure proper accountability of public funds, and to add value by promoting a control environment through open communication, professionalism, expertise, and trust.

To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

DEFINITION OF INTERNAL AUDIT

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

SCOPE OF WORK

The scope of work of the Internal Audit Department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by Management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the organization's control process; and
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving Management control, profitability, and the organization's image may be identified during audits. They will be communicated to the Audit, Finance & Administration Committee and the appropriate level of Management.

ACCOUNTABILITY

The Internal Audit Department shall be accountable to the Audit, Finance & Administration Committee and the Board of Commissioners to:

- Provide an assessment of the adequacy and effectiveness of the organization's process for controlling its activities and managing its risks in the areas set forth under the mission and scope of work;
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution;
- Periodically provide information on the status and results of the Annual Audit Plan and the sufficiency of department resources; and
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

INDEPENDENCE

To provide for the independence of the Internal Audit Department, its personnel report to the Chief Audit Executive, who reports functionally to the Audit, Finance & Administration Committee and administratively to the Board of Commissioners, as well as coordinates with Management in an appropriate manner.

RESPONSIBILITY

The Chief Audit Executive and staff of the Internal Audit Department have responsibility to:

- Develop a flexible Annual Audit Plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit that plan to the Audit, Finance & Administration Committee for review and approval, as well as periodic updates;
- Implement the Annual Audit Plan as approved, including, as appropriate, any special tasks or projects requested by Management and the Audit, Finance & Administration Committee;
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- Evaluate and assess significant functions and new or changing services, processes, operations, and control processes during development, implementation, and/or expansion phase;
- Issue periodic reports to the Audit, Finance & Administration Committee and Management summarizing results of audit activities;
- Keep the Audit, Finance & Administration Committee informed of emerging trends and successful practices in internal auditing;
- Provide a list of significant measurement goals and results to the Audit, Finance & Administration Committee;
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify Management and the Audit, Finance & Administration Committee of the results;
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost; and

- Include any assignments given by the Audit, Finance & Administration Committee or the Board as a whole.

AUTHORITY

The Chief Audit Executive, and staff of the Internal Audit Department, are authorized to:

- Have unrestricted access to all functions, records, contracts, leases, property, and personnel, which are reasonably necessary to accomplish its responsibilities;
- Have full and free access to the Audit, Finance & Administration Committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The Chief Audit Executive, and staff of the Internal Audit Department, are not authorized to:

- Initiate or approve accounting transactions external to the Internal Audit Department; and/or
- Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Internal Audit Department is responsible for evaluating conformance of the *Standards* and reporting to Senior Management and the Audit, Finance & Administration Committee and Board of Commissioners on a Quality Assurance and Improvement Program, which contains the following major elements:

- Internal Assessments, including ongoing monitoring of performance and periodic self-assessments, and
- External Assessments.

STANDARDS OF AUDIT PRACTICE

The Internal Audit Department will be governed by the *Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors* **(IIA)**. The Internal Audit Department is committed to the implementation of the IIA's Quality Assurance and Improvement Program. The Quality Assurance and Improvement Program is designed to enable an evaluation of the internal audit activity's conformance with the definition of Internal Auditing, Core Principles, and the *Standards*, along with an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal activity and identifies opportunities for improvement.

The Internal Audit Charter approved by the Board of Commissioners requires the Internal Audit Department to maintain auditing standards consistent with those established by the IIA. An external assessment is required to be performed at least once every five (5) years by a qualified, independent reviewer or review team from outside the organization. This report represents the results of a self-assessment with independent external validation.

The Quality Assurance Review **(QAR)** rating system, to express an opinion of conformance, includes three (3) levels, which contain the following:

Generally Conforms (GC)
GC - means the evaluator has concluded that the Internal Audit Department's charter, structure, policies, and procedures, as well as the processes by which they are applied, are judged to be in accordance with the Standards, with some opportunities for improvement being possible.

Partially Conforms (PC)
PC - means the evaluator has concluded that a deviation from the Standards exist and action is needed to improve conformity. These deviations are not, however, significant enough to preclude the Internal Audit Department from carrying out its responsibilities in an acceptable manner.

Does Not Conform (DNC)
DNC - means the evaluator has concluded the Internal Audit Department is not aware of, is not making a good-faith effort to comply with, or is failing to achieve conformity with many/all of the Standards, thus impacting its ability to carry out its mission.

____
Chief Audit Executive

____
President and CEO

____
Chair, Board of Commissioners

____
Audit, Finance & Administration Committee Chair

Dated: __________/_________/____________

Section 1.2
CODE OF ETHICS

Principles

Internal auditors are expected to apply and uphold the following principles:

- **Integrity**
  The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

  Internal Auditors:

  1.1 Shall perform their work with honesty, diligence and responsibility;

  1.2 Shall observe the law and make disclosures expected by the law and the profession;

  1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization; and

  1.4 Shall respect and contribute to the legitimate and ethical objects of the organization.

- **Objectivity**
  Internal auditors shall exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors shall make a balanced assessment of all the relevant circumstances and shall not be unduly influenced by their own interests or by others in forming judgments.

  Internal auditors:

  2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interest of the organization.

  2.2 Shall not accept anything that may impair or be presumed to impair their professional judgment.

  2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

- **Confidentiality**
  Internal auditors shall respect the value and ownership of information they receive and shall not disclose information without appropriate authority unless there is a legal professional obligation to do so.

  Internal auditors:

  3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

  3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

- **Competency**
  Internal auditors shall apply the knowledge, skills and experience needed in the performance of internal auditing services.

  Internal auditors:

  4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

  4.2 Shall perform internal auditing services in accordance with the *Standards for the Professional Practice of Internal Auditing*.

  4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

Section 1.3
INSTITUTE OF INTERNAL AUDITORS PROFESSIONAL STANDARDS

Introduction to the ***Standards***

Internal auditing is conducted in diverse legal and cultural environments; for organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's *International Standards for the Professional Practice of Internal Auditing* **(*Standards*)** is essential in meeting the responsibilities of internal auditors and the internal audit activity.

The purpose of the *Standards* is to:

1. Guide adherence with the mandatory elements of the International Professional Practices Framework.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing services.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

The *Standards* are a set of principles-based, mandatory requirements consisting of:

- Statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance that are internationally applicable at organizational and individual levels.
- Interpretations clarifying terms or concepts within the *Standards*.

The *Standards*, together with the Code of Ethics, encompass all mandatory elements of the International Professional Practices Framework; therefore, conformance with the Code of Ethics and the *Standards* demonstrates conformance with all mandatory elements of the International Professional Practices Framework.

The *Standards* employ terms as defined specifically in the Glossary. To understand and apply the *Standards* correctly, it is necessary to consider the specific meanings from the Glossary. Furthermore, the *Standards* use the word "must" to specify an unconditional requirement and the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

The *Standards* comprise two main categories: Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. Attribute and Performance Standards apply to all internal audit services.

Implementation Standards expand upon the Attribute and Performance Standards by providing the requirements applicable to assurance (.A) or consulting (.C) services.

Assurance services involve the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor.

Generally, three parties are participants in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — the internal auditor, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility.

The *Standards* apply to individual internal auditors and the internal audit activity. All internal auditors are accountable for conforming with the standards related to individual objectivity, proficiency, and due professional care, and the standards relevant to the performance of their job responsibilities. Chief Audit Executives are additionally accountable for the internal audit activity's overall conformance with the *Standards*.

If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the *Standards*, conformance with all other parts of the *Standards* and appropriate disclosures are needed.

If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, internal audit communications may also cite the use of other requirements, as appropriate. In such a case, if the internal audit activity indicates conformance with the *Standards* and inconsistencies exist between the *Standards* and other requirements, internal auditors and the internal audit activity must conform to the *Standards* and may conform with the other requirements if such requirements are more restrictive.

The review and development of the *Standards* is an ongoing process. The International Internal Audit Standards Board engages in extensive consultation and discussion before issuing the *Standards*. This includes worldwide solicitation for public comment through the exposure draft process. All exposure drafts are posted on The IIA's website as well as being distributed to all IIA institutes.

Suggestions and comments regarding the *Standards* can be sent to:

The Institute of Internal Auditors
Standards and Guidance
1035 Greenwood Blvd, Suite 401
Lake Mary, FL 32746 USA

E-mail: guidance@theiia.org Web: www.globaliia.org

***

STANDARDS ESTABLISHED BY THE INSTITUTE OF INTERNAL AUDITORS

ATTRIBUTE STANDARDS

1000 – Purpose, Authority, and Responsibility
The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing). The Chief Audit Executive must periodically review the internal audit charter and present it to senior management and the Board for approval.

Interpretation:
The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the Chief Audit Executive's functional reporting relationship with the Board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the Board.

1000.A1 – The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.

1000.C1 – The nature of consulting services must be defined in the internal audit charter.

1010 – Recognizing Mandatory Guidance in the Internal Audit Charter
The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing must be recognized in the internal audit charter. The Chief Audit Executive should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the Board.

1100 – Independence and Objectivity
The internal audit activity must be independent, and internal auditors must be objective in performing their work.

Interpretation:
Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Chief Audit Executive has direct and unrestricted access to senior management and the Board.

This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

1110 – Organizational Independence

The Chief Audit Executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The Chief Audit Executive must confirm to the Board, at least annually, the organizational independence of the internal audit activity.

Interpretation:
Organizational independence is effectively achieved when the Chief Audit Executive reports functionally to the Board. Examples of functional reporting to the Board involve the Board:

- *Approving the internal audit charter.*
- *Approving the risk-based internal audit plan.*
- *Approving the internal audit budget and resource plan.*
- *Receiving communications from the Chief Audit Executive on the internal audit activity's performance relative to its plan and other matters.*
- *Approving decisions regarding the appointment and removal of the Chief Audit Executive.*
- *Approving the remuneration of the Chief Audit Executive.*
- *Making appropriate inquiries of management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations.*

1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The Chief Audit Executive must disclose such interference to the Board and discuss the implications.

1111 – Direct Interaction with the Board
The Chief Audit Executive must communicate and interact directly with the Board.

1112 – Chief Audit Executive Roles Beyond Internal Auditing
Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Interpretation:
The Chief Audit Executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organizational independence of the internal audit activity or the individual objectivity of the internal auditor.

Safeguards are those oversight activities, often undertaken by the Board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:
Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

1130 – Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:
Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the Chief Audit Executive's responsibilities to senior management and the Board as described in the internal audit charter, as well as the nature of the impairment.

1130.A1 – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2 – Assurance engagements for functions over which the Chief Audit Executive has responsibility must be overseen by a party outside the internal audit activity.

1130.A3 – The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

1130.C1 – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2 – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 – Proficiency

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Interpretation:

Proficiency is a collective term that refers to the knowledge, skills, and other competencies required of internal auditors to effectively carry out their professional responsibilities. It encompasses consideration of current activities, trends, and emerging issues, to enable relevant advice and recommendations. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organizations.

1210.A1 – The Chief Audit Executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2 – Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3 – Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1 – The Chief Audit Executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 – Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1 – Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied.
- Adequacy and effectiveness of governance, risk management, and control processes.
- Probability of significant errors, fraud, or noncompliance.
- Cost of assurance in relation to potential benefits.

1220.A2 – In exercising due professional care, internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3 – Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1 – Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results.
- Relative complexity and extent of work needed to achieve the engagement's objectives.
- Cost of the consulting engagement in relation to potential benefits.

1230 – Continuing Professional Development

Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

1300 – Quality Assurance and Improvement Program

The Chief Audit Executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Chief Audit Executive should encourage Board oversight in the quality assurance and improvement program.

1310 – Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both internal and external assessments.

1311 – Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the Standards.

Periodic assessments are conducted to evaluate conformance with the Code of Ethics and the Standards.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Chief Audit Executive must discuss with the Board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The Chief Audit Executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs. The Chief Audit Executive should encourage Board oversight in the external assessment to reduce perceived or potential conflicts of interest.

1320 – Reporting on the Quality Assurance and Improvement Program

The Chief Audit Executive must communicate the results of the quality assurance and improvement program to senior management and the Board. Disclosure should include:

- The scope and frequency of both the internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

Interpretation:

The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the Board and considers the responsibilities of the internal audit activity and Chief Audit Executive as contained in the internal audit charter. To demonstrate conformance with the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments, and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

1321 – Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"

Indicating that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* is appropriate only if supported by the results of the quality assurance and improvement program.

Interpretation:

The internal audit activity conforms with the Code of Ethics and the Standards when it achieves the outcomes described therein. The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322 – Disclosure of Nonconformance

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* impacts the overall scope or operation of the internal audit activity, the Chief Audit Executive must disclose the nonconformance and the impact to senior management and the Board.

PERFORMANCE STANDARDS

2000 – Managing the Internal Audit Activity

The Chief Audit Executive must effectively manage the internal audit activity to ensure it adds value to the organization.

Interpretation:

The internal audit activity is effectively managed when:

- It achieves the purpose and responsibility included in the internal audit charter.
- It conforms with the *Standards*.
- Its individual members conform with the Code of Ethics and the *Standards*.
- It considers trends and emerging issues that could impact the organization.

The internal audit activity adds value to the organization and its stakeholders when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.

2010 – Planning

The Chief Audit Executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Interpretation:

To develop the risk-based plan, the Chief Audit Executive consults with senior management and the Board and obtains an understanding of the organization's strategies, key business objectives, associated risks, and risk management processes. The Chief Audit Executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

2010.A1 – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the Board must be considered in this process.

2010.A2 – The Chief Audit Executive must identify and consider the expectations of senior management, the Board, and other stakeholders for internal audit opinions and other conclusions.

2010.C1 – The Chief Audit Executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.

2020 – Communication and Approval

The Chief Audit Executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the Board for review and approval. The Chief Audit Executive must also communicate the impact of resource limitations.

2030 – Resource Management

The Chief Audit Executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan.

2040 – Policies and Procedures

The Chief Audit Executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 – Coordination and Reliance

The Chief Audit Executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

Interpretation:

In coordinating activities, the Chief Audit Executive may rely on the work of other assurance and consulting service providers. A consistent process for the basis of reliance should be established, and the Chief Audit Executive should consider the competency, objectivity, and due professional care of the assurance and consulting service providers. The Chief Audit Executive should also have a clear understanding of the scope, objectives, and results of the work performed by other providers of assurance and consulting services. Where reliance is placed on the work of others, the Chief Audit Executive is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

2060 – Reporting to Senior Management and the Board

The Chief Audit Executive must report periodically to senior management and the Board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the Board.

Interpretation:

The frequency and content of reporting are determined collaboratively by the Chief Audit Executive, senior management, and the Board. The frequency and content of reporting *depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the Board.*

The Chief Audit Executive's reporting and communication to senior management and the Board must include information about:

- The audit charter.
- Independence of the internal audit activity.
- The audit plan and progress against the plan.
- Resource requirements.
- Results of audit activities.
- Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues.
- Management's response to risk that, in the Chief Audit Executive's judgment, may be unacceptable to the organization.

These and other Chief Audit Executive communication requirements are referenced throughout the Standards*.*

2070 – External Service Provider and Organizational Responsibility for Internal Auditing

When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.

Interpretation:

This responsibility is demonstrated through the quality assurance and improvement program which assesses conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards*.*

2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk- based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

2110 – Governance

The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for:

- Making strategic and operational decisions.
- Overseeing risk management and control.
- Promoting appropriate ethics and values within the organization.
- Ensuring effective organizational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organization.
- Coordinating the activities of, and communicating information among, the Board, external and internal auditors, other assurance providers, and management.

2110.A1 – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

2110.A2 – The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives.

2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- *Organizational objectives support and align with the organization's mission.*
- *Significant risks are identified and assessed.*
- *Appropriate risk responses are selected that align risks with the organization's risk appetite.*
- *Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the Board to carry out their responsibilities.*

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organization's risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1 – The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2120.A2 – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

2120.C1 – During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2120.C2 – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes.

2120.C3 – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 – Control

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2130.C1 – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes.

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement.

2201 – Planning Considerations

In planning the engagement, internal auditors must consider:

- The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity's objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.
- The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model.
- The opportunities for making significant improvements to the activity's governance, risk management, and control processes.

2201.A1 – When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1 – Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.

2210 – Engagement Objectives

Objectives must be established for each engagement.

2210.A1 – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2 – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

2210.A3 – Adequate criteria are needed to evaluate governance, risk management, and controls. Internal auditors must ascertain the extent to which management and/or the Board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and/or the Board.

Interpretation:

Types of criteria may include:

- *Internal (e.g., policies and procedures of the organization).*
- *External (e.g., laws and regulations imposed by statutory bodies).*
- *Leading practices (e.g., industry and professional guidance).*

2210.C1 – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.

2210.C2 – Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives.

2220 – Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

2220.A1 – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

2220.A2 – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

2220.C1 – In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

2220.C2 – During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

2230 – Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care.

2240 – Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.

2240.A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

2240.C1 – Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 – Performing the Engagement

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals.

2320 – Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

2330.A1 – The Chief Audit Executive must control access to engagement records. The Chief Audit Executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.A2 – The Chief Audit Executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2330.C1 – The Chief Audit Executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2340 – Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The Chief Audit Executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 – Communicating Results

Internal auditors must communicate the results of engagements.

2410 – Criteria for Communicating

Communications must include the engagement's objectives, scope, and results.

2410.A1 – Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors' opinion should be provided. An opinion must take into account the expectations of senior management, the Board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

2410.A2 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

2410.C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organization and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 – Errors and Omissions

If a final communication contains a significant error or omission, the Chief Audit Executive must communicate corrected information to all parties who received the original communication.

2430 – Use of "Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*"

Internal auditors may report that their engagements are "conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*" only if the results of the quality assurance and improvement program support the statement.

2431 – Engagement Disclosure of Nonconformance

When nonconformance with the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:

- Principle(s) or rule(s) of conduct of the Code of Ethics or the Standard(s) with which full conformance was not achieved.
- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement and the communicated engagement results.

2440 – Disseminating Results

The Chief Audit Executive must communicate results to the appropriate parties.

Interpretation:

The Chief Audit Executive is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. When the Chief Audit Executive delegates these duties, he or she retains overall responsibility.

2440.A1 – The Chief Audit Executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2 – If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the Chief Audit Executive must:

- Assess the potential risk to the organization.
- Consult with senior management and/or legal counsel as appropriate.
- Control dissemination by restricting the use of the results.

2440.C1 – The Chief Audit Executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2 – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the Board.

2450 – Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization, and the expectations of senior management, the Board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

The communication will identify:

- *The scope, including the time period to which the opinion pertains.*
- *Scope limitations.*
- *Consideration of all related projects, including the reliance on other assurance providers.*
- *A summary of the information that supports the opinion.*
- *The risk or control framework or other criteria used as a basis for the overall opinion.*
- *The overall opinion, judgment, or conclusion reached.*

2500 – Monitoring Progress

The Chief Audit Executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 – The Chief Audit Executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 – Resolution of Senior Management's Acceptance of Risks

When the Chief Audit Executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the Chief Audit Executive must discuss the matter with senior management. If the Chief Audit Executive determines that the matter has not been resolved, the Chief Audit Executive must communicate the matter to the Board.

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the Chief Audit Executive to resolve the risk.

Section 1.4
Internal Safety and Security Management Audit Standard Operating Procedure

The Internal Audit Department's goal is to assist members of the Bi-State Safety Oversight Committee **(BSSO)**, Bi-State Development's Executive Safety & Security Committee **(ESSC)**, and Management in the effective discharge of their responsibilities. To this end, the Internal Audit Department will furnish them with analysis, recommendations, advice, and information concerning the activities reviewed.

The Internal Audit Department has the authority and responsibility to conduct, or oversee, regular internal audits of the *Bi-State Safety Oversight Program Standards Manual* support activities and shall provide a formal report of findings to the BSSO annually to ensure effective corrective action is taken to resolve deficiencies. Auditors shall be independent from the activity being audited.
The new policy and procedures for the Internal Safety Audit process became a standalone procedure effective January 1, 2022. See the most recent version of the Internal Safety and Security Management Audit Standard Operating Procedure for more information.

Section 2.1

INTERNAL CONTROL PROCEDURES

Internal control is defined as a plan or organization, procedures and records concerned with the safeguarding of assets, which check the accuracy and reliability of accounting data, and promote operational efficiency and adherence to prescribed management policies.

Internal control can be classified as internal accounting control and administrative control.

(1) Administrative internal control is a plan of organization, procedures and records concerned with the decision processes leading to management's authorization of transactions to promote operational efficiency and encourage adherence to prescribed policies; and

(2) Internal accounting control is the plan of organization, procedures and records concerned with the safeguarding of assets and the reliability of financial records and designed to provide reasonable assurance that:

- Transactions are authorized;
- Transactions are properly recorded;
- Access to assets is limited and permitted only in accordance with management authorization;
- Records are compared with physical assets and variances are investigated; and
- Recorded amounts are reviewed for impairment in asset value.

The purpose of this procedure is to identify the process for evaluating auditee internal controls. The objective is to determine to what extent the internal controls are present and operational.

Audit methods used to study and evaluate existing internal controls include:

- Internal control survey questionnaires guide the auditor to query responsible managers regarding specific or general internal controls. The questionnaires are designed so that a negative response indicates a potential internal control weakness. A negative response will cause the auditor to determine whether compensating controls are in existence, which would offset the negative response.

  Narratives may be used to describe the system of internal controls.

Documentation to support the auditor's understanding of the internal controls:

- Audit workpapers provide the support for the conclusions reached by the auditor regarding the study and evaluation of internal control;
- Only those internal control functions, which are deemed critical or important to the strength within a particular transaction cycle, should be tested and evaluated; and
- Workpapers should be prepared to highlight the internal control attributes within the processes to be evaluated.

The Auditor should determine and document the appropriate statistical sampling or data analytics method to be used.

The procedures for the study and evaluation of internal control include:

- Preliminary Survey – To obtain internal familiarization with auditee's overall organization, operation, and control systems;
- Determine Facts – To ascertain by analysis and inquiry what controls have been established;
- Walk Through – To trace selected transactions through the system to confirm whether it is functioning as described;
- Document – To prepare a procedural memorandum covering the steps above; and
- Evaluate – Make a tentative evaluation of the effectiveness of internal control.

Section 2.2
AUDIT PLANNING MEMO

A major function of the Audit-Planning memo is to serve as a means of communication. Existence of a plan will ensure that the Chief Audit Executive of Internal Audit and the assigned personnel have a mutual understanding of the audit objectives and how and when they are to be achieved. Elements of a good plan include:

1. Problem Definition - Why the audit is to be performed; and

2. Work Definition - Identify the major tasks to be performed.

No matter how well conceived, nearly every plan will be changed from time to time. The impact of these changes as they affect the tasks, work assignments, completion dates, etc., must be reflected in the appropriate planning documents. Failure to do so will mean that the plan will eventually become so outmoded as to become valueless.

Care must be exercised in the formulation of the plan. It must be complete as to the statement of work to be accomplished and realistic as to the estimates of time and manpower required to do the job. At the same time, caution must be used to ensure that the plan does not become too detailed. Such a plan is cumbersome to maintain and, as such, will use up too much of the "in-charge" time or not be maintained at all. Either circumstance could imperil the successful completion of the audit.

Additionally, the planning memo should include the name of the Lead Auditor and the team members. The audit objectives should also be included.

Section 2.3
ENTRANCE CONFERENCE

Prior to the entrance conference an Engagement Letter should be sent to the department to be audited. A copy of the letter should be sent to the person that directly supervises the auditee, President & CEO, and Audit, Finance & Administration Committee Chairperson. This process is performed to communicate to the auditee the beginning date of the audit and to request from the auditee any information that will help during the preliminary section of the audit. It is also used as a mechanism to inform senior management as to the activities of the Internal Audit Department.

After completing the preliminary planning stages of the assignment, and prior to commencing the fieldwork, Audit Management and the Lead Auditor should:

- Meet with the auditee's management and key supervisory personnel. The entrance conference provides the opportunity to begin building good relationships;

- Explain the purpose of the audit, to establish the necessary working arrangements, and to gain an overall understanding of the function/department to be audited; and

- The auditor should assure that all appropriate items are discussed in sufficient detail, that the meeting is kept brief, and that a cooperative atmosphere is established.

Points that should be discussed during the conference include:

Introductions – The opening remarks should include an introduction of the attendees.

Scope and Objectives – Review basic scope and objectives planned for the audit. Outline the general audit work plan. Emphasize that the purpose of the audit is to add value and improve an organization's operations by helping an organization accomplish its objectives by making recommendations to improve the effectiveness of risk management, control, and governance processes. Emphasize that the initial scope of audit coverage may be modified during the audit.

Audit Findings and Observations – Explain how audit Findings and/or Observations will be handled, e.g., resolution of minor Findings and/or Observations; the discussion of all Observations on a current basis to permit auditee to take timely corrective action; the exit conference at the completion of the fieldwork; the review of the report draft; and the distribution of the audit report. Discuss status of prior audit Findings and/or Observations, if applicable.

Audit Progress – Establish a clear understanding with client management about keeping their personnel advised of the audit progress Findings and/or Observations. Determine frequency of progress updates and management levels to be apprised of audit progress and Findings and/or Observations.

Auditee Input – Solicit the auditee's comments regarding aspects of the entity's organization, operations, and procedures. Extend an invitation to discuss areas in which audit attention is scheduled to be directed and any other matters or views that the auditee believes should be considered during the audit. Care must be exercised not to undertake work in an area of interest to management but not essential to the audit objectives.

Cooperative Administration – Inquire about working hours, access to records, staff available to work with audit staff/furnish records, available work area for auditors, the auditee's various work deadlines, and any other information which can be used to help schedule the audit activities to fit into the office routine with minimal disruption to the auditee's personnel.

Introduction and Tour – Arrange to meet other personnel the auditor will be working with during the audit. Also, arrange for a familiarization tour of the physical facilities.

A summary should be written for the workpapers showing the date, attendees, items discussed, resolutions, promises, disagreements, and other items to be considered during the review.

See: Entrance Conference Agenda Sample Template on pages 53-55.

Section 2.4
AUDIT PROGRAM

An audit program is a detailed plan for work to be performed during an audit. Well-constructed audit programs are essential to conducting audits in an efficient manner. Some of the benefits provide:

(1) A systematic plan for each phase of the work, which can be communicated to all officials and staff members concerned.

(2) The basis for a summary record of work actually performed.

(3) Assistance in familiarizing successive audit groups with the nature of work previously carried out.

The program consists of specific directions for carrying out the assignment. It should be subdivided into sections covering audit objective elements and may be amended as work on the assignment progresses.

Most audit programs will be prepared from the preliminary audit approach. All audit programs should be approved by the Chief Audit Executive prior to the commencement of engagement work.

Adjustments to audit work plans should be approved in a timely manner. Initially, approval may be obtained verbally, if factors preclude obtaining written approval prior to commencing audit work.

Audit programs, in addition to guiding the auditor to a successful completion of the audit, serve to document audit work in many areas.

Heading and Completion – Each page of the program heading should indicate the name of the company, the division/department being audited, the type of audit program, and the audit date. A program approval section should be included for the Chief Audit Executive's signature and a section for the date should also be included. All Audit Programs should be approved prior to the beginning of every audit.

Objectives - Each audit program should include a section where the audit objectives are listed. Establishing clear objectives provides a structure and discipline that helps the auditor focus on the expected results and avoid confusion. Clear objectives also help ensure that the audit work will be conducted timely and efficiently, and that the work will produce the desired results.

Objectives should be stated in such a way that a response can be given in specific positive terms. The method most frequently used in attempting to phrase objectives is: as a "to determine" statement. For example: To determine if standard procedures are followed.

Completion of each audit step is documented by the auditor initialing the audit step and indicating the date (month/day/year). In the column beside each program step, the auditor should reference the location of the applicable workpaper. When a workpaper is not prepared, the auditor should write a clear explanation giving positive assurance that the work was performed, state the results of the work, and state the conclusion reached. Also, if a program step does not apply, explain the reason why it does not apply. Marginal comments such as “done,” “no exceptions,” and “N/A” are not acceptable.

See: Audit Program Sample Template on pages 58-60

Section 2.5
AUDIT WORKPAPERS

AUDIT WORKPAPER STANDARDS

GENERAL

Audit workpapers contain the results of internal control evaluations, analytical review, and audit tests. They serve to document the evidential matter examined, explain unusual items found, summarize deficiencies noted, and provide conclusions regarding the significant elements of each auditee's controls, financial reporting, and operating procedures. Workpapers are prepared for each assignment. They are designed to substantiate our audit concerns and reports, provide a medium for supervisory review to determine the adequacy of audit work performed, and demonstrate our compliance with the *Standards for the Professional Practice of Internal Auditing*.

OBJECTIVES

On an overall basis, workpapers provide documentation for the scope of the work performed, the sources of audit evidence examined, and the conclusions reached from our reviews. Completed audit workpapers accomplish the following objectives:

1. Provide evidence of all audit work performed.

2. Provide documentation for conclusion reached during the audit and whether audit objectives were achieved.

3. Provide support for audit concerns and the audit report.

4. Provide documentation of the internal control system and our evaluations of that system.

5. Provide a means to conduct the audit in an orderly manner – controlling what has been done, indicating what is still to be done, and giving reasons for what will be left undone.

6. Provide a ready reference for discussions with operating management or serve as a line of defense when conclusions or recommendations are challenged.

7. Provide a basis for supervisory review of the adequacy and effectiveness of audit work performed and the soundness of conclusions reached.

8. Provide a basis for appraising auditor's performance.

9. Provide reference data for peer reviews conducted by independent parties.

WORKPAPERS AND THE AUDIT PROCESS

Workpapers are prepared from the time the auditor first begins the assignment until the final report is written. The organization, design, and content of workpapers will depend upon the nature of the audit. The workpapers should, however, document the following aspects of the audit process:

Planning – Resulting workpapers will include an audit program and/or modifications, financial statements and the results of an initial analytical review, organization charts, the audit scope memorandum, time budgets, prior internal and external audit reports, memorandum of issues carried forward from the prior audit, and all other documents used in the planning process.

Audit Test – These workpapers document the auditing procedures performed, the information obtained, and the conclusions reached. Examples include interview memorandums, schedules of detailed tests, analyses, confirmation replies, and financial statements.

Statistical Sampling - Statistical or probability sampling allows the auditor to stipulate, with a given level of confidence, the condition of a large population by reviewing only a percentage of the total items. Several sampling techniques are available to the auditor:

- Attribute sampling wherein the auditor identifies the expected frequency of occurrence of an event;

- Variables sampling wherein the auditor samples for values in a population, which vary from item to item; and

- Other techniques the auditor may wish to use include Random and Judgment sampling.

Review – Supervisory review will be documented by the Chief Audit Executive's signature on the Audit Workpaper Checklist.

Reporting – Workpapers in this area will consist of the audit report including management's responses.

Follow-up – Workpapers will include any correspondence or memorandums regarding the audit subsequent to report issuance.

GENERAL WORKPAPER REQUIREMENTS

In order to be a usable record of the audit work performed, workpapers must follow a consistent organization and format. This consistency will assist the auditor in the orderly conduct of the audit and allow for comprehensive and constructive reviews.

In preparing well-documented workpapers, the following general requirements must be observed.

GUIDELINES:

Understandable – All workpapers must be clear and concise and require no supplementary information to be understood. Workpapers must document the source of the information, the scope of the work, the actual work performed, and the conclusions reached without raising significant additional questions. For every concern raised in a workpaper conclusion, the disposition must be stated.

<u>Relevant</u> – Only workpapers which relate to the audit objectives or are specifically required by the audit program should be included as workpapers.

<u>Electronic Files</u> – All electronic files pertaining to an audit are to be kept in the Internal Audit Department shared "W Drive" within the unique "Audit Project Folder" that has been created for the specific audit. Within the "Audit Project Folder," there will be a minimum of five (5) sub-folders, named as follows: Audit Planning, Workpapers, Draft Audit Report, Audit Follow-Up, and Survey Results.

No work product pertaining to an audit shall be kept in any manner on the employee's own private "U Drive," a removable "Jump Drive," and/or the computer's internal hard drive ("C Drive").

Electronic files pertaining to an audit include items created by the auditor, such as: spreadsheets, tables, graphs, Word documents, photographs, unique files containing specific data extracted from Agency databases (i.e., Oracle), and unique files containing information extracted from external sources.

Furthermore, all electronic files shall be maintained in accordance with the "Bi-State Development Electronic Records Management Guide" contained in the Agency's Policy and Procedures **(PPM)** application.

<u>Complete</u> – Audit workpapers should be complete with respect to heading, indexes, cross-references, tick marks, legends, and other explanations and conclusions. Workpapers must be able to "stand alone.". This means that all questions must be answered, all points raised by the reviewer must be cleared, and a logical, well-thought-out conclusion must be reached for each audit segment.

WORKPAPER ORGANIZATION

Audit file documents should be arranged by the sections listed below. The Internal Audit Coordinator will assign the audit project number. The audit file must include the following workpapers:

- Order of Electronic File Folders:
  1. Planning
     - Contents:
       a. Audit Program
       b. Engagement Letter
       c. Entrance Conference
       d. Criteria
       e. Risk Assessment
       f. All other misc. planning documentation
  2. Workpapers
     - Contents:
       a. Workpaper Spreadsheet
       b. Raw Data
       c. Data Analytics
       d. Testing Documents/Samples
       e. All other documentation related to field work

3. Audit Reports
    - Contents:
        a. Draft Report
        b. Final Report
        c. Exit Conference
4. Audit Survey
    - Contents:
        a. Surveys from audit customers
        b. Emails for sending survey and receiving response back
5. Follow-Up
    Contents:
        a. All CAPs
        b. Emails and/or any other communication documents
        c. Follow-up documentation
        d. Closeout memo

At the conclusion of the audit, the auditor should finalize all workpapers in the electronic audit file, delete any extra draft audit report versions, and send notification to CAE for final approval and file closure.

SPECIFIC WORKPAPER REQUIREMENTS

Specific guidelines have been established to have workpapers prepared in a consistent format. This format will aid in the development of new staff members, make multiple-staff audits more effective, and permit an easier review of the workpapers by third parties. Once the auditor becomes accustomed to a consistent format, they can spend less time on workpaper arrangement and more time concentrating on the audit at hand.

Workpapers include a wide variety of documents, as detailed previously under the "Workpapers and the Audit Process" heading. Requirements for preparing specific documents such as the audit scope memorandum and the audit report are covered in other headings. Following are the specific requirements established for the audit program the internal control evaluation, and the schedules of auditing procedures performed.

INTERNAL CONTROL EVALUATION (AS NEEDED)

The internal control review may be accomplished through the use of questionnaires and procedural flowcharts or narratives. Workpapers for the control review should test compliance with BSD's internal control policies and document how the auditor adjusted the scope of the audit based upon control weaknesses noted in this study. After completing the review, the auditor must reach a conclusion as to the amount of additional work, if any, that must be performed. Generally, when a weakness is discovered, three types of conclusions can be reached:

Weakness Mitigated – In many cases, the lack of control technique is mitigated by another control technique or segregation of duties. In any case, the auditor should clearly state that conclusion and that no further work is necessary.

Normal Testing Required – The auditor may determine that the potential exploration of the weakness noted in the control review will be adequately tested in the normal audit procedures as outlined in the audit program. In this case, the auditor should indicate the program step(s) where the audit work will be performed and a cross-reference to the actual workpaper being prepared.

Additional Testing – The auditor may also determine that because of the special nature of the unit's operation or poor overall control environment, special testing will be required as a review for potential exploitation. In this case, the auditor should briefly summarize the additional testing, indicating where in the audit program the testing was added and cross-reference the weakness noted to the actual workpaper.

Under most circumstances, an actual workpaper should never be prepared to address the control weakness discovered until applicable testing of the weakness has been completed. In addition, should subsequent testing indicate that the system of controls is not functioning as described in control review, the control review workpapers should be updated to reflect this change.

FINDING ANAYLSIS

When performing grant and/or other federal audits, it is best practice to organize a finding with the following five elements:

- Condition: What is the problem/issue? What is happening?
- Cause: Why did the condition happen?
- Criteria: How do we, as auditors, know this is a problem? What should be?
- Effect: Why does this condition matter? What is the impact?
- Recommendation: How do we solve the condition?

Although Auditors my use the five elements within each finding individually, it is most appropriate for all five elements to reside somewhere within the audit report itself.

SCHEDULES

The most common audit workpapers are those which document the auditing procedures performed, generally referred to as schedules. These require the following components:

Heading – The heading for audit schedules must include the name of the company, the division/department being audited, type of audit being conducted, type of audit step or test being performed, and the audit period being audited. In addition, the auditor must sign or initial the workpaper and note the date (month/day/year) the workpaper was prepared. The signature/initials and date should be documented in the upper left corner of the workpaper.

Objective, Source, Time Period, Discussion and/or Procedures – On every schedule, the auditor must state why a test(s) is being performed (**Objective**). On workpapers where the auditor selects and tests specific items, the workpaper must indicate what information or evidence was examined (**Source**). The schedule must include the date(s) that describe the time period being tested (**Time**

Period). How and where the information was selected for testing should be obtained **(Discussion and/or Procedures)**.

Indexing and Referencing – Good indexing and referencing techniques assist the auditor in developing an organized approach to audit work and simplify the review process. Since schedules are required for the completion of many steps in the audit program, the index number assigned to most schedules is designated in the audit program.

Conclusion – An important element of the audit is the conclusions, which the auditor draws based on his or her evaluations of controls and procedures. Conclusions should be clear and concise statements of the work performed and what exceptions (if any) were noted. Conclusions are also written as to the adequacy of the amount of work done in relationship to errors (if any) noted. In all cases, conclusions should be prepared that indicate audit objectives have been achieved and give positive assurance of satisfactory conditions where no exceptions have been noted.

A conclusion is required on every workpaper except schedules of simple supporting information, which are referenced to a main schedule containing a conclusion. An appropriate conclusion for a schedule of a general ledger account analysis should state whether the balance recorded in the financial records is adequately documented and is reliable. An appropriate conclusion for a schedule of a test for compliance should state whether policy has been observed. For every deficiency addressed in a workpaper conclusion, the disposition must be stated.

WORKPAPER REVIEW

Audit workpapers should be reviewed to ensure that they document the completion of all required auditing procedures and that they properly support the conclusions reached and, ultimately, the audit report.

CONTROLLING WORKPAPERS

Workpapers are the Internal Audit Department's property, and they should be kept under its control. Workpapers should be reasonably restricted from viewing by anyone who is not in the auditor's work area. **Workpapers containing confidential data must always be safeguarded**.

ACCESS TO WORKPAPERS

Workpapers developed during an audit become official records upon the issuance of the final report and must be adequately safeguarded to prevent unauthorized use or premature disclosure. Under most circumstances the use of workpapers will be restricted to auditors within the office. Because some of the data could be helpful to others in the performance of their official duties, it is general policy to furnish information or permit them to review the workpapers after they have established the validity of their requests. The Chief Audit Executive will consider each request individually. Permission to release workpapers to others must be obtained from the Chief Audit Executive.

The requests for audit data or use of workpapers may arise from the disclosure of discrepancies and deficiencies, from the desire by the operating officials to conduct a further investigation into a problem, or from their intent to follow-through on the auditors' recommendations. In cases of this type, it is usually desirable to furnish the information requested. Before any file of workpapers is made available to operating officials, it should be reviewed to determine whether it contains information that was received in confidence and which should not be disclosed to them. The audit program and other documentation, which contain details of confidential nature, should be withheld.

Access to workpapers must not be allowed to become routine and should be based upon a demonstrated need-to-know.

SUMMARY

The quality of audit workpapers is a major factor in determining the professional competence of any auditor.

Section 2.6
EXIT CONFERENCE

A major part of completing each audit is the Exit Conference. This will include the preparation and presentation of the written draft audit report.

OBJECTIVES

- To ensure that the auditee is fully aware of all findings prior to issuance of the audit report.
- To provide a record of the discussion of audit findings at the Exit Conference.
- To determine concurrence/non-concurrence with recommendations and obtain auditee's comments regarding same.
- To discuss with the auditee the course of action to be taken on each recommendation including target dates.
- To obtain information that might clarify or explain the audit findings.

A meeting request will be sent to the auditee and the auditee's direct supervisor and/or the appropriate members of management informing them of the meeting and indicating that they are welcome to attend if they desire. A draft audit report will be submitted to the auditee.

During the Exit Conference it should be stated and understood that responses from the auditee are due within ten (10) business days after the Exit Conference.

Section 2.7
AUDIT REPORT

TYPES OF REPORTS

There are three (3) types of Audit Reports: **Routine, Special, and Interim**.

1. Routine audits are those set forth by the Annual Audit Plan.

2. Special reports are used to report on significant matters and could be expected to receive limited distribution and be confidential in nature.

   If a Commissioner requests that the Internal Audit Department prepare a Special Report, then upon completion of the Special Report it will be sent to all Commissioners at the same time, using each Commissioner's official BSD Commissioner email address.

3. Interim reports are issued while audits are in process for the purpose of bringing findings of an urgent nature to the attention of management or to keep management informed of conditions found in audits performed over a long period of time.

TIMELINESS

When a routine report is used, the President and CEO will be provided a draft report with the briefing paper before the Audit Committee meeting, after which time the draft audit report, which shall incorporate any response received, will be issued. The draft audit report will be issued to the members of the Audit Committee for approval at the Audit Committee meeting. The approved draft audit report will be issued to the full Board of Commissioners for approval at the subsequent Board of Commissioners meeting.

RESOLUTION OF NON-CONCURRENCE CONCERNING THE AUDIT REPORT

1. If the response to the audit report included a non-concurrence that is considered to be significant by the auditor, then a meeting shall be arranged between:

   (a) Auditor
   (b) Auditee
   (c) President & CEO
   (d) Chief Audit Executive

2. If the issue cannot be resolved, then additional audit comments regarding reasons for the difference of opinion will be incorporated into the report. The matter may be referred to the Audit, Finance & Administration Committee for resolution. The decision of the Audit, Finance & Administration Committee shall be final.

Section 2.8
MANAGEMENT CORRECTIVE ACTION PLAN (CAP)

Background

BSD's Internal Audit Department is governed by and follows the *Standards for the Professional Practice of Internal Auditing* established by the Institute of Internal Auditors. The Internal Audit Department has developed this document to provide auditees information on the audit process and to provide guidelines for responding to audit findings to ensure adherence to the Standards.

Process

Once the Internal Audit Department concludes the fieldwork phase of an audit, a draft Audit Report is composed and issued to the auditee. In accordance with the Internal Audit Department's Policies & Procedures, the report contains "findings, [which] are pertinent statements of fact that are necessary to support or prevent misunderstanding of the internal auditor conclusions and recommendations." The Audit Report also contains recommendations that "call for action to correct existing conditions or improve operations. Recommendations may suggest approaches to correcting or enhancing performance as a guide for management in achieving desired results." The auditee is required to respond to the findings and recommendations noted in the Audit Report. Once management's responses are received, an exit conference is scheduled and the report is discussed during that conference. Below are guidelines for developing the auditee's response. The response consists of three components: Concurrence, Action Plan, and Implementation Date.

1. **Concurrence**

   A definite statement of management's acknowledgement of the validity of the finding is necessary. This statement should be "management concurs" or "management does not concur". If management does not concur, the acknowledgement should be followed by a statement of what part of the finding management does not concur with and the reason.

2. **Management's Corrective Action Plan**

   The plan should be brief, clear and concise. It should not necessarily provide a reason for the deficiency, but the steps management will take to correct the deficiency or improve the inefficient or ineffective process. Many findings cite several points. Management's corrective action plan should address each point and consider the recommendations provided by the Internal Audit Department. In the event management chooses to implement corrective actions other than those recommended, they should ensure all components of the finding have been addressed and that the risk mitigated by the Internal Audit Department's recommendations has been fully mitigated by the corrective actions chosen by management.

3. **Target Implementation Date**

   The Target Implementation Date should be a reasonable date in which the action plan will be implemented. Reasonableness is based on the timeliness in which management will correct the deficiency noted by the Internal Audit Department. Secondly, it is based on the ability of the auditee to meet that date.

PLEASE NOTE:
The Audit Report is a product of the Internal Audit Department. Therefore, the Internal Audit Department reserves the right to wordsmith Management's responses to meet the above guidelines, without changing its meaning. The Internal Audit Department also reserves the right to respond to all action plans. An auditor's response is generally included in two instances. First is in the event Management chooses an alternative method of improvement or correction than the Internal Audit Department's recommendation. Second is in the event Management does not concur with the Internal Audit Department's finding. The auditor's response contains two components: concurrence and response. The concurrence is a definite statement of auditor's acknowledgement that the action plan presented appears to be reasonable to mitigate the risk identified in the finding in a timely manner. In cases of concurrence, the response is a statement supporting Management's action plans and possibly advising Management of cautions to consider when implementing its action plan. In cases of non-concurrence, the response will attempt to clarify the Internal Audit Department's position and reiterate the need for improvement. If concurrence cannot be reached between the Internal Audit Department and the auditee, the matter will be referred to the President & CEO for resolution. If resolution cannot be obtained, the matter will then be referred to the Board of Commissioners.

Section 2.9
REPORT FOLLOW-UP

AUDIT FOLLOW-UPS

1. The head of the department which was audited shall be responsible for ensuring that appropriate actions are taken in accordance with the timetables contained in the audit response. Any delays in taking such actions shall be explained in a letter from the Departmental Director to the President & CEO and the Chief Audit Executive.

2. The Chief Audit Executive shall schedule follow-up reviews as necessary to determine compliance. One of our primary responsibilities as professional auditors is determining that the auditee takes corrective action on recommendations. This applies in all cases, except where "management or the Board has assumed the risk of not taking corrective action on reported findings."

Being an integral part of the internal audit process, follow-up should be scheduled, along with the other steps necessary to perform the audit. However, specific follow-up activity depends on the results of the audit and can be scheduled at the closing conference or as a separate activity.

Follow-up activities may generally be broken down into two areas:

1. Limited - Limited follow-up typically involves more auditee interaction. This may include verifying procedures or transactions, and in most cases is not accomplished through memos or phone conversations with the auditee.

2. Detailed - Detailed follow-up is usually more time consuming and can include substantial auditee involvement. Verifying procedures and audit trails as well as substantiating account balances and computerized records are examples. The more critical audit findings usually require detailed follow-up.

Follow-up scheduling can begin when corrective action is confirmed by acceptance of an audit or when management/Board elects to accept the risk of not implementing the recommendation. Based on the risk and exposure involved, as well as the degree of difficulty in achieving the recommended action, follow-up activity should be scheduled to monitor the situation or confirm completion of the changes planned. These same factors establish whether a simple phone call would suffice or whether further audit procedures would be required.

At the end of each quarter, a summary report is prepared. This report reflects all period findings with appropriate comments to reflect end-of-quarter status.

Additionally, this report highlights all outstanding findings from prior periods and their status. It is the intent of this summary report to track all findings so that they are appropriately resolved.

GLOSSARY

Add Value

The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Adequate Control

Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Audit, Finance & Administration Committee

Audit, Finance and Administration Committee shall mean a committee compiled of the Bi-State Development Board of Commissioners.

Audit, Finance & Administration Committee ***(Revised 03/25/11, 11/18/11, and 11/18/16)***

The purpose of this Committee is to assist the Board in the oversight of the Agency's financial management and operations, including the integrity of its financial statements, the appointment and performance of its internal and external auditors and its compliance with all legal and regulatory requirements. It shall have the authority, to the extent it deems necessary, to conduct investigations and to retain independent consultants in connection with its responsibilities. Additionally, the Committee has oversight of the development of the Agency's capital and operating budgets, its cash management policies and procedures, and its policies and procedures for investments and the issuance of debt; implementing its pension, health and welfare benefits; and providing input and advocacy for the implementation of the Agency's legislative, regulatory and public relations plans.

Specific responsibilities include, but are not limited to the following:

- To review the Agency's major financial risk exposures and the adequacy of the Agency's risk management assessment and control policies.
- To directly oversee the planning, staffing and work of any independent auditors retained to perform the annual financial audit of the Agency and issue an audit report, or to perform other audits, reviews or attest services.
- To appoint and directly oversee the work of the Chief Audit Executive and the Internal Audit Department staff, including reviewing all significant reports prepared by the internal auditing department, reviewing the internal audit plan for each upcoming year, and annually evaluating the performance of the Chief Audit Executive.

Board
Board shall mean Bi-State Development's Board of Commissioners. The highest level governing body (e.g., a Board of Directors, a supervisory board, or a Board of Governors or trustees) charged with the responsibility to direct and/or oversee the organization's activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the Board includes members who are not part of management. If a board does not exist, the word "board" in the *Standards* refers to a group or person charged with governance of the organization. Furthermore, "board" in the *Standards* may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit, Finance & Administration Committee).

Charter
The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive
Chief Audit Executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the Chief Audit Executive may vary across organizations.

Code of Ethics
The Code of Ethics of The Institute of Internal Auditors **(IIA)** are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance
Adherence to policies, plans, procedures, laws, regulations, contracts, and/or other requirements.

Conflict of Interest
Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services
Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Control
Any action taken by management, the Board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment
The attitude and actions of the Board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes
The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

Core Principles for the Professional Practice of Internal Auditing
The Core Principles for the Professional Practice of Internal Auditing are the foundation for the International Professional Practices Framework and support internal audit effectiveness.

Engagement
A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives
Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Opinion
The rating, conclusion, and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.

Engagement Work Program
A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider
A person or firm outside of the organization that has special knowledge, skill, and experience in a particular discipline.

Fraud
Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance
The combination of processes and structures implemented by the Board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

Impairment
Impairment to organizational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Independence
The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Information Technology Controls
Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.

Information Technology Governance
Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology supports the organization's strategies and objectives.

Internal Audit Definition
A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

International Professional Practices Framework
The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative guidance is composed of two categories – (1) mandatory and (2) recommended.

Must
The *Standards* use the word "must" to specify an unconditional requirement.

Objectivity
An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Overall Opinion
The rating, conclusion, and/or other description of results provided by the Chief Audit Executive addressing, at a broad level, governance, risk management, and/or control processes of the organization. An overall opinion is the professional judgment of the Chief Audit Executive based on the results of a number of individual engagements and other activities for a specific time interval.

Risk
The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite
The level of risk that an organization is willing to accept.

Risk Management
A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

Should
The *Standards* use the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Significance
The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard
A professional pronouncement promulgated by the International Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

Technology-based Audit Techniques
Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques **(CAATs)**.

Memorandum

To: [Auditee]
[Title]

[Auditee]
[Title]

From: [SIGNATURE]
Crystal M. Messner, CFE, CIA, CISA

Date: [Date]

Subject: [Audit Name]

In accordance with the FY20XX Annual Audit Plan, the Internal Audit Department has scheduled an audit of the [Department/Process]. This audit will commence on [Start Date]. The Lead Auditor for this project will be [Auditor Name].

[Auditor Name] will perform a review of the [Department/Procedure]. This review will require involvement from you and your staffs in the form of staff interviews, procedural walkthroughs and other audit techniques as it relates to [description of procedures to be reviewed and/or audit activities].

If there are any additional areas that you think warrant the attention of the audit staff or that would benefit from our review, please let us know.

If you have any questions please feel free to contact me at ext. 3001. Thank you in advance for your cooperation.

cc: Taulby Roach
[Department Leads]
File

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St. Louis, MO 63102-2759
BiStateDev.org

S A M P L E   T E M P L A T E

BI-STATE DEVELOPMENT
GATEWAY ARCH OPERATIONS AUDIT
ENTRANCE CONFERENCE AGENDA
[DATE]

I. INTRODUCTION: Objectives, Scope

II. METHODOLOGIES/PROCESSES

III. AUDIT WORK REQUIREMENTS

IV. MANAGEMENT CONCERNS/OTHER COMMENTS

S A M P L E

BI-STATE DEVELOPMENT
GATEWAY ARCH OPERATIONS AUDIT
ENTRANCE CONFERENCE AGENDA
[DATE]

I. INTRODUCTION:

1. Explain Meeting Format
2. Emphasis will be given on the spirit of cooperation, working together, open door policy, and helping the management to improve weaknesses, if there are any.
3. <u>Objectives:</u>
   - To gain an understanding of the Gateway Arch Operations process;
   - To determine whether that process is working effectively and efficiently;
   - To determine whether internal controls are in place;
   - To determine if compliance has been met as determined by the Board, Government, and Management; and
4. Who will be the Lead Auditor and identify the audit scope.

II. METHODOLOGIES/PROCESSES:

1. Traditional Operational Audit Objectives – Internal control reviews, walk through of the process and the forms/reports being used, observation, extent of test and sampling based on preliminary assessments and findings in progress, various interviews as needed, and request copies of certain reports or documents.
2. While the audit is in progress, supervisor/management will be notified of possible findings prior to exit conference.
3. A draft report is usually issued prior to the exit conference so that management can respond to the findings and be prepared for exit discussion. Management should draft an official management corrective action plan (CAP) response and expected implementation dates for inclusion in the draft report to be discussed in the exit conference. Exit conference will be scheduled and after that, the final report will be issued and submitted to the Board.
4. Provide management with an electronic copy of the Satisfaction Survey. Notify management that, upon completion of the audit, IAD will request auditees to complete the Satisfaction Survey regarding the audit as part of Internal Audit’s ongoing process improvement.

S A M P L E

III. AUDIT WORK REQUIREMENTS:

A. AUDITOR'S REQUIREMENT:

1. Don't forget to notify the staff that there is an ongoing audit to avoid any misunderstanding.
2. We need cooperation for immediate response on questions and requests so we can finish the audit timely and be out of your way.
3. Work Area: Need a place to work when work requires the auditor to be on site at the Arch.

B. AUDITEE'S REQUIREMENT:

1. Please let us know in advance if there are less desirable times, situations, and dates to perform what I need to do. I will be flexible, and will be glad to work around situations.

IV. MANAGEMENT CONCERNS/OTHER COMMENTS:

Obtain any concern that management has with regards to this unit:

1. Any areas within your control that need most attention or improvement?
2. Is there any experienced, consistent systems-related problem that impacts the effective and efficient processing of transactions?
3. Any corporate policies or procedures that you believe require change to improve the efficiency and effectiveness of the process?

S A M P L E   T E M P L A T E

BSD Internal Audit – Post-Audit Survey

How Did We Do?

Please provide your reaction to the recently completed audit by choosing the rating, on a scale of 1-5, that reflects the manner in which you feel the audit was conducted. (1=worst 3=neutral 5=best)

The objectives and scope of the audit were clearly stated.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The stated audit objectives were consistent with your objectives.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The auditors clearly explained their audit requirements (working space, required documents, etc.)

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The auditors were organized, courteous, and not disruptive to our daily operations.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The type and amount of information requested was reasonable.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The auditors were professional and competent.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The auditors kept me informed of audit progress.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The audit findings were consistent with objectives.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The audit findings were clearly stated.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The audit findings were useful and valuable.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The audit findings were accurate.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The draft audit report was delivered in a timely matter.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The draft audit report was consistent with the stated objectives.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

The time span from the start of the audit to the issuance of the final report was reasonable.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

Overall, how would you rate your satisfaction with the purpose, scope, objectives, conduct, and results of the audit?

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Completely Disagree Completely Agree

Please share any additional comments, suggestions, or feedback regarding your experience with the auditors and Internal Audit processes.

Audit Name ______________________________

Audit Date ______________________________

Your Name ______________________ **Dept/Title** ______________

On behalf of the Chief Audit Executive and the Internal Audit Department, *THANK YOU* for completing this post-audit survey. Your feedback is important to us

Audit Program							
Audit Name:							
Auditor Name:							
Audit Objective:							
<u>Planning Phase</u>							
A.	**Preliminary**						
The purpose of this section is perform preliminary steps to prepare a risk assessment, create a preliminary audit program, and to conduct an entrance conference.			**Workpaper Ref.**	**Date completed**	**Auditor Initials**	**Approver Initials**	**Findings**
1	Preliminary Meeting		**A.1**				
2	Program Information (Org. Chart, Intranet/Internet information)		**A.2**				
3	Prior Audit Report For prior Audit look in W Drive > Internal Audit > Audit Archive Folders. Review most recent prior audit (if any). Determine the extent of corrective action taken. Follow up on any open items.		**A.3**				
4	CRITERIA: Review of relevant federal, state, and BSD/Metro Policies.		**A.4**				
	4.1 Criteria		**A.4.1**				
	4.2 Criteria		**A.4.2**				
5	Risk Matrix to summarize preliminary Risk Assessment.		**A.5**				
6	Audit Program		**A.6**				
7	Background, Scope, Objective, and Methodology		**A.7**				
8	Entrance Conference		**A.8**				
	8.1 Engagement Letter		**A.8.1**				
	8.2 Prepare Entrance Conference Agenda. Discuss topics in the Entrance Conference Agenda (document in the Working Papers) re: date, attendees, topics covered, etc. document in meeting minutes.		**A.8.2**				

<u>Fieldwork Phase</u>							
B.	**Fieldwork**						
The purpose of this section is to obtain data to be further analyzed.			**Workpaper Ref.**	**Date completed**	**Auditor Initials**	**Approver Initials**	**Findings**
1	Interviews		**B.1**				
	1.1		**B.1.1**				
	1.2		**B.1.2**				
2	Observations/Walkthroughs		**B.2**				
	2.1		**B.2.1**				
	2.2		**B.2.2**				
3	Flow Chart and Processes		**B.3**				
C. Testing							
CONTROL OBJECTIVE:			**Workpaper Ref.**	**Date completed**	**Auditor Initials**	**Approver Initials**	**Findings**
1	Testing		**C.1**				
2	Testing		**C.2**				
3	Testing		**C.3**				
4	Testing		**C.4**				
<u>Reporting Phase</u>							
					Date Completed	**Approver Initials**	**Auditor Initials**
1	Prepare Draft Report						
	Prepare Reference Report						
2	Submit draft report to another team member for preliminary feedback/review						
3	Submit draft report to CAE for review						
4	Incorporate CAE's comments and revise draft as needed						
5	Once approved by CAE send draft to audit area's management						

6	Schedule Exit Conference						
	6.1 Prepare Entrance Conference Agenda. Discuss topics in the Exit Conference Agenda (document in the Working Papers) re: date, attendees, topics covered, etc. document in meeting minutes.						
7	Make any necessary revisions discussed at Exit Conference to draft report						
8	Prepare final draft report for CAE to submit to AFA Committee and Board for approvals						
9	Once fully approved, issue final report						
<u>Audit Closure</u>							
-	**-**	**-**					
					Date Completed		**Auditor Initials**
1	Document any findings in the follow-up spreadsheet						
2	Clear all working paper review notes						
3	Delete ALL drafts of reports in folders. Only the ***final*** report should be in the report section of the audit file.						
4	Update planning document in audit folder with actual dates						
5	Notify CAE that Audit is finished and ready for final approvals						
	Prepared by NAME, DATE						
	Revised: 5.18.2022 CM						

Bi-State Development Agency
Audit, Finance & Administration Committee
Open Session Agenda Item
June 10, 2022

From:	Crystal M. Messner, CIA, CFE, CISA Chief Audit Executive
Subject:	**Internal Audit Follow-Up Summary – 3rd Quarter FY2022** Briefing Paper No. 22-22
Disposition:	Information
Presentation:	Crystal M. Messner, Chief Audit Executive

Objective:
To present to the Committee the Internal Audit Department's (**IAD's**) Follow-Up Summary Findings regarding the status of prior Recommendations during the 3rd Quarter Fiscal Year **(FY)** 2022 for informational purposes.

Background:
The Standards for the Professional Practice of Internal Auditing, Standard 2500 – Monitoring Process, states that, "The Chief Audit Executive should establish and maintain a system to monitor the disposition of audit results communicated to management." To ensure compliance with this standard, the IAD regularly monitors the status of recommendations.

The Audit Follow-Up Executive Summary Report, on the following page, is a comprehensive overview highlighting the current implementation status of recommendations issued in prior audit reports. Each Recommendation has been reviewed, and its status has been classified as follows:

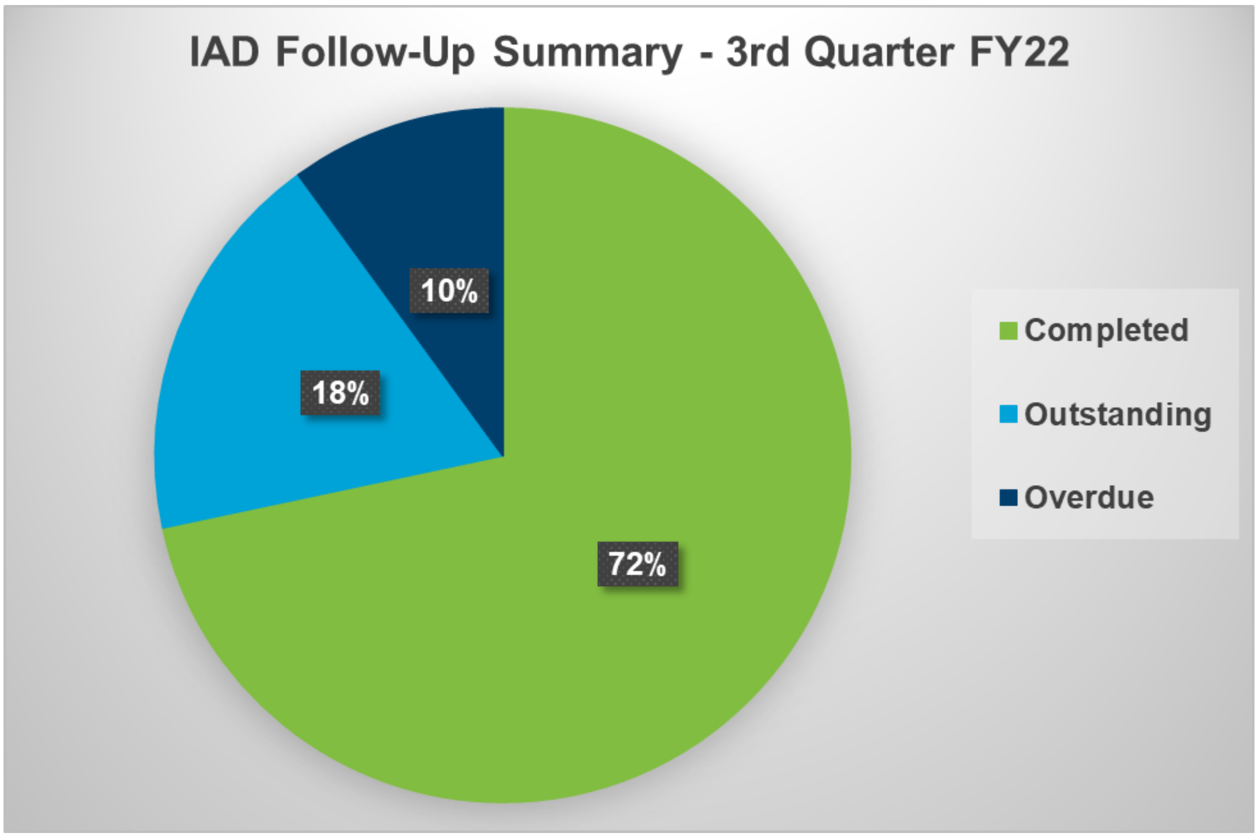
- **Completed** – The recommendation has been implemented.
- **Outstanding** – The recommendation has not yet been implemented, and/or the implementation date has not occurred yet.
- **Overdue** – The recommendation remains outstanding past the established implementation date.

The report should be used to determine the timeliness and the completeness of the implementation of corrective action. Management should place specific focus on those Recommendations that are determined to be overdue.

Funding Source:
Funding is provided through the IAD Operating Budget.

Committee Action Requested:
This material is presented for information only; therefore, no action is required of the Committee.

**Third Quarter-FY2022 Audit Follow-Up
Executive Summary
By Percentages**



Board Policy Chapter 30 Audit, Finance and Budget, Section 30.005 Audit Committee Charter, A. GENERAL (3); and IAD Policies and Procedures Manual: Section 2.9

Third Quarter-FY2022 Audit Follow-Up
Executive Summary
By the Numbers

Report Name	Number of Recommendations	Completed	Outstanding Not Overdue	Overdue
OE Data Integrity Audit	7	0	7	0
Office Supplies Program Audit	7	7	0	0
Passenger Revenue-Ticket Vending Machines (TVM) Audit	3	2	1	0
Accounts Payable-DataServ Audit	1	0	1	0
Armored Car (Loomis) Contract Audit	3	1	2	0
Passenger Revenue-Working Fund Cash Count Audit	2	0	2	0
SSO – SCADA Systems Audit (On-Call) *[Information only; tracking with SSO Follow-Ups]*	5	0	5	0
IT Penetration Testing (On-Call)	8	6	2	0
Audit of Failed DOT Medical Exams	2	0	2	0
Fuel Hedging Audit (On-Call)	10	10	0	0
Cortex MetroLink Station Construction Audit	3	3	0	0
Legal Fees Expense 5030301 Audit	6	4	0	2
InterCompany Account Balances Audit	7	6	0	1
Small Purchase Requisition Audit	7	3	0	4
Casualty Claims Audit	19	19	0	0
Payroll Hours of Service Audit	14	11	0	3
Drug and Alcohol Program Testing Audit - FY2017	11	11	0	0
SSO-Compliance, Federal, State and Local Requirements Audit	5	3	0	2
TOTAL	**120**	**86**	**22**	**12**

Board Policy Chapter 30 Audit, Finance and Budget, Section 30.005 Audit Committee Charter, A. GENERAL (3); and IAD Policies and Procedures Manual: Section 2.9

Bi-State Development Agency
Audit, Finance & Administration Committee
Open Session Agenda Item
June 10, 2022

From:	Crystal M. Messner, CIA, CFE, CISA Chief Audit Executive
Subject:	**Internal Audit Status Report – 3rd Quarter FY2022** Briefing Paper No. 22-23
Disposition:	Information
Presentation:	Crystal M. Messner, Chief Audit Executive

Objective:
To present to the Committee the Internal Audit Department's (IAD's) Status Report for the 3rd Quarter Fiscal Year (FY) 2022 for informational purposes.

Background:
The Internal Audit Status Report provides the Board of Commissioners, the Audit, Finance and Administration Committee members and Senior Management with a summary of the IAD's quarterly activity pertaining to the Annual Audit Plan.

Continuing the efforts for proper succession planning and organizational alignment, on April 18, 2022, IAD welcomed Bob Goeckner as our new Internal Auditor.

Due to unforeseen circumstances within the Payroll Department, the Payroll Audit planned for FY2022 will be moved to next fiscal year. Instead, IAD began the System and Physical Access Audits earlier than expected on April 1, 2022.

In addition to tracking the status of current audits and special projects, this report also highlights the follow-up activity related to the implementation of recommendations from prior audits.

Committee Action Requested:
This material is presented for information only; therefore, no action is required of the Committee.

Funding Source:
Funding is provided through the Internal Audit Operating Budget.

Attachments:
1. Internal Audit Status Report – 3rd Quarter FY2022

Board Policy Chapter 30 Audit, Finance and Budget, Section 30.005 Audit Committee Charter, A. GENERAL

3rd Quarter FY22 Status Report
Ending March 31, 2022

Attachment 1

Fiscal Year 2022 Special Projects	Start Date	Completion Date	Status	Completion Rate (Percentage)	Budget	Hours Previous Periods	Hours This Quarter	Total Hours	Hours Remaining
Board Meeting / Audit Committee Preparations and Meetings	July 2021		Ongoing	56.61%	280.00	105.00	53.50	158.50	121.50
Intercompany Account Reconciliation	November 2020		Ongoing	91.21%	1,200.00	1,092.50	2.00	1,094.50	105.50
Consulting Services for Finance Department	March 2021		Ongoing	52.75%	1,000.00	360.50	167.00	527.50	472.50
Team Meetings/1:1 meetings	July 2021		Ongoing	65.50%	400.00	83.00	179.00	262.00	138.00
Other Special Projects	July 2021		Ongoing	51.42%	600.00	54.00	254.50	308.50	291.50
Training & Professional Development	July 2021		Ongoing	59.58%	600.00	278.00	79.50	357.50	242.50
Total Special Projects Hours					**4,080.00**	**1,973.00**	**735.50**	**2,708.50**	**1,371.50**

Fiscal Year 2022 - Audit Plan	Start Date	Completion Date	Status	Completion Rate (Percentage)	Budget	Hours Previous Periods	Hours This Quarter	Total Hours	Hours Remaining
Audit Follow - Up	July 2021		Ongoing	35.00%	620.00	127.50	89.50	217.00	403.00
Quarterly IAD Status Report	July 2021		Ongoing	66.00%	200.00	88.50	43.50	132.00	68.00
Quarterly Treasury Safekeeping Audit	July 2021		Ongoing	70.77%	260.00	57.00	127.00	184.00	76.00
Ticket Vending Machines (TVM) Audit	January 2019	October 2021	Complete	92.92%	360.00	327.50	7.00	334.50	25.50
Office Supply Program Audit	April 2021	October 2021	Complete	93.85%	130.00	122.00	0.00	122.00	8.00
Accounts Payable-DataServ Audit	May 2021	October 2021	Complete	98.13%	160.00	155.00	2.00	157.00	3.00
IT Penetration Test - IAD Hours	November 2020		Complete	78.75%	80.00	60.00	3.00	63.00	17.00
IT SCADA Systems Audit - IAD Hours	November 2020		Complete	85.94%	160.00	105.50	32.00	137.50	22.50
Procurement Card Audit	September 2021		In Progress	59.67%	760.00	223.50	230.00	453.50	306.50
OE System Data Integrity Audit	July 2021	March 2022	Complete	82.50%	200.00	163.00	2.00	165.00	35.00
Healthcare Claims Audit - IAD Hours	October 2021		In Progress	25.00%	240.00	60.00	0.00	60.00	180.00
St. Louis Downtown Airport Revenue Audit - IAD Hours	September 2021		In Progress	40.28%	360.00	128.00	17.00	145.00	215.00
Arch and Riverboat Ticket Sales Audit	December 2021		In Progress	10.69%	360.00	2.00	36.50	38.50	321.50
Payroll Audit	October 2021		On Hold	2.50%	160.00	4.00	0.00	4.00	156.00
Subtotal Audit Hours					**4,050.00**	**1,623.50**	**589.50**	**2,213.00**	**1,837.00**

Fiscal Year 2022 - Audit Plan	Start Date	Completion Date	Status	Completion Rate (Percentage)	Budget	Hours Previous Periods	Hours This Quarter	Total Hours	Hours Remaining
Turnover Cost Audit	April 2022		Planning	0.00%	360.00	0.00	0.00	0.00	360.00
Overall Risk Assessment	July 2021		Complete	94.38%	400.00	295.50	82.00	377.50	22.50
FY2023 Annual Audit Work Plan	April 2022		Planning	2.08%	240.00	0.00	5.00	5.00	235.00
Workers' Compensation Self-Insurance Fund	April 2022		On Hold	0.00%	240.00	0.00	0.00	0.00	240.00
Shaw Park Garage Review	September 2021		Complete	12.50%	40.00	5.00	0.00	5.00	35.00
Access Audit	April 2022		Planning	9.04%	520.00	0.00	47.00	47.00	473.00
Grand Total Annual Audit Plan					**5,850.00**	**1,924.00**	**723.50**	**2,647.50**	**3,202.50**

Fiscal Year 2022 - Audit Plan Summary On-Call Contract Audit Hours	Start Date	Completion Date	Status	Completion Rate (Percentage)	Budget	Hours Previous Periods	Hours This Quarter	Total Hours	Hours Remaining
On-call Healthcare Claims Audit	October 2021		Planning	63.89%	1,125.00	100.25	306.00	406.25	718.75
Total On-Call Contract Audit Hours					**1,125.00**	**100.25**	**306.00**	**406.25**	**718.75**

Bi-State Development Agency
Audit, Finance & Administration Committee
Open Session Agenda Item
June 10, 2022

From:	Crystal M. Messner, CIA, CFE, CISA Chief Audit Executive
Subject:	**Internal Audit State Safety Oversight Status Report** **1st Quarter Calendar Year 2022** Briefing Paper No. 22-24
Disposition:	Information
Presentation:	Crystal M. Messner, Chief Audit Executive

Objective:
To present to the Committee the Internal Audit Department's (**IAD's**) State Safety Oversight **(SSO)** Status Report for the 1st Quarter of Calendar Year 2022.

Background:
The Internal Audit Status Report provides the Board of Commissioners, the Audit, Finance and Administration Committee members and Senior Management with a summary of the IAD's quarterly activity pertaining to the Federal Transit Administration **(FTA)** Required Rail Security and Safety.

This status report tracks all current SSO Audits and special projects completed during the 1st Quarter.

The following audit activities were proposed by Internal Audit during the 1st Quarter:

1. Finalize the 2021 State Safety Oversight Internal Audit Report and submit to Bi-State Safety Oversight (BSSO) for approval;
2. Create and implement a standalone Internal Safety and Security Management procedure;
3. Submit 2021 SSO Internal Audit Corrective Action Plans (**CAPs**);
4. Conduct follow-ups on nine (9) Internal SSO Audits' CAPs that are ready for closure;
5. Monitor the progress on the 22 open CAPs from the 2021 non-compliance areas, including Supervisory Control and Data Acquisition (**SCADA**) Assessment CAPs;
6. Collaborate with Kensington Consulting to plan and schedule the 2022 Internal Safety and Security Audits;
7. Collaborate with Safety to create a CAP Advisory Committee to ensure progress on all SSO and SCADA CAPs; and,
8. Participate in other audit activities for BSSO.

Conclusion:
First quarter proposed activities were accomplished.

The Internal Safety and Security Management Audit Standard Operating Procedure was successfully created and implemented on January 1, 2022.

The 2021 Annual State Safety and Security Oversight Review and Certification Report was approved by the BSSO on February 25, 2022 resulting in nine (9) approved Internal Audit SSO CAPs. IAD is currently collaborating with management, monitoring the progress for the open SSO and SCADA CAPs, and successfully closed ten (10) CAPs.

The 2022 IAD SSO Internal Audit planning process is on schedule. Kensington Consulting's onsite/field work is scheduled for the week of September 12, 2022. External and internal audit customers, including the Bi-State Safety Oversight (BSSO), were notified of the audit plan on January 6, 2022.

Committee Action Requested:
This material is presented for information only; therefore, no action is required of the Committee.

Funding Source:
Funding is provided through the Internal Audit Operating Budget.

Attachment:
1. CY 2022 - SSO Quarterly Status Report – 1st Quarter
2. BSD Internal Safety and Security Management Audit Standard Operating Procedure

1st Quarter CY22 SSO Audit Status Report
Ending March 31, 2022

Calendar Year 2022 - Audit Plan	Start Date	Completion Date	Status	Completion Rate (Percentage)	Budget	Hours Previous Periods	Hours This Quarter	Total Hours	Hours Remaining
PTASP/Audit Plan	January 2022		Ongoing	4.58%	240.00	0.00	11.00	11.00	229.00
Quarterly SSO Status Report	January 2022		Ongoing	20.00%	80.00	0.00	16.00	16.00	64.00
SSO Administrative Activities	January 2022		Ongoing	13.75%	80.00	0.00	11.00	11.00	69.00
21-11A - Outsourcing Activities	January 2021		Ongoing	64.00%	150.00	45.00	51.00	96.00	54.00
21-11B - CAP Preparation/Follow-Up/Meetings	January 2021		Ongoing	74.33%	300.00	132.00	91.00	223.00	77.00
21-11C - SSO-ESSC-BSSO Meetings	January 2021		Ongoing	94.38%	160.00	132.00	19.00	151.00	9.00
CAPs for 2020 SSO Audits			Ongoing	10.00%	80.00	8.00	0.00	8.00	72.00
CAPs for 2021 SSO Audits			Ongoing	19.17%	120.00	23.00	0.00	23.00	97.00
Loop Trolley - SSO Activities	February 2022		In Progress	4.21%	832.00	0.00	35.00	35.00	797.00
Subtotal Audit Hours					**2,122.00**	**340.00**	**234.00**	**574.00**	**1,548.00**

BI-STATE DEVELOPMENT

Internal Safety and Security Management Audit Standard Operating Procedure

Effective Date: January 1, 2022

Next Revision Date: December 1, 2023

Approval:	DocuSigned by: B6A70916C82F498... Taulby Roach, President & CEO	Date	1/10/2022
Concurrence:	DocuSigned by: Crystal Messner A78142238822468... Crystal Messner, Chief Audit Executive	Date	1/5/2022
Concurrence:	DocuSigned by: Andrew J. Chiassi 3A2A47114B524AB... Andrew Chiassi, Chief Safety Officer	Date	1/6/2022
Concurrence:	DocuSigned by: Kevin B. Scott BE3D66FAF6AD40C... Kevin Scott, General Manager of Security	Date	1/5/2022

Table of Contents

1.0 Purpose

The purpose of this procedure is to provide a process for conducting Internal Safety Management Audits for Bi-State's Safety Management System (SMS) program to be performed in accordance with the requirements of the following:

- Bi-State's Public Transportation Agency Safety Plan (PTASP/ASP)
- Emergency Operations Plan (EOP)
- System Security Plan (SSP)
- Bi-State Safety Oversight (BSSO) Program Standards Manual
- Federal Transit Administration requirements (FTA 49 CFR Parts 670, 672, 673 and/or 674, and 49 CFR 625/630, as applicable)
- Transportation Security Administration requirements for rail public transportation systems
- Sensitive Security Information requirements under 49 CFR 15 and 1520.

The Chief Audit Executive (CAE) will facilitate this procedure, and monitor and evaluate the effectiveness of the safety, security, and emergency management plans in coordination, as appropriate, with the Chief Safety Officer (CSO) and the General Manager of Security. Each functional area, as defined in Section 2, also has the responsibility to monitor and document appropriately its own compliance with all requirements of the SSP. Internal Safety and Security Management Audits facilitate effective compliance and implementation of statutory and regulatory requirements set forth by the BSSO, the TSA, and the FTA. Furthermore, the internal safety management audit program presents opportunities for Bi-State management to institute improvements in safety and emergency management.

Key Objectives

As documented in the BSSO Program Standards Manual, the key objectives of the Internal Safety & Security Management Audit program are:

1. Determine if the programs described in BSD's PTASP and SSP are being implemented through audit techniques such as interviews, document reviews, field observations, and measurements.
2. Determine if hazards and areas of the PTASP and the SSP in which BSD is non-compliant are being identified in a timely manner and appropriately tracked and mitigated using BSD's established safety risk management process.
3. Issue findings when hazardous conditions or non-compliant practices are discovered, and issue observations when processes or procedures can be improved. The auditor may deem certain issues an observation. Observations will be recorded, tracked, and followed-up on internally by the Internal Audit Department.

4. Work with affected departments to address findings, mitigate deficiencies, or improve business practices through development and tracking of CAPs in accordance with BSD-established process.
5. Determine whether the PTASP or the SSP should be updated.
6. Ensure all components of the PTASP and the SSP are reviewed in an ongoing manner and completed over a three-year cycle. (Section 3, July 2021)

2.0 Scope

This procedure applies to all relevant Bi-State departments that have responsibilities defined in the PTASP, the System Security Plan, and Bi-State emergency management documents.

2.1 External Safety and Security Audits

This procedure applies only to the internal safety management audits as required by applicable sections of the Code of Federal Regulations and the BSSO Program Standards Manual.

This procedure does not apply to external safety audits that may occur at Bi-State. These types of external audits include, but are not limited to: Three-Year On-Site Reviews conducted by the Federal Transit Administration Office of Transit Safety and Oversight; Three-Year On-Site Reviews conducted by the BSSO; or other audits conducted by regulatory agencies.

3.0 Responsibilities

The Chief Executive Officer (CEO) has the overall responsibility to ensure this program is fully implemented throughout the agency.

Executive Leadership, along with management and staff, in each of the functional areas are required to:

- Comply with all internal and external audits of safety compliance
- Determine all conditions requiring effective corrective action, including non-compliances with any Bi-State requirements, regulations, improperly mitigated hazards, documentation, employee reporting and feedback, training, emergency management, and any other area of concern
- Implement corrective action per corrective action plans approved by the CAE

The CAE, as designated by the CEO, has the authority to provide support and guidance to the agency in implementation of this procedure; the CAE and the Chief Safety Officer (CSO) have the authority to enforce all provisions of this SOP agency-wide.

The CSO is responsible to ensure day-to-day full implementation of the PTASP and other Bi-State guidance documents, and to support and guide the departments in their compliance activities, including training, review, observations, inspections, and assessments for each of the functional areas; and in their implementation of all safety requirements for the agency. The CSO has the additional responsibility of ensuring adherence to the audit function.

The General Manager of Security is responsible to ensure day-to-day full implementation of the SSP and any other security guidance documents, and to support and guide the departments in their compliance activities, including training, review, observations, inspections, and assessments for each of the functional areas; and in their implementation of all security requirements for the agency. The General Manager of Security has the additional responsibility of ensuring adherence to the audit function.

4.0 Procedures

4.1 Internal Safety and Security Audits

The requirements for SMS will be audited for each functional area once every three years. The CAE has the authority to prepare an audit schedule addressing all compliance requirements as applicable for each of the functional areas of Bi-State over a three-year audit cycle by calendar year in coordination with the Executive Safety and Security Committee (ESSC). See Section 6 for a list of compliance requirements for the agency.

The CAE will submit the audit schedule to the ESSC for review and approval at the beginning of each three-year audit cycle. As needed, the CAE will provide interim updates. Once approved, the CAE will provide the internal safety and security audit schedule to the BSSO. Any changes in the schedule will be communicated to the BSSO for acceptance.

4.1.2 Designate the Lead Internal Auditor

The CAE oversees each audit and provides support for the overall development and implementation of the internal safety and security management audit program at Bi-State. The CAE has the authority to designate a Lead Internal Auditor, but reserves the right to appoint him/herself to serve as the Lead Internal Auditor or a third-party contractor as necessary and appropriate and with the approval of the

ESSC. The Lead Internal Auditor is responsible for following all requirements of this procedure to assess SMS compliance for the agency. With the approval of the CAE, the Lead Auditor may appoint additional auditor(s) as necessary and relevant to the item being audited.

To address the issue of removing conflicts of interest, the unit conducting an audit may not be the unit that is in charge of implementing the element being reviewed.

Auditors must be independent and cannot conduct an audit in the direct or functional area in which the auditor is assigned. An auditor cannot conduct an audit of his/her direct manager's area of responsibility. A department independent of the Internal Audit Department will conduct the internal audit program review.

4.2 Prepare the Internal Audit Checklists

In addition to the documentation listed in Section 1, the Lead Internal Auditor, as well as any additionally appointed auditors, will use internal departmental Standard Operating Procedures and other pertinent process documents as the basis for preparing a checklist encompassing all areas of required compliance before beginning the internal safety and security management audits.

Some typical examples of these procedures and documents are listed below:

- Plans and policy documents for the department
- System operating rule books, bulletins, notices and procedures
- Maintenance manuals and procedures for rolling stock, infrastructure (i.e., switches, facilities, track, signals, power, communications), preventive maintenance inspection records, employee training records, environmental compliance procedures, and any other documents found to have significant importance in regard to system safety or system security
- Previous internal and external audit reports, including FTA or BSSO audit reports
- BSSO requirements
- Corrective action plans for adverse events, security incidents, and unacceptable hazards
- External safety and security requirements, guidelines, and best practices, including rolling stock safety standards, NTSB accident investigation reports, EPA reports, OSHA requirements, and other agency peer review reports

Using the above criteria, the Internal Auditor(s) will prepare a preliminary audit checklist establishing the areas of concern with which the functional area must comply to meet federal, state, and internal safety and security requirements. The

CAE will review and approve the checklist. Once approved, the preliminary checklist will be submitted via email to BSSO for review and input thirty (30) days prior to the start of each audit. The preliminary checklist is subject to modification as the audit progresses.

Checklists will be developed with relevant criteria for each audit, to verify compliance to the Plans and other applicable statutes, the requirements of the Program Standard Manual, and relevant internal Bi-State documents, plans, policies, and procedures. The applicable reference documents that establish the compliance criteria will be cited in the checklist to the extent possible.

Checklist audit questions have the following evaluation criteria:

1 – Meets Criteria/Compliance
2 – Deficiency/Non-Compliance
3 – Not Auditable

The audit team will use the audit procedures and checklists as a guide to performing all audit activities, with the primary responsibility to determine if the area being audited is performing as required under the documented criteria. The auditee will be required to demonstrate compliance through objective and verifiable evidence to meet all areas of compliance. If no objective and verifiable evidence can be provided to demonstrate compliance for any area of concern, the auditor(s) will be required to identify the area as not in compliance, and to recommend appropriate corrective action.

4.3 Schedule the Pre-Audit Briefing and Internal Audit Interview

The Internal Auditor(s) will schedule a pre-audit briefing with the management of the department to be audited. The Internal Auditor(s) will ensure all arrangements are agreed upon and acceptable to all parties.

The Internal Auditor(s) will conduct the pre-audit briefing to discuss the:

- Preliminary audit checklist;
- Areas of compliance to be reviewed during the audit;
- Relevant authorized, controlled, and distributed plans, programs, protocols, procedures, work instructions, and other documentation required;
- Audit participants; and
- Audit approach.

The pre-audit briefing may be waived by a department if the CAE or ESSC determines that the department fully understands the requirements and process.

4.4 Transmit the Audit Notifications

4.4.1 Audited Department

Thirty (30) days prior to the scheduled audit date, and after the pre-audit checklist and the planning checklist are finalized, the CAE will facilitate the notification to the audited department in writing (electronic writings are acceptable) of the upcoming audit and provide a copy of the applicable audit checklist. The notification shall also be distributed to internal stakeholders, including the ESSC.

4.4.2 BSSO

Thirty (30) days prior to the scheduled audit date, the CAE will facilitate the notification to the BSSO in writing of the upcoming audits and provide the audit preliminary checklists. This advance notice will indicate the audit start dates and audited areas, functional units, departments, or offices.

The CAE will coordinate Bi-State's responses to comments from the BSSO on the audit checklist, if necessary. The CAE will also ensure coordination with the BSSO in the event BSSO chooses to observe/attend the audit.

4.5 Conduct the Internal Audit

The head of the department being audited may participate in the audit and/or designate responsible personnel for the department to participate in the audit.

The auditor(s) will review documentation and other verifications provided by the department to ensure they are relevant to the scope and purpose of the audit. An example would be documented training records to show that training occurred. The audit will be conducted in an interview format, with subsequent field observations and verifications as needed. The auditor(s) will use the audit checklist to guide verification of conformance to the audit requirements against the established criteria.

At all times, the auditor(s) shall:

- Perform a fact-based, verified audit which focuses on compliance with the Plans and other documented requirements

- Identify areas that merit safety and/or emergency management improvements, which, although compliant, should be considered for inclusion in the department's processes or program
- Operate without personal bias, personal interest, and without placing or identifying blame
- Use open-ended questions and interview techniques to elicit discussion of safety and/or security programs, attitudes, and practices
- Illuminate good practices culled from successful safety and/or security practices in the transit industry
- Provide professional support for corrective actions and safety and/or security program development

4.6 Determine the Audit Findings/Observations

The auditor(s) will use objective evidence to determine a finding of non-compliance. A finding of non-compliance is defined as non-conformity to policies, procedures, work instructions or any authorized document that requires compliance by Bi-State personnel. A finding may also be issued because a document does not accurately reflect the process used in practice.

Objective evidence is verifiable qualitative or quantitative information, records, or statements of fact based on observation, measurement, or test.

The auditor(s) will accomplish verification by:

- Interviews and discussion with personnel
- Review of procedures, documentation, and records
- Firsthand observations of operations, maintenance, or other activities related to the audit criteria
- Visual examinations and measurements

If necessary, the auditor(s) will request additional supplemental documents in the interviews that may be needed for verification.

Any audit finding which is deemed by the auditor(s) to be an unacceptable hazard according to Bi-State plans and procedures that presents imminent danger will be immediately resolved per the policy and procedures described in the PTASP, SSP, or EOP, as applicable.

As soon as findings are confirmed, the findings are communicated to the audited department during the audit interview, pending supplemental documentation to be provided by the department. The audit team will also address in the interview any questions regarding compliance, or what action might be needed to bring any findings of non-compliance into compliance.

4.7 Conduct an Exit Briefing/Conference (CAE Option)

The auditor(s) will conduct an exit briefing at a mutually acceptable time with the audited department if the CAE authorizes a formal review of the findings (if any) with the CSO, General Manager of Security and the audit team.

4.8 Prepare the Internal Audit Final Report

Within approximately 20 calendar days after the audit, the Lead Auditor will prepare an Internal Audit Final Report for the CAE, comprising the completed internal audit report checklist and a recommended corrective action plan addressing findings (and observations) of non-compliance. It is the responsibility of the audited department to assist in developing and ultimately implementing the corrective actions and recommendations.

The CAE will distribute the Internal Audit Final Report with the completed internal audit checklist to the ESSC. The ESSC will review the audit findings (and observations) and discuss any concerns at their regular meeting. The ESSC will accept the report, or will provide comments, changes, or corrections to finalize the report.

Upon ESSC approval, the CAE will distribute the report to the following persons:

- BSSO as required by the Program Standards Manual (Section 3)
- Executive Leadership of the department/area audited
- The Director of the department/area audited
- All relevant personnel in the department and any other stakeholders
- Audit, Finance, and Administrative Committee
- Board of Commissioners

If the Management of the department subject to the audit disagrees with the results of the audit, they should provide a written summary of the concerns to the ESSC. The ESSC will review these concerns at its next meeting, and make a decision as to the issues.

The Chief Executive Officer will be notified of the ESSC's decision in the disagreement, and has the final decision-making authority over the Internal Safety and Security Audit Program.

The CAE will annually submit the completed Internal Audit Final Reports to the BSSO by February 1 for the calendar year per PSM Section 3.3.

4.9 The Corrective Action Plan (CAP)

4.9.1 Prepare the CAP

For each non-compliant audit finding, the auditor(s) will coordinate with the management of the department that the finding was assessed against to develop a CAP.

The CAP will identify the following requirements:

- CAP ID
- A narrative description of the noncompliance finding, hazard, or deficiency
- A narrative description of the corrective action to remediate the open finding which should include what documentation and/or field verifications are necessary for implementation verification
- Due date for completion of each task within the corrective action plan
- Principal individual and department responsible for implementing each task within the corrective action plan

The auditor(s) will ensure the establishment of CAP due dates that are consistent with the risk assessment of the deficiency. The auditor(s) will ensure that CAP due dates are reasonable, feasible, and mutually agreed upon between the auditor(s), the CAE, the Chief Safety Officer, and the management of the audited department. When establishing the CAP due dates, personnel will consider the conditions and constraints of the issue to be remediated.

CAPs must be submitted to BSSO in the format described in Section 9 of the Program Standards Manual according to the electronic format and forms required and provided by BSSO (Sections 9.3 & 9.4). The CAE will work with the CSO to ensure that the BSSO CAP documentation requirements are met (ex: inspection checklists, training certificates, standard operating procedures, etc.), and that submittal of the CAPs for approval, review, and monitoring follow the prescribed process in the BSSO Program Standards Manual.

The CAE and the management of the audited department will review CAP progress on a monthly basis. Any corrective actions that are within 30 days of closure that are deemed by the CAE not to be on track for timely closure are to be documented and transmitted to the Chief Safety Officer, Chief Security Officer, and the ESSC. The CAE will recommend timely action to correct the deficiency, which the ESSC will approve or recommend alternative action that will be binding on the department. If the ESSC does not have sufficient time to meet prior to the closure date, the Chief Safety Officer has the responsibility to unilaterally take action to correct the issue and inform the Chief Executive Officer, CAE, and the departmental head of his or her decision. The CAE will submit a CAP Extension Form to the BSSO as described in the Program Standard Manual, Section 9.9.

Each month the CAE and CSO will require the audited department to provide a status update on pending open corrective actions implemented to address the internal audit findings and the CAE will provide a status report regarding open CAPs to the Executive Safety and Security Committee (ESSC) at each ESSC meeting.

To close a CAP or item within a CAP, the audited department must provide appropriate supporting documentation to validate the closure. The CAE and CSO will review the supporting documentation to verify the closure and determine concurrence with the department’s assessment and actions.

The CAE and the CSO will determine the acceptability of alternate corrective actions when an audited department wishes to modify an open corrective action for an approved CAP. The proposed alternative must be described in sufficient detail as defined by the CAE and the CSO. Bi-State will submit the modified CAP to the BSSO per the process described in the Program Standards Manual, Section 9.8.

The management of the audited department will inform the CSO and the CAE immediately if there is problem (anticipated or encountered) with adhering to the CAP due dates.

5.0 Audit Schedule

Bi-State Internal Safety and Security Management Audit Master Schedule

Year 1 (2021, 2024, 2027)
Public Information, Safety/Public Safety, Emergency Management
Procurement & Materials Management
IT
Planning & Scheduling
Security: Administrative Management (see schedule below)

Year 2 (2022, 2025, 2028)
Facilities Maintenance (Plant, Power, QA)
Infrastructure Maintenance (Structures, MOW, Comm, Signals, QA)
Fare Collection/Revenue
Security: Data, Investigations & Training

Year 3 (2023, 2026, 2029)
Vehicle Maintenance (rail: rolling stock, support vehicles)
Transportation Operations (rail: operators, supervision, OCC, training), ADA, Drug & Alcohol
Engineering & Capital Projects
Training
Security: Risk Assessment & Audits

SECURITY PLAN TOPICS:

Audit Topic	Year 1	2	3
System Security	X		
System Description	X		
System Security Program Roles and Responsibilities	X		
Safety and Security Certification	X		
TVA Identification and Resolution			X
Security Data Collection and Analysis		X	
Security Incident Notification and Investigation		X	
Security Training and Certifications		X	
Control, Review and Approval of SSP	X		
Personal Security of Passengers and Employees			X
Internal Security Audit	X		
SSP Review and Approval	X		

6.0 Compliance Areas

Each functional area must comply with those sections of the PTASP, SSP and EOP that apply to their area of concern.

Per the Program Standards Manual Section 1.3, the PTASP will conform to the requirements of 49 CFR Part 673.

Specific items for SMS compliance are described in Appendix F of the Manual, in 5 sections.

Security requirements are described in Appendix G, in 12 sections.

Emergency operations requirements are described in Appendix H, with 18 sections.

Quarterly Financial Statement

3rd Quarter Ending March 31, 2022

BI-STATE DEVELOPMENT

metro · GATEWAY ARCH · ST. LOUIS DOWNTOWN AIRPORT · RIVERBOATS AT THE GATEWAY ARCH · ST LOUIS REGIONAL FREIGHTWAY

To: Taulby Roach
President and Chief Executive Officer

From: Tammy Fulbright
Executive Vice President and Chief Financial Officer

Date: April 27, 2022

Subject: Bi-State Development Financial Statements – March 31, 2022

Enclosed is the financial statement package for March 31, 2022. Results, including the analysis and financial position, are provided by business division. These interim financial statements are not in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) due to the classification of certain financial statement amounts and that there are no accompanying footnote disclosures or Management Discussion and Analysis (MD & A) sections included.

A summary of all Bi-State Development (BSD) business divisions and the self-insurance divisions indicate that the combined entity has assets of $1.4 billion and net income before depreciation of $83.8 million for the quarter ending March 31, 2022. When analyzing BSD's financial position specifically related to Metro transit, the primary focus is on income before depreciation because the majority of the capital program is funded through Federal grants and not profits from operations. Net income after depreciation is $21.4 million. The BSD combined financials are presented on pages 4-7.

A combining schedule of all business divisions can be viewed on pages 9-12. Within the complete package, each Bi-State Development entity has a comprehensive financial section including Financial Highlights, Performance Indicators, Statement of Activities, Statement of Financial Position, and Statement of Cash Flows, as applicable. These sections are designed to give the reader a better understanding of the financial operation of each entity.

Table 1 summarizes BSD Combined Income (Loss) before Depreciation by entity. For the quarter ending March 31, 2022, BSD has net income before depreciation of $83.8 million which is favorable to budget by $87.3 million. The favorable amount is due to a draw on federal stimulus funds. In total, BSD was apportioned $363.5 million in stimulus funding to help offset shortfalls related to Metro Transit.

Table 2 includes the impact of depreciation on the financial position of each enterprise resulting in a cumulative $21.4 million net income.

I am happy to discuss and answer any questions. Thank you.

Table 1
BSD Combined Net Income (Loss) before Depreciation and Transfers

	Year-to-Date				
	Actual	Budget	Prior Year	$ Var Bgt	$ Var Prior Yr
Enterprise Funds					
Executive Services	$ 215,900	$ (41,204)	$ (772,497)	$ 257,104	$ 988,397
Gateway Arch Tram	(397,694)	(2,403,191)	(2,597,842)	2,005,497	2,200,148
Metro	85,612,629	2,530,410	66,557	83,082,219	85,546,072
St. Louis Downtown Airport	352,164	190,398	(223,132)	161,766	575,296
Riverfront Attractions	173,995	(541,231)	(530,749)	715,226	704,744
St. Louis Regional Freightway	(176,812)	22,880	91,937	(199,692)	(268,749)
BSD Research Institute	-	-	(256,706)	-	256,706
Arts In Transit, Inc.	5,510	(3,690)	(2,834)	9,200	8,344
Total Enterprise Funds	$ 85,785,692	$ (245,628)	$ (4,225,266)	$ 86,031,320	$ 90,010,958
Self-Insurance Funds					
Health	(948,141)	45,969	(248,034)	(994,110)	(700,107)
Casualty	(3,961,398)	(2,480,435)	(1,353,761)	(1,480,963)	(2,607,637)
Workers' Compensation	2,879,999	(864,514)	(354,427)	3,744,513	3,234,426
Total Self-Insurance Funds	$ (2,029,540)	$ (3,298,980)	$ (1,956,222)	$ 1,269,440	$ (73,318)
Total Government Wide	**$ 83,756,152**	**$ (3,544,608)**	**$ (6,181,488)**	**$ 87,300,760**	**$ 89,937,640**

Table 2
BSD Combined Net Income (Loss)

	Year-to-Date				
	Actual	Budget	Prior Year	$ Var Bgt	$ Var Prior Yr
Enterprise Funds					
Executive Services	$ 215,900	$ (41,204)	$ (2,973,278)	$ 257,104	$ 3,189,178
Gateway Arch Tram	(404,073)	(2,767,870)	(3,032,899)	2,363,797	2,628,826
Metro	18,400,186	(58,483,278)	(60,420,145)	76,883,464	78,820,331
St. Louis Downtown Airport	670,586	(849,120)	(1,179,096)	1,519,706	1,849,682
Riverfront Attractions	(5,291)	(685,235)	1,485,851	679,944	(1,491,142)
St. Louis Regional Freightway	(176,812)	22,880	91,937	(199,692)	(268,749)
BSD Research Institute	-	-	(259,635)	-	259,635
Arts In Transit, Inc.	5,510	(3,690)	(2,834)	9,200	8,344
Total Enterprise Funds	$ 18,706,006	$ (62,807,517)	$ (66,290,099)	$ 81,513,523	$ 84,996,105
Self-Insurance Funds					
Health	(948,141)	45,969	(248,034)	(994,110)	(700,107)
Casualty	(290,742)	(473)	627,749	(290,269)	(918,491)
Workers' Compensation	3,948,405	(187)	444,742	3,948,592	3,503,663
Total Self-Insurance Funds	$ 2,709,522	$ 45,309	$ 824,457	$ 2,664,213	$ 1,885,065
Total Government Wide	**$ 21,415,528**	**$ (62,762,208)**	**$ (65,465,642)**	**$ 84,177,736**	**$ 86,881,170**

Combined Financials

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Bi-State Development Combined
Statement of Activities
For the Nine Months Ended March 31, 2022
(unaudited)

	Business Divisions Total	Self-Insurance Divisions Total	Total	Eliminations	Bi-State Development Combined Total
Revenue					
Passenger and service revenues	$ 22,526,894	$ -	$ 22,526,894	$ -	$ 22,526,894
Partnership fees	100,000	-	100,000	-	100,000
City of St. Louis	27,409,923	-	27,409,923	-	27,409,923
St. Louis County	114,096,024	-	114,096,024	-	114,096,024
St. Clair County Transit District	49,635,616	-	49,635,616	-	49,635,616
State of Missouri and Illinois	299,065	-	299,065	-	299,065
Federal funding	92,763,531	-	92,763,531	-	92,763,531
Other local/regional funding	463,323	-	463,323	-	463,323
Not-for-profit	21	-	21	-	21
Advertising, maint services, rental income	4,056,830	-	4,056,830	-	4,056,830
Interest income	626,604	1,264	627,868	-	627,868
Other operating revenue	712,906	-	712,906	-	712,906
Charges for services	-	38,806,211	38,806,211	(33,402,553)	5,403,658
Total revenue	312,690,737	38,807,475	351,498,212	(33,402,553)	318,095,659
Expense					
Wages and benefits	154,668,218	1,062,722	155,730,940	-	155,730,940
Services	33,192,968	852,572	34,045,540	-	34,045,540
Fuel and lube consumed	4,583,223	-	4,583,223	-	4,583,223
Materials and supplies	12,569,425	3,369	12,572,794	-	12,572,794
Utilities	5,991,921	2,083	5,994,004	-	5,994,004
Casualty and liability costs	1,967,918	3,146,954	5,114,872	-	5,114,872
Other expenses	3,265,214	509,403	3,774,617	-	3,774,617
Interest expense	8,994,661	-	8,994,661	-	8,994,661
Contribution to outside entities	1,212,684	7,500	1,220,184	-	1,220,184
Other non-operating expense	458,813	-	458,813	-	458,813
Claims paid and insurance administrative costs	-	35,252,412	35,252,412	(33,402,553)	1,849,859
Total expense	226,905,045	40,837,015	267,742,060	(33,402,553)	234,339,507
Income (loss) before depreciation	85,785,692	(2,029,540)	83,756,152	-	83,756,152
Depreciation and amortization expense	62,340,624	-	62,340,624	-	62,340,624
Net income (loss) before transfers	23,445,068	(2,029,540)	21,415,528	-	21,415,528
Net transfers in (out)	(4,739,062)	4,739,062	-	-	-
Net income (loss)	$ 18,706,006	$ 2,709,522	$ 21,415,528	$ -	$ 21,415,528

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Bi-State Development Combined
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Business Divisions Total	Self-Insurance Divisions Total	Total	Eliminations	Bi-State Development Combined Total
Assets					
Current assets					
Cash	$ 208,401,045	$ 24,923,222	$ 233,324,267	$ -	$ 233,324,267
Investments	112,156,597	2,403,578	114,560,175	-	114,560,175
Accounts and notes receivable	5,341,804	219,388	5,561,192	-	5,561,192
Interfund accounts receivable	-	3,271,232	3,271,232	(3,271,232)	-
Restricted accounts receivable	191,619	902	192,521	-	192,521
Federal, state and local assistance receivable	39,793,949	-	39,793,949	-	39,793,949
Materials and supplies inventory	15,268,392	-	15,268,392	-	15,268,392
Other current assets	8,833,910	1,046,169	9,880,079	-	9,880,079
Total current assets	389,987,316	31,864,491	421,851,807	(3,271,232)	418,580,575
Capital assets					
Capital assets - motorbus	486,424,230	-	486,424,230	-	486,424,230
Capital assets - paratransit	21,840,065	-	21,840,065	-	21,840,065
Capital assets - lightrail	1,628,052,278	-	1,628,052,278	-	1,628,052,278
Capital assets	58,181,808	-	58,181,808	-	58,181,808
Total capital assets	2,194,498,381	-	2,194,498,381	-	2,194,498,381
Accumulated depreciation	(1,529,579,420)	-	(1,529,579,420)	-	(1,529,579,420)
Total capital assets, net	664,918,961	-	664,918,961	-	664,918,961
Land	101,582,953	-	101,582,953	-	101,582,953
Construction-in-process	47,102,327	-	47,102,327	-	47,102,327
Total capital assets	813,604,241	-	813,604,241	-	813,604,241
Non-current assets					
Restricted investments	140,579,997	-	140,579,997	-	140,579,997
Deferred charges	210,099	-	210,099	-	210,099
Other non-current assets, net amort	85,913	-	85,913	-	85,913
Total non-current assets	140,876,009	-	140,876,009	-	140,876,009
Total assets	1,344,467,566	31,864,491	1,376,332,057	(3,271,232)	1,373,060,825
Deferred Outflow of Resources					
Deferred pension loss	11,394,238	-	11,394,238	-	11,394,238
Deferred pension expense	2,250,194	-	2,250,194	-	2,250,194
Deferred unfunded OPEB loss	7,586,211	-	7,586,211	-	7,586,211
Deferred loss on debt refunding	8,595,188	-	8,595,188	-	8,595,188
Total deferred outflow of resources	29,825,831	-	29,825,831	-	29,825,831
Total	$ 1,374,293,397	$ 31,864,491	$ 1,406,157,888	$ (3,271,232)	$ 1,402,886,656

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Bi-State Development Combined
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Business Divisions Total	Self-Insurance Divisions Total	Total	Eliminations	Bi-State Development Combined Total
Liabilities					
Current liabilities					
Accounts payable	$ 12,155,581	$ -	$ 12,155,581	$ -	$ 12,155,581
Interfund accounts payable	(432,228)	3,703,460	3,271,232	(3,271,232)	-
Accrued expenses	17,470,392	5,370	17,475,762	-	17,475,762
Other current liabilities	6,236,175	-	6,236,175	-	6,236,175
Total current liabilities	35,429,920	3,708,830	39,138,750	(3,271,232)	35,867,518
Current liab payable from restricted assets					
Accrued interest payable	6,497,602	-	6,497,602	-	6,497,602
Short-term self-insurance	232,000	10,427,000	10,659,000	-	10,659,000
Medical self-insurance liability	-	5,247,553	5,247,553	-	5,247,553
Current portion of long-term debt	14,383,387	-	14,383,387	-	14,383,387
Total current liabilities payable from restricted assets	21,112,989	15,674,553	36,787,542	-	36,787,542
Total current liabilities	56,542,909	19,383,383	75,926,292	(3,271,232)	72,655,060
Non-current liabilities					
Other post-employment benefits	55,917,253	342,326	56,259,579	-	56,259,579
Long-term self-insurance	581,149	12,814,000	13,395,149	-	13,395,149
Long-term debt	497,397,023	-	497,397,023	-	497,397,023
Capital lease obligations	140,579,997	-	140,579,997	-	140,579,997
Unfunded pension liabilities	40,871,581	67,282	40,938,863	-	40,938,863
Other non-current liabilities	32,409,859	-	32,409,859	-	32,409,859
Total non-current liabilities	767,756,862	13,223,608	780,980,470	-	780,980,470
Total liabilities	824,299,771	32,606,991	856,906,762	(3,271,232)	853,635,530
Deferred Inflow of Resources					
Deferred gain on hedging instruments	8,027,678	-	8,027,678	-	8,027,678
Deferred Unfunded OPEB Gain	9,879,824	-	9,879,824	-	9,879,824
Deferred pension gain 788 ATU and cle	24,012,086	-	24,012,086	-	24,012,086
Deferred pension gain IBEW	1,008,025	-	1,008,025	-	1,008,025
Deferred pension gain salaried	14,613,757	-	14,613,757	-	14,613,757
Total deferred inflow of resources	57,541,370	-	57,541,370	-	57,541,370
Net Position					
Net position - capital investments	366,234,121	-	366,234,121	-	366,234,121
Net position	107,512,129	(3,452,022)	104,060,107	-	104,060,107
Net income (loss)	18,706,006	2,709,522	21,415,528	-	21,415,528
Total net position	492,452,256	(742,500)	491,709,756	-	491,709,756
Total	$ 1,374,293,397	$ 31,864,491	$ 1,406,157,888	$ (3,271,232)	$ 1,402,886,656

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Bi-State Development Combined
Statement of Cash Flows
For the Nine Months Ended March 31, 2022
(unaudited)

	Business Divisions Total	Self-Insurance Divisions Total	Total	Eliminations	Bi-State Development Combined Total
Cash flows from operating activities					
Receipts from customers	$ 27,614,047	11,048,980	$ 38,663,027	$ (5,664,131)	$ 32,998,896
Payments to employees	(155,717,597)	(1,048,379)	(156,765,976)	-	(156,765,976)
Payments to vendors	(67,620,471)	(2,424,430)	(70,044,901)	-	(70,044,901)
Payments for self-insurance	(1,776,769)	(38,023,909)	(39,800,678)	33,402,553	(6,398,125)
Receipts (payments) from inter-fund activity	1,565,946	26,172,476	27,738,422	(27,738,422)	-
Net cash provided by (used in) operating activities	(195,934,844)	(4,275,262)	(200,210,106)	-	(200,210,106)
Cash flows from non capital financing activities					
Operating assistance received	271,905,803	-	271,905,803	-	271,905,803
Contributions to outside entities	(1,212,684)	(7,500)	(1,220,184)	-	(1,220,184)
Net transfers	(4,739,062)	4,739,062	-	-	-
Nonoperating contributions	550,477	-	550,477	-	550,477
Net cash provided by (used in) non capital financing activities	266,504,534	4,731,562	271,236,096	-	271,236,096
Cash flows from capital and related financing activities					
Acquisitions of capital assets	(30,012,363)	-	(30,012,363)	-	(30,012,363)
Payments of long-term debt	(8,474,433)	-	(8,474,433)	-	(8,474,433)
Escrow Financing	(3,290,000)	-	(3,290,000)	-	(3,290,000)
Interest Paid	(7,336,224)	-	(7,336,224)	-	(7,336,224)
Contributed capital	31,626,801	-	31,626,801	-	31,626,801
related financing activities	(17,486,219)	-	(17,486,219)	-	(17,486,219)
Cash flows from investing activities					
Purchases of investments	(104,129,388)	-	(104,129,388)	-	(104,129,388)
Proceeds from sale of investments	57,867,487	-	57,867,487	-	57,867,487
Interest received	622,880	1,370	624,250	-	624,250
Net cash provided by (used in) investing activities	(45,639,021)	1,370	(45,637,651)	-	(45,637,651)
Net increase (decrease) in cash and cash equivalents	7,444,450	457,670	7,902,120	-	7,902,120
Cash and cash equivalents, beginning of year	200,956,595	26,869,130	227,825,725	-	227,825,725
Cash and cash equivalents, year to date	$ 208,401,045	$ 27,326,800	$ 235,727,845	$ -	$ 235,727,845

Business Divisions

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Business Divisions
Combining Statement of Activities by Business Division
For the Nine Months Ended March 31, 2022
(unaudited)

	Executive Services	Gateway Arch Tram	Riverfront Attractions	St. Louis Downtown Airport	Metro Transit	St. Louis Regional Freightway	Bi-State Development Research Inst.	Arts In Transit, Inc.	Totals	Eliminations	Totals After Eliminations
Revenue											
Passenger and service revenues	$ -	$ 4,026,064	$ 2,224,127	$ 1,164,618	$ 15,123,128	$ -	$ -	$ -	$ 22,537,937	$ (11,043)	$ 22,526,894
Interfund administrative fees	2,809,131	-	-	-	-	-			2,809,131	(2,809,131)	-
Partnership fees	-	-	-	-	-	100,000	-	-	100,000	-	100,000
City of St. Louis	-	-	-	-	27,409,923	-	-	-	27,409,923	-	27,409,923
St. Louis County	-	-	-	-	114,096,024	-	-	-	114,096,024	-	114,096,024
St. Clair County Transit District	-	-	-	-	49,635,616	-	-	-	49,635,616	-	49,635,616
State of Missouri and Illinois	-	-	-	-	299,065	-	-	-	299,065	-	299,065
Federal funding	-	-	-	82,000	92,681,531	-	-	-	92,763,531	-	92,763,531
Other local/regional funding	-	-	-	-	463,323	-	-	-	463,323	-	463,323
Not-for-profit	-	-	-	-	-	-	-	21	21	-	21
Contributions	-	-	-	-	-	-	-	3,297	3,297	(3,297)	-
Advertising, maint services, rental income	-	45,787	103,760	93,209	3,811,574	2,500	-	-	4,056,830	-	4,056,830
Interest income	151	2,827	-	177	623,449	-	-	-	626,604	-	626,604
Other operating revenue	180,341	379,965	167	152,433	-	-	-	-	712,906	-	712,906
Total revenue	2,989,623	4,454,643	2,328,054	1,492,437	304,143,633	102,500	-	3,318	315,514,208	(2,823,471)	312,690,737
Expense											
Wages and benefits	1,853,443	1,592,912	986,398	711,556	149,397,169	126,740	-	2,261	154,670,479	(2,261)	154,668,218
Services	571,413	1,270,623	385,683	126,343	30,699,345	139,561	-	48	33,193,016	(48)	33,192,968
Fuel and lube consumed	-	-	43,075	10,028	4,530,120	-	-	-	4,583,223	-	4,583,223
Materials and supplies	9,128	366,206	440,391	29,046	11,724,283	360	-	11	12,569,425	-	12,569,425
Utilities	1,098	100,573	69,461	175,922	5,644,867	-	-	1	5,991,922	(1)	5,991,921
Casualty and liability costs	63,830	14,424	144,047	42,720	1,702,897	-	-	-	1,967,918	-	1,967,918
Other expenses	188,198	728,245	85,004	41,811	5,034,979	12,651	-	(4,513)	6,086,375	(2,821,161)	3,265,214
Interest expense	-	665,879	-	2,847	8,325,935	-	-	-	8,994,661	-	8,994,661
Contribution to outside entities	-	113,475	-	-	1,099,209	-	-	-	1,212,684	-	1,212,684
Other non-operating expense	86,613	-	-	-	372,200	-	-	-	458,813	-	458,813
Total expense	2,773,723	4,852,337	2,154,059	1,140,273	218,531,004	279,312	-	(2,192)	229,728,516	(2,823,471)	226,905,045
Income (loss) before depreciation	215,900	(397,694)	173,995	352,164	85,612,629	(176,812)	-	5,510	85,785,692	-	85,785,692
Depreciation and amortization expense	-	-	179,286	956,319	61,205,019	-	-	-	62,340,624	-	62,340,624
Net income (loss) before transfers	215,900	(397,694)	(5,291)	(604,155)	24,407,610	(176,812)	-	5,510	23,445,068	-	23,445,068
Net transfers in (out)	-	(6,379)	-	1,274,741	(6,007,424)	-	-	-	(4,739,062)	-	(4,739,062)
Net income (loss)	$ 215,900	$ (404,073)	$ (5,291)	$ 670,586	$ 18,400,186	$ (176,812)	$ -	$ 5,510	$ 18,706,006	$ -	$ 18,706,006

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Business Divisions
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Executive Services	Gateway Arch Tram	Riverfront Attractions	St. Louis Downtown Airport	Metro Transit	St. Louis Regional Freightway	Bi-State Development Research Inst.	Arts In Transit, Inc.	Totals	Interfund Eliminations	Totals After Eliminations
Assets											
Current assets											
Cash	$ 1,235,404	$ 14,440,130	$ 186,511	$ 2,735,949	$ 189,650,597	$ 57,204	$ -	$ 95,250	$ 208,401,045	$ -	$ 208,401,045
Investments	-	-	-	-	112,156,597	-	-	-	112,156,597	-	112,156,597
Accounts and notes receivable	-	11,801	101	29,072	5,298,330	2,500	-	-	5,341,804	-	5,341,804
Interfund accounts receivable	470,923	-	30,648	-	5,176,914	-	-	-	5,678,485	(5,678,485)	-
Restricted accounts receivable	-	-	-	-	191,619	-	-	-	191,619	-	191,619
Federal, state and local assistance receivable	-	-	-	82,000	39,711,949	-	-	-	39,793,949	-	39,793,949
Materials and supplies inventory	-	-	67,109	69,922	15,131,361	-	-	-	15,268,392	-	15,268,392
Other current assets	62,042	4,808	37,669	27,926	8,701,465	-	-	-	8,833,910	-	8,833,910
Total current assets	1,768,369	14,456,739	322,038	2,944,869	376,018,832	59,704	-	95,250	395,665,801	(5,678,485)	389,987,316
Capital assets											
Capital assets - motorbus	-	-	-	-	486,424,230	-	-	-	486,424,230	-	486,424,230
Capital assets - paratransit	-	-	-	-	21,840,065	-	-	-	21,840,065	-	21,840,065
Capital assets - lightrail	-	-	-	-	1,628,052,278	-	-	-	1,628,052,278	-	1,628,052,278
Capital assets	-	-	5,760,476	52,421,332	-	-	-	-	58,181,808	-	58,181,808
Total capital assets	-	-	5,760,476	52,421,332	2,136,316,573	-	-	-	2,194,498,381	-	2,194,498,381
Accumulated depreciation	-	-	(4,468,477)	(40,593,207)	(1,484,517,736)	-	-	-	(1,529,579,420)	-	(1,529,579,420)
Total capital assets, net	-	-	1,291,999	11,828,125	651,798,837	-	-	-	664,918,961	-	664,918,961
Land	-	-	-	4,542,564	97,040,389	-	-	-	101,582,953	-	101,582,953
Construction-in-process	-	(1,897)	28,526	315,866	46,759,832	-	-	-	47,102,327	-	47,102,327
Total capital assets	-	(1,897)	1,320,525	16,686,555	795,599,058	-	-	-	813,604,241	-	813,604,241
Non-current assets											
Restricted investments	-	-	-	-	140,579,997	-	-	-	140,579,997	-	140,579,997
Deferred charges	-	-	-	210,099	-	-	-	-	210,099	-	210,099
Other non-current assets, net amort	-	-	-	-	85,913	-	-	-	85,913	-	85,913
Total non-current assets	-	-	-	210,099	140,665,910	-	-	-	140,876,009	-	140,876,009
Total assets	1,768,369	14,454,842	1,642,563	19,841,523	1,312,283,800	59,704	-	95,250	1,350,146,051	(5,678,485)	1,344,467,566
Deferred outflow of resources											
Deferred pension loss	-	-	-	-	11,394,238	-	-	-	11,394,238	-	11,394,238
Deferred pension expense	-	-	-	-	2,250,194	-	-	-	2,250,194	-	2,250,194
Deferred unfunded OPEB loss	-	-	-	-	7,586,211	-	-	-	7,586,211	-	7,586,211
Deferred loss on debt refunding	-	-	-	-	8,595,188	-	-	-	8,595,188	-	8,595,188
Total deferred outflow of resources	-	-	-	-	29,825,831	-	-	-	29,825,831	-	29,825,831
Total	$ 1,768,369	$ 14,454,842	$ 1,642,563	$ 19,841,523	$ 1,342,109,631	$ 59,704	$ -	$ 95,250	$ 1,379,971,882	$ (5,678,485)	$ 1,374,293,397

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Business Divisions
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Executive Services	Gateway Arch Tram	Riverfront Attractions	St. Louis Downtown Airport	Metro Transit	St. Louis Regional Freightway	Bi-State Development Research Inst.	Arts In Transit, Inc.	Totals	Interfund Eliminations	Totals After Eliminations
Liabilities											
Current liabilities											
Accounts payable	$ 94,110	$ 390,851	$ 1,240	$ -	$ 11,654,380	$ 15,000	$ -	$ -	$ 12,155,581	$ -	$ 12,155,581
Interfund accounts payable	-	4,332,195	-	280,962	-	633,100	-	-	5,246,257	(5,678,485)	(432,228)
Accrued expenses	218,332	86,510	65,006	63,795	16,994,600	42,149	-	-	17,470,392	-	17,470,392
Other current liabilities	-	61,312	91,609	223,089	5,851,415	8,750	-	-	6,236,175	-	6,236,175
Total current liabilities	312,442	4,870,868	157,855	567,846	34,500,395	698,999	-	-	41,108,405	(5,678,485)	35,429,920
Current liab payable from restricted assets											
Accrued interest payable	-	62,016	-	-	6,435,586	-	-	-	6,497,602	-	6,497,602
Short-term insurance	-	-	-	-	232,000	-	-	-	232,000	-	232,000
Current portion of long-term debt	-	238,387	-	-	14,145,000	-	-	-	14,383,387	-	14,383,387
Total current liabilities payable from restricted assets	-	300,403	-	-	20,812,586	-	-	-	21,112,989	-	21,112,989
Total current liabilities	312,442	5,171,271	157,855	567,846	55,312,981	698,999	-	-	62,221,394	(5,678,485)	56,542,909
Non-current liabilities											
Other post-employment benefits	839,436	26,125	274,452	309,546	54,350,500	117,194	-	-	55,917,253	-	55,917,253
Long-term insurance	-	-	-	-	581,149	-	-	-	581,149	-	581,149
Long-term debt	-	7,083,450	-	-	490,313,573	-	-	-	497,397,023	-	497,397,023
Capital lease obligations	-	-	-	-	140,579,997	-	-	-	140,579,997	-	140,579,997
Unfunded pension liabilities	25,730	14,345	41,379	-	40,790,127	-	-	-	40,871,581	-	40,871,581
Other non-current liabilities	-	-	-	64,667	32,345,192	-	-	-	32,409,859	-	32,409,859
Total non-current liabilities	865,166	7,123,920	315,831	374,213	758,960,538	117,194	-	-	767,756,862	-	767,756,862
Total liabilities	1,177,608	12,295,191	473,686	942,059	814,273,519	816,193	-	-	829,978,256	(5,678,485)	824,299,771
Deferred Inflow of Resources											
Deferred gain on hedging instruments	-	-	-	-	8,027,678	-	-	-	8,027,678	-	8,027,678
Deferred Unfunded OPEB Gain	-	-	-	-	9,879,824	-	-	-	9,879,824	-	9,879,824
Deferred pension gain 788 ATU and cleri	-	-	-	-	24,012,086	-	-	-	24,012,086	-	24,012,086
Deferred pension gain IBEW	-	-	-	-	1,008,025	-	-	-	1,008,025	-	1,008,025
Deferred pension gain salaried	-	-	-	-	14,613,757	-	-	-	14,613,757	-	14,613,757
Total deferred inflow of resources	-	-	-	-	57,541,370	-	-	-	57,541,370	-	57,541,370
Net Position											
Net position - capital investments	-	(6,362,291)	1,159,927	17,409,350	354,027,135	-	-	-	366,234,121	-	366,234,121
Net position - unrestricted	374,861	8,926,015	14,241	819,528	97,867,421	(579,677)	-	89,740	107,512,129	-	107,512,129
Net income (loss)	215,900	(404,073)	(5,291)	670,586	18,400,186	(176,812)	-	5,510	18,706,006	-	18,706,006
Total net position	590,761	2,159,651	1,168,877	18,899,464	470,294,742	(756,489)	-	95,250	492,452,256	-	492,452,256
Total	$ 1,768,369	$ 14,454,842	$ 1,642,563	$ 19,841,523	$ 1,342,109,631	$ 59,704	$ -	$ 95,250	$ 1,379,971,882	$ (5,678,485)	$ 1,374,293,397

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Business Divisions
Combining Statement of Cash Flows by Business Division
For the Nine Months Ended March 31, 2022
(unaudited)

	Executive Services	Gateway Arch Tram	Riverfront Attractions	St. Louis Downtown Airport	Metro Transit	St. Louis Regional Freightway	Bi-State Development Research Inst.	Arts In Transit, Inc.	Totals	Eliminations	Totals After Eliminations
Cash flows from operating activities											
Receipts from customers	$ 180,341	$ 4,330,861	$ 2,342,096	$ 1,111,669	$ 19,810,757	$ 99,965	$ (46,275)	$ (215,367)	$ 27,614,047	$ -	$ 27,614,047
Payments to employees	(1,775,323)	(1,576,082)	(1,035,300)	(706,806)	(150,663,249)	(124,443)	36,117	127,489	(155,717,597)	-	(155,717,597)
Payments to vendors	(724,210)	(1,779,724)	(1,055,805)	(236,687)	(63,724,414)	(151,678)	-	52,047	(67,620,471)	-	(67,620,471)
Payments for self-insurance	(63,830)	(14,424)	(144,047)	(42,720)	(1,511,748)	-	-	-	(1,776,769)	-	(1,776,769)
Receipts (payments) from inter-fund activity	1,996,782	(9,077,431)	(287,694)	(207,216)	9,201,090	(105,584)	10,158	35,841	1,565,946	-	1,565,946
Net cash provided by (used in) operating activities	(386,240)	(8,116,800)	(180,750)	(81,760)	(186,887,564)	(281,740)	-	10	(195,934,844)	-	(195,934,844)
Cash flows from non capital financing activities											
Operating assistance received	-	6,474	-	71,145	271,828,184	-	-	-	271,905,803	-	271,905,803
Contributions to outside entities	-	(113,475)	-	-	(1,099,209)	-	-	-	(1,212,684)	-	(1,212,684)
Net transfers	-	(6,379)	-	1,274,741	(6,007,424)	-	-	-	(4,739,062)	-	(4,739,062)
Nonoperating contributions	(86,613)	118,698	167	62,627	455,598	-	-	-	550,477	-	550,477
non capital financing activities	(86,613)	5,318	167	1,408,513	265,177,149	-	-	-	266,504,534	-	266,504,534
Cash flows from capital and related financing activities											
Acquisitions of capital assets	-	(4,577)	(339,883)	(233,524)	(29,434,379)	-	-	-	(30,012,363)	-	(30,012,363)
Payments of long-term debt	-	465,567	-	-	(8,940,000)	-	-	-	(8,474,433)	-	(8,474,433)
Escrow financing	-	-	-	-	(3,290,000)	-	-	-	(3,290,000)	-	(3,290,000)
Interest Paid	-	(626,810)	-	(2,845)	(6,706,569)	-	-	-	(7,336,224)	-	(7,336,224)
Contributed capital	-	(2,043)	-	-	31,628,844	-	-	-	31,626,801	-	31,626,801
related financing activities	-	(167,863)	(339,883)	(236,369)	(16,742,104)	-	-	-	(17,486,219)	-	(17,486,219)
Cash flows from investing activities											
Purchases of investments	-	-	-	-	(104,129,388)	-	-	-	(104,129,388)	-	(104,129,388)
Proceeds from sale of investments	-	-	-	-	57,867,487	-	-	-	57,867,487	-	57,867,487
Interest received	151	2,827	-	177	619,725	-	-	-	622,880	-	622,880
investing activities	151	2,827	-	177	(45,642,176)	-	-	-	(45,639,021)	-	(45,639,021)
Net increase (decrease) in cash and cash equivalents	(472,702)	(8,276,518)	(520,466)	1,090,561	15,905,305	(281,740)	-	10	7,444,450	-	7,444,450
Cash and cash equivalents, beginning of year	1,708,106	22,716,648	706,977	1,645,388	173,745,292	338,944	-	95,240	200,956,595	-	200,956,595
Cash and cash equivalents, year to date	$ 1,235,404	$ 14,440,130	$ 186,511	$ 2,735,949	$ 189,650,597	$ 57,204	$ -	$ 95,250	$ 208,401,045	$ -	$ 208,401,045

Executive Services

Executive Services – Financial Highlights

For the Nine Months Ended March 31, 2022

(Preliminary, subject to audit)

Income Statement

1. **Admin fees – Gateway Arch** are higher by $312,539 at $403,956 vs. prior year total of $91,417 as a result of increasing attendance.
2. **Admin fees – Riverfront Attractions** budgeted for FY2022 were not implemented due to the adverse financial effects of COVID-19.
3. **Total Expense –** Below budget by 15.4% or $506,765.
4. **Net income** is $215,900.

Balance Sheet

1. **Cash** is 32.1% lower than prior year as a result of businesses impacted by Covid.

Cash Flow

1. **Cash provided by operating activities** is $386.2 thousand cash outflow mainly due to payments to employees and vendors and inter-fund payments for the 9 months ended 3/31/2022.
2. **Net change in cash and cash equivalents** is a decrease of $472.7 thousand.

Executive Services
Statement of Activities
For the Quarter Ended March 31, 2022
(unaudited)

		Current					Year to Date				
		Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year	Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year
Revenue											
Admin fees - Transit		$ 815,513	$ 952,730	$ (137,217)	(14.4)	$ 620,402	$ 2,337,785	$ 2,858,191	$ (520,406)	(18.2)	$ 1,800,014
Admin fees - Gateway Arch	(1)	119,549	28,580	90,969	318.3	42,595	403,956	179,441	224,515	125.1	91,417
Admin fees - Airport		22,598	22,123	475	2.1	20,280	67,390	66,368	1,022	1.5	60,590
National Park Service management fee		49,606	44,470	5,136	11.5	13,356	180,341	133,409	46,932	35.2	44,993
Interest income		59	625	(566)	(90.6)	54	151	1,875	(1,724)	(91.9)	871
Total revenue	(2)	1,007,325	1,048,528	(41,203)	(3.9)	696,687	2,989,623	3,239,284	(249,661)	(7.7)	1,997,885
Expense											
Wages and benefits		685,945	613,163	(72,782)	(11.9)	634,776	1,853,443	1,866,589	13,146	0.7	1,859,447
Services		189,304	378,320	189,016	50.0	171,175	571,413	1,134,757	563,344	49.6	666,588
Materials and supplies		2,236	5,477	3,241	59.2	2,814	9,128	16,431	7,303	44.4	5,449
Utilities		480	668	188	28.1	406	1,098	2,005	907	45.2	3,041
Casualty and liability costs		21,277	14,250	(7,027)	(49.3)	10,405	63,830	42,750	(21,080)	(49.3)	36,288
Other expenses		46,634	72,452	25,818	35.6	66,713	188,198	217,956	29,758	13.7	199,569
Other non-operating expense		-	-	-	-	-	86,613	-	(86,613)	-	-
Total expense	(3)	945,876	1,084,330	138,454	12.8	886,289	2,773,723	3,280,488	506,765	15.4	2,770,382
Net income (loss) before transfers		61,449	(35,802)	97,251	271.6	(189,602)	215,900	(41,204)	257,104	624.0	(772,497)
Net transfers in (out)		-	-	-	-	-	-	-	-	-	(2,200,781)
Net income (loss)	(4)	$ 61,449	$ (35,802)	$ 97,251	271.6	$ (189,602)	$ 215,900	$ (41,204)	$ 257,104	624.0	$ (2,973,278)

Executive Services
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

		Current				Prior Year		
		Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Assets								
Current assets								
Cash	(1)	$ 1,235,404	$ 1,201,453	$ 33,951	2.8	$ 1,819,720	$ (584,316)	(32.1)
Interfund accounts receivable		470,923	313,903	157,020	50.0	-	470,923	n/a
Other current assets		62,042	83,321	(21,279)	(25.5)	66,888	(4,846)	(7.2)
Total current assets		1,768,369	1,598,677	169,692	10.6	1,886,608	(118,239)	(6.3)
Capital assets								
Total assets		1,768,369	1,598,677	169,692	10.6	1,886,608	(118,239)	(6.3)
Total		$ 1,768,369	$ 1,598,677	$ 169,692	10.6	$ 1,886,608	$ (118,239)	(6.3)

Executive Services
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Current				Prior Year		
	Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Liabilities							
Current liabilities							
Accounts payable	$ 94,110	$ 59,990	$ 34,120	56.9	$ 99,608	$ (5,498)	(5.5)
Interfund accounts payable	-	-	-	n/a	148,261	(148,261)	(100.0)
Accrued expenses	218,332	160,887	57,445	35.7	220,092	(1,760)	(0.8)
Total current liabilities	312,442	220,877	91,565	41.5	467,961	(155,519)	(33.2)
Non-current liabilities							
Other post-employment benefits	839,436	822,758	16,678	2.0	891,577	(52,141)	(5.8)
Unfunded pension liabilities	25,730	25,730	-	-	123,446	(97,716)	(79.2)
Total non-current liabilities	865,166	848,488	16,678	2.0	1,015,023	(149,857)	(14.8)
Total liabilities	1,177,608	1,069,365	108,243	10.1	1,482,984	(305,376)	(20.6)
Net Position							
Net position	374,861	374,861	-	-	3,376,902	(3,002,041)	(88.9)
Net income (loss)	215,900	154,451	61,449	39.8	(2,973,278)	3,189,178	107.3
Total net position	590,761	529,312	61,449	11.6	403,624	187,137	46.4
Total	$ 1,768,369	$ 1,598,677	$ 169,692	10.6	$ 1,886,608	$ (118,239)	(6.3)

Executive Services
Statement of Cash Flows
For the Nine Months Ended March 31, 2022
(unaudited)

Cash flows from operating activities		
Receipts from customers		$ 180,341
Payments to employees		(1,775,323)
Payments to vendors		(724,210)
Payments for self-insurance		(63,830)
Receipts (payments) from inter-fund activity		1,996,782
Net cash provided by (used in) operating activities	(1)	(386,240)
Cash flows from non capital financing activities		
Nonoperating contributions		(86,613)
Net cash provided by (used in) non capital financing activities		(86,613)
Cash flows from capital and related financing activities		
None		
Cash flows from investing activities		
Interest received		151
Net cash provided by (used in) investing activities		151
Net increase (decrease) in cash and cash equivalents	(2)	(472,702)
Cash and cash equivalents, beginning of year		1,708,106
Cash and cash equivalents, year to date		$ 1,235,404

Supplemental disclosure of cash flow information

Noncash Activities:
None

Gateway Arch

Gateway Arch Tram – Financial Highlights

For the Nine Months Ended March 31, 2022

(Preliminary, subject to audit)

Income Statement

1. **Arch ticket revenue.** The trams were open at the start of September. Ticket volume for the 9 months is 1.9 times higher compared to last year. Arch ticket revenue is 52.7% greater than budget.
2. **Interest Expense** increased $454.5 thousand YTD over prior year and relates to the cost of issuance and termination fee related to the 2021 Arch bond refinance.
3. **Total expenses** increased $938.1 thousand from the prior year from higher interest and services expense.
4. **Net loss before depreciation** is $397.7 thousand.

Balance Sheet

1. **Cash** is 32.8% lower than prior year.
2. **Capital Assets** were written off throughout the previous FY ended 6-30-2021.

Cash Flow

1. **Net cash provided by operating activities** resulted in a net cash outflow of $8.1 million due primarily to Inter-fund activity payments and customer receipts.
2. **Net Cash outflows for Capital activity** was $167.9 thousand.
3. **Net cash activity year-to-date** is $8.3 million cash outflow.

Performance Indicators

1. **Tram Ridership** experienced 340,215 riders YTD in FY2022 which is 2.2 times more than the YTD tickets for the same period in FY2021. From a strong fall into the first 2 months of the 3rd quarter, ticket revenues remain fairly steady. March tickets of 47,471 doubled the average of January and February tickets sold.

Gateway Arch Tram – Performance Indicators

For the Nine Months Ended March 31, 2022

(Preliminary, subject to audit)

		Tram Ridership		
	Quarter	**FY 2022**	**FY 2021**	**Change**
	1st Qtr	151,573	13,518	1021.3%
	2nd Qtr	102,281	49,527	106.5%
(1)	**3rd Qtr**	86,361	52,338	65.0%
	4th Qtr	-	88,083	-100.0%
	Fiscal Year	340,215	203,466	67.2%

Gateway Arch Tram
Statement of Activities
For the Quarter Ended March 31, 2022
(unaudited)

		Current					Year to Date				
		Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year	Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year
Revenue											
Arch tickets	(1)	$ 1,384,813	$ 822,979	$ 561,834	68.3	$ 563,776	$ 4,026,064	$ 2,636,292	$ 1,389,772	52.7	$ 1,216,911
Other operating revenue		13,576	3,013	10,563	350.6	1,792	45,787	11,471	34,316	299.2	3,505
Other revenue		6,396	-	6,396	-	-	118,698	-	118,698	-	-
Service fee revenue		73,536	14,957	58,579	391.6	44,004	268,061	67,954	200,107	294.5	92,526
Interest income		753	2,619	(1,866)	(71.2)	881	2,827	6,488	(3,661)	(56.4)	5,677
Sales discount		(452)	(8,443)	7,991	94.6	(1,072)	(6,794)	(41,211)	34,417	83.5	(2,206)
Total revenue		1,478,622	835,125	643,497	77.1	609,381	4,454,643	2,680,994	1,773,649	66.2	1,316,413
Expense											
Wages and benefits		448,443	632,333	183,890	29.1	445,728	1,592,912	1,979,679	386,767	19.5	1,512,370
Services		562,936	245,719	(317,217)	(129.1)	268,163	1,270,623	851,431	(419,192)	(49.2)	557,370
Fuel and lube consumed		-	-	-	-	11	-	-	-	-	11
Materials and supplies		74,044	119,844	45,800	38.2	38,073	366,206	359,533	(6,673)	(1.9)	191,823
Utilities		29,605	32,149	2,544	7.9	19,484	100,573	108,115	7,542	7.0	110,128
Casualty and liability costs		4,808	24,811	20,003	80.6	19,593	14,424	74,433	60,009	80.6	58,778
Other expenses		280,109	212,145	(67,964)	(32.0)	120,970	728,245	707,064	(21,181)	(3.0)	327,456
Interest expense	(2)	46,127	-	(46,127)	-	69,714	665,879	137,674	(528,205)	(383.7)	211,348
Contribution to outside entities		(457,573)	288,752	746,325	258.5	68,165	113,475	866,256	752,781	86.9	944,971
Total expense	(3)	988,499	1,555,753	567,254	36.5	1,049,901	4,852,337	5,084,185	231,848	4.6	3,914,255
Income (loss) before depreciation	(4)	490,123	(720,628)	1,210,751	168.0	(440,520)	(397,694)	(2,403,191)	2,005,497	83.5	(2,597,842)
Depreciation and amortization expense		-	121,171	121,171	100.0	148,235	-	364,679	364,679	100.0	430,534
Net income (loss) before transfers		490,123	(841,799)	1,331,922	158.2	(588,755)	(397,694)	(2,767,870)	2,370,176	85.6	(3,028,376)
Net transfers in (out)		(2,070)	-	(2,070)	-	(1,508)	(6,379)	-	(6,379)	-	(4,523)
Net income (loss)		$ 488,053	$ (841,799)	$ 1,329,852	158.0	$ (590,263)	$ (404,073)	$ (2,767,870)	$ 2,363,797	85.4	$ (3,032,899)

Note: These financial statements are presented as a combination of business type and fiduciary type activities.

Gateway Arch Tram
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

		Current				Prior Year		
		Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Assets								
Current assets								
Cash	(1)	$ 14,440,130	$ 12,719,523	$ 1,720,607	13.5	$ 21,475,211	$ (7,035,081)	(32.8)
Accounts and notes receivable		11,801	6,403	5,398	84.3	5,207	6,594	126.6
Federal, state and local assistance receivable		-	-	-	n/a	1,304	(1,304)	(100.0)
Other current assets		4,808	9,615	(4,807)	(50.0)	20,397	(15,589)	(76.4)
Total current assets		14,456,739	12,735,541	1,721,198	13.5	21,502,119	(7,045,380)	(32.8)
Capital assets								
Capital assets		-	-	-	n/a	17,747,947	(17,747,947)	(100.0)
Accumulated depreciation		-	-	-	n/a	(9,498,710)	9,498,710	100.0
Total capital assets, net	(2)	-	-	-	n/a	8,249,237	(8,249,237)	(100.0)
Construction-in-process		(1,897)	-	(1,897)	n/a	7,656	(9,553)	(124.8)
Total capital assets		(1,897)	-	(1,897)	n/a	8,256,893	(8,258,790)	(100.0)
Total assets		14,454,842	12,735,541	1,719,301	13.5	29,759,012	(15,304,170)	(51.4)
Total		$ 14,454,842	$ 12,735,541	$ 1,719,301	13.5	$ 29,759,012	$ (15,304,170)	(51.4)

Gateway Arch Tram
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Current				Prior Year		
	Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Liabilities							
Current liabilities							
Accounts payable	$ 390,851	$ 565,391	$ (174,540)	(30.9)	$ 235,055	$ 155,796	66.3
Interfund accounts payable	4,332,195	2,986,782	1,345,413	45.0	10,728,069	(6,395,874)	(59.6)
Accrued expenses	86,510	131,391	(44,881)	(34.2)	91,800	(5,290)	(5.8)
Other current liabilities	61,312	8,195	53,117	648.2	60,883	429	0.7
Total current liabilities	4,870,868	3,691,759	1,179,109	31.9	11,115,807	(6,244,939)	(56.2)
Current liab payable from restricted assets							
Accrued interest payable	62,016	15,888	46,128	290.3	93,726	(31,710)	(33.8)
Current portion of long-term debt	238,387	238,387	-	-	176,383	62,004	35.2
Total current liabilities payable from restricted assets	300,403	254,275	46,128	18.1	270,109	30,294	11.2
Total current liabilities	5,171,271	3,946,034	1,225,237	31.0	11,385,916	(6,214,645)	(54.6)
Non-current liabilities							
Other post-employment benefits	26,125	20,114	6,011	29.9	7,406	18,719	252.8
Long-term debt	7,083,450	7,083,450	-	-	6,767,202	316,248	4.7
Unfunded pension liabilities	14,345	14,345	-	-	51,401	(37,056)	(72.1)
Total non-current liabilities	7,123,920	7,117,909	6,011	0.1	6,826,009	297,911	4.4
Total liabilities	12,295,191	11,063,943	1,231,248	11.1	18,211,925	(5,916,734)	(32.5)
Net Position							
Net position - capital investments	(6,362,291)	54,295,364	(60,657,655)	(111.7)	40,621,365	(46,983,656)	(115.7)
Net position	8,926,015	(51,731,640)	60,657,655	117.3	(26,041,379)	34,967,394	134.3
Net income (loss)	(404,073)	(892,126)	488,053	54.7	(3,032,899)	2,628,826	86.7
Total net position	2,159,651	1,671,598	488,053	29.2	11,547,087	(9,387,436)	(81.3)
Total	$ 14,454,842	$ 12,735,541	$ 1,719,301	13.5	$ 29,759,012	$ (15,304,170)	(51.4)

Note: These financial statements are presented as a combination of business type and fiduciary type activities.

Gateway Arch
Statement of Cash Flows
For the Nine Months Ended March 31, 2022
(unaudited)

Cash flows from operating activities		
Receipts from customers		$ 4,330,861
Payments to employees		(1,576,082)
Payments to vendors		(1,779,724)
Payments for self-insurance		(14,424)
Receipts (payments) from inter-fund activity		(9,077,431)
Net cash provided by (used in) operating activities	(1)	(8,116,800)
Cash flows from non capital financing activities		
Operating assistance received		6,474
Contributions to outside entities		(113,475)
Net transfers		(6,379)
Nonoperating contributions		118,698
Net cash provided by (used in) non capital financing activities		5,318
Cash flows from capital and related financing activities		
Acquisitions of capital assets		(4,577)
Payments of long-term debt		465,567
Interest Paid		(626,810)
Contributed capital		(2,043)
Cash flows from capital and related financing activities	(2)	(167,863)
Cash flows from investing activities		
Interest received		2,827
Net cash provided by (used in) investing activities		2,827
Net increase (decrease) in cash and cash equivalents	(3)	(8,276,518)
Cash and cash equivalents, beginning of year		22,716,648
Cash and cash equivalents, year to date		$ 14,440,130

Note: These financial statements are presented as a combination of business type and fiduciary type activities.

Supplemental disclosure of cash flow information

Noncash Activities:
None

Metro Transit

Metro Transit – Financial Notes

For the Nine Months Ended March 31, 2022

(Preliminary, subject to audit)

Income Statement

1. **Passenger revenue** Overall revenue is down $0.6 million or 3.8% as compared to budget. Although the current quarter Passenger Revenue exceeded budget by 24.6%, annual levels of Passenger Revenue continue to be influenced by the pandemic and its reach.
2. **St. Louis City's <u>current</u> year revenue** remitted applied to operations was $27.4 million, which is 4.6% less than current year budget, but 41.2% favorable to prior year.
3. **St. Louis County revenue** is $9.6 million less than budget YTD.
4. **Federal Funded Revenue** includes CARES Funding recognized in the first 9 months, creating a positive revenue variance of $63.9 million.
5. **Total expenses** overall are favorable to budget by 11.0%. This is after payments to employees for retention bonuses in addition to favorable reductions in most all other areas of operations.
6. There is **Net Income before depreciation** of $85.6 million.

Balance Sheet

1. **Total Current Assets** are 3.9% higher than the prior period and overall 24.3% higher than the prior year as a result of a strong cash and investments positions.
2. **Long Term Debt** is comparable to the prior period and is 3.7% less than prior year.

Cash Flow

1. **Net cash <u>decrease</u>** from operations was $186.9 million.
2. The **net <u>increase</u> in cash** for the eight months ended is $15.9 million.

Metro Transit – Key Performance Indicator Notes

For the Nine Months Ended March 31, 2022

(Preliminary, subject to audit)

Service Changes and Fare Increases

1. Quarterly Metro Reimagined service update went into effect December 2020 with minor adjustments to 12 MetroBus routes.

2. No fare increase is planned for fiscal year 2022. The last fare increase was in fiscal year 2015.

Ridership Metrics

3. **System year-to-date passenger boarding's** increased 5.1% to 13.6 million from prior year.

4. Current year passenger ridership by mode from prior year
   a. Metrobus Increase 1%
   b. MetroLink Increase 15.5%
   c. Call-A-Ride Decrease 15.7%

5. Factors include:
   a. Perceived security issues slowly being mitigated
   b. Operator staffing shortages for Call-A-Ride
   c. COVID-19 infection risk being proactively addressed

Business and Operating Metrics

6. **Average fare** favorably increased 10.01% level to $1.12 compared to prior year.

7. **Operating expense per revenue hour** for the system favorably decreased 3% to $212.61.

8. **Operating expense per passenger boarding** favorably decreased by 5.8% to $15.79. This modest change is a reflection of lower 3rd quarter FY2022 system-wide expense vs. prior year. Budget estimates for FY2022 are $20.35 per boarding.

9. **Passenger boarding's per revenue mile and passenger boarding's per revenue hour** were also positively impacted by 9.1% and 9.3% respectively due to favorable ridership trends. Rates of change in all 3 components reflect a confident passenger base resulting from the factors described earlier.

10. **Vehicle accidents per 100,000 vehicle miles** are unfavorably up 124.5% from the prior year.

Metro Transit - Key Performance Indicators

For the Nine Months Ended March 31, 2022

(Preliminary)

(Favorable Trend) (Unfavorable Trend)

		System			MetroBus			MetroLink			Call-A-Ride		
		Actual 2022	Actual 2021	Variance	Actual 2022	Actual 2021	Variance	Actual 2022	Actual 2021	Variance	Actual 2022	Actual 2021	Variance
Ridership Metrics													
Average Weekday Ridership		56,410	53,505	5.4%	36,471	35,662	2.3%	18,809	16,481	14.1%	1,129	1,361	-17.1%
Passenger Boardings	**(3), (4)**	13,556,704	12,900,384	5.1%	8,640,428	8,562,260	0.9%	4,656,849	4,030,500	15.5%	259,427	307,624	-15.7%
Business Measures													
Average Fare (Includes Fixed & Special)	**(6)**	$1.12	$1.01	10.01%	$1.10	$1.04	6.1%	$1.10	$1.04	6.1%	$1.82	$0.00	#DIV/0!
Farebox Recovery		7.1%	6.1%	16.7%	7.4%	6.9%	7.7%	7.7%	6.4%	19.4%	2.6%	0.0%	#DIV/0!
Operating Expense per Revenue Hour	**(7)**	$212.61	$206.37	3.0%	$169.51	$167.40	1.3%	$721.07	$715.04	0.8%	$118.71	$117.50	1.0%
Operating Expense per Passenger Boarding	**(8)**	$15.79	$16.76	-5.8%	$14.89	$15.14	-1.6%	$14.39	$16.16	-11.0%	$70.87	$69.46	2.0%
Subsidy per Passenger Boarding		$14.38	$15.34	-6.3%									
Operating Measures													
Vehicle Accidents per 100,000 Vehicle Miles	**(10)**	1.94	0.87	124.5%	2.92	1.14	156.9%	0.00	0.02	-100.0%	0.69	0.89	-22.6%
On-Time Performance					88.8%	90.8%	-2.3%	97.9%	97.7%	0.2%	92.8%	95.0%	-2.3%
* Unscheduled Absenteeism		6.0%	6.2%	-3.2%									
Passenger Boardings per Revenue Mile	**(9)**	0.88	0.81	9.1%	0.82	0.79	3.2%	2.17	1.94	12.1%	0.09	0.10	-2.8%
Passenger Boardings per Revenue Hour	**(9)**	13.46	12.32	9.3%	11.38	11.06	3.0%	50.11	44.25	13.3%	1.68	1.69	-1.0%

Metro Transit
Statement of Activities
For the Quarter Ended March 31, 2022
(unaudited)

		Current					Year to Date				
		Actual	**Budget**	**$ Favorable (Unfavorable)**	**% Fav (Unfav)**	**Prior Year**	**Actual**	**Budget**	**$ Favorable (Unfavorable)**	**% Fav (Unfav)**	**Prior Year**
Revenue											
Passenger revenue	(1)	$ 6,000,428	$ 4,815,895	$ 1,184,533	24.6	$ 3,979,451	$ 15,123,128	$ 15,716,560	$ (593,432)	(3.8)	$ 13,082,458
City of St. Louis [1]	(2)	8,472,664	9,745,242	(1,272,578)	(13.1)	5,775,243	27,409,923	28,735,995	(1,326,072)	(4.6)	19,405,598
St. Louis County [1]	(3)	36,648,824	41,913,109	(5,264,285)	(12.6)	37,689,654	114,096,024	123,720,425	(9,624,401)	(7.8)	105,789,105
St. Clair County Transit District [1]		19,310,911	15,996,491	3,314,420	20.7	16,337,808	49,635,616	47,989,474	1,646,142	3.4	45,507,336
State of Missouri and Illinois [1]		14,085	224,675	(210,590)	(93.7)	295,029	299,065	674,024	(374,959)	(55.6)	806,902
Federal funding [1]	(4)	4,154,132	8,166,435	(4,012,303)	(49.1)	18,339,394	92,681,531	24,499,304	68,182,227	278.3	40,194,592
Other local/regional funding [1]		563,548	237,555	325,993	137.2	146,511	463,323	672,664	(209,341)	(31.1)	4,135,175
Advertising, maint services, rental income		1,237,290	1,410,865	(173,575)	(12.3)	1,240,523	3,811,574	4,320,392	(508,818)	(11.8)	4,224,297
Other revenue		722,639	17,222	705,417	4,096.0	-	-	51,666	(51,666)	(100.0)	-
Interest income		132,133	527,986	(395,853)	(75.0)	84,345	623,449	1,583,957	(960,508)	(60.6)	909,223
Total revenue		77,256,654	83,055,475	(5,798,821)	(7.0)	83,887,958	304,143,633	247,964,461	56,179,172	22.7	234,054,686
Expense											
Wages and benefits		51,115,223	49,446,881	(1,668,342)	(3.4)	49,611,138	149,397,169	154,158,291	4,761,122	3.1	152,210,568
Services		10,194,412	11,696,839	1,502,427	12.8	13,339,357	30,699,345	35,704,224	5,004,879	14.0	31,828,916
Fuel and lube consumed		1,057,727	2,659,617	1,601,890	60.2	1,891,347	4,530,120	7,978,850	3,448,730	43.2	6,200,996
Materials and supplies		3,976,637	5,661,203	1,684,566	29.8	4,696,007	11,724,283	16,978,921	5,254,638	30.9	15,604,827
Utilities		2,169,500	2,098,858	(70,642)	(3.4)	1,697,805	5,644,867	6,296,575	651,708	10.4	4,648,751
Casualty and liability costs		421,270	2,558,427	2,137,157	83.5	1,424,591	1,702,897	7,675,282	5,972,385	77.8	4,440,536
Other expenses		1,830,881	1,916,542	85,661	4.5	1,258,762	5,034,979	5,818,057	783,078	13.5	4,020,379
Interest expense		2,748,830	3,294,027	545,197	16.6	1,770,333	8,325,935	9,882,601	1,556,666	15.8	8,227,956
Contribution to outside entities		393,070	313,750	(79,320)	(25.3)	341,754	1,099,209	941,250	(157,959)	(16.8)	907,501
Other non-operating expense		-	-	-	-	2,294,616	372,200	-	(372,200)	-	5,897,699
Total expense	(5)	73,907,550	79,646,144	5,738,594	7.2	78,325,710	218,531,004	245,434,051	26,903,047	11.0	233,988,129
Income (loss) before depreciation	(6)	3,349,104	3,409,331	(60,227)	(1.8)	5,562,248	85,612,629	2,530,410	83,082,219	3,283.4	66,557
Depreciation and amortization expense		21,244,163	19,533,630	(1,710,533)	(8.8)	19,282,830	61,205,019	57,669,399	(3,535,620)	(6.1)	57,710,545
Net income (loss) before transfers		(17,895,059)	(16,124,299)	(1,770,760)	(11.0)	(13,720,582)	24,407,610	(55,138,989)	79,546,599	144.3	(57,643,988)
Net transfers in (out)		(3,224,791)	(1,114,763)	(2,110,028)	(189.3)	(812,022)	(6,007,424)	(3,344,289)	(2,663,135)	(79.6)	(2,776,157)
Net income (loss)		$ (21,119,850)	$ (17,239,062)	$ (3,880,788)	(22.5)	$ (14,532,604)	$ 18,400,186	$ (58,483,278)	$ 76,883,464	131.5	$ (60,420,145)

[1] - Detailed schedule included.

Metro Transit
Detailed Schedule of Contract, Sales Tax and Grant Revenue
For the Quarter Ended March 31, 2022
(unaudited)

		Current					Year to Date				
		Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year	Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year
Contract, sales tax and grant revenue											
City of St. Louis 1/2 cent		$ 4,746,567	$ 5,401,324	$ (654,757)	(12.1)	$ 3,367,853	$ 15,179,230	$ 15,750,834	$ (571,604)	(3.6)	$ 11,172,230
City of St. Louis 1/4 cent		2,011,039	2,374,648	(363,609)	(15.3)	1,425,894	6,652,675	7,042,326	(389,651)	(5.5)	4,739,944
City of St. Louis Prop M2 (1/4 cent)		1,715,058	1,969,270	(254,212)	(12.9)	981,496	5,578,018	5,942,835	(364,817)	(6.1)	3,493,424
Total City of St. Louis	(2)	8,472,664	9,745,242	(1,272,578)	(13.1)	5,775,243	27,409,923	28,735,995	(1,326,072)	(4.6)	19,405,598
St. Louis County 1/2 cent		10,786,462	10,694,625	91,837	0.9	8,739,495	32,973,514	30,607,561	2,365,953	7.7	26,186,652
St. Louis County 1/4 cent		7,350,494	9,062,788	(1,712,294)	(18.9)	7,030,549	24,183,550	26,693,230	(2,509,680)	(9.4)	21,358,593
St. Louis County Prop A (1/2 cent)		18,511,868	22,155,696	(3,643,828)	(16.4)	21,919,610	56,938,960	66,419,634	(9,480,674)	(14.3)	58,243,860
Total St. Louis County	(3)	36,648,824	41,913,109	(5,264,285)	(12.6)	37,689,654	114,096,024	123,720,425	(9,624,401)	(7.8)	105,789,105
East-West Gateway Council of Govts.		20,303	40,000	(19,697)	(49.2)	-	35,251	80,000	(44,749)	(55.9)	236
Non-capital projects and other		543,245	197,555	345,690	175.0	146,511	428,072	592,664	(164,592)	(27.8)	4,134,939
Total other local		563,548	237,555	325,993	137.2	146,511	463,323	672,664	(209,341)	(31.1)	4,135,175
State of Missouri		-	197,897	(197,897)	(100.0)	292,599	-	593,691	(593,691)	(100.0)	731,499
Total State of Missouri		-	197,897	(197,897)	(100.0)	292,599	-	593,691	(593,691)	(100.0)	731,499
Total Missouri		45,685,036	52,093,803	(6,408,767)	(12.3)	43,904,007	141,969,270	153,722,775	(11,753,505)	(7.6)	130,061,377
Illinois											
St. Clair Transit District		19,310,911	15,996,491	3,314,420	20.7	16,337,808	49,635,616	47,989,474	1,646,142	3.4	45,507,336
State of Illinois		14,085	26,778	(12,693)	(47.4)	2,430	299,065	80,333	218,732	272.3	75,403
Total Illinois		19,324,996	16,023,269	3,301,727	20.6	16,340,238	49,934,681	48,069,807	1,864,874	3.9	45,582,739
Total local and state		65,010,032	68,117,072	(3,107,040)	(4.6)	60,244,245	191,903,951	201,792,582	(9,888,631)	(4.9)	175,644,116
Federal											
Vehicle maintenance		4,000,000	4,000,000	-	-	4,000,000	12,000,000	12,000,000	-	-	12,000,000
Non-capital grants (i.e. JARC)		154,132	1,253,700	(1,099,568)	(87.7)	675,850	8,088,308	3,761,100	4,327,208	115.1	3,688,698
CARES Act		-	2,912,735	(2,912,735)	(100.0)	13,663,544	72,593,223	8,738,204	63,855,019	730.8	24,505,894
Total federal	(4)	4,154,132	8,166,435	(4,012,303)	(49.1)	18,339,394	92,681,531	24,499,304	68,182,227	278.3	40,194,592
Total contract, sales tax and grant revenue		$ 69,164,164	$ 76,283,507	$ (7,119,343)	(9.3)	$ 78,583,639	$ 284,585,482	$ 226,291,886	$ 58,293,596	25.8	$ 215,838,708

Metro Transit
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

		Current				Prior Year		
		Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Assets								
Current assets								
Cash		$ 189,650,597	$ 179,909,146	$ 9,741,451	5.4	$ 153,308,272	$ 36,342,325	23.7
Investments		112,156,597	91,869,865	20,286,732	22.1	59,150,656	53,005,941	89.6
Accounts and notes receivable		5,298,330	3,654,407	1,643,923	45.0	2,577,642	2,720,688	105.5
Interfund accounts receivable		5,176,914	14,413,610	(9,236,696)	(64.1)	8,759,941	(3,583,027)	(40.9)
Restricted accounts receivable		191,619	733,529	(541,910)	(73.9)	654,378	(462,759)	(70.7)
Federal, state and local assistance receivable		39,711,949	51,469,468	(11,757,519)	(22.8)	62,923,034	(23,211,085)	(36.9)
Materials and supplies inventory		15,131,361	13,797,151	1,334,210	9.7	12,381,522	2,749,839	22.2
Other current assets		8,701,465	6,048,954	2,652,511	43.9	2,793,291	5,908,174	211.5
Total current assets	(1)	376,018,832	361,896,130	14,122,702	3.9	302,548,736	73,470,096	24.3
Capital assets								
Capital assets - motorbus		486,424,230	468,200,521	18,223,709	3.9	437,048,556	49,375,674	11.3
Capital assets - paratransit		21,840,065	21,840,065	-	-	21,324,286	515,779	2.4
Capital assets - lightrail		1,628,052,278	1,627,196,126	856,152	0.1	1,629,329,907	(1,277,629)	(0.1)
Total capital assets		2,136,316,573	2,117,236,712	19,079,861	0.9	2,087,702,749	48,613,824	2.3
Accumulated depreciation		(1,484,517,736)	(1,468,210,629)	(16,307,107)	(1.1)	(1,425,690,916)	(58,826,820)	(4.1)
Total capital assets, net		651,798,837	649,026,083	2,772,754	0.4	662,011,833	(10,212,996)	(1.5)
Land		97,040,389	97,040,389	-	-	97,040,389	-	-
Construction-in-process		46,759,832	61,420,317	(14,660,485)	(23.9)	64,651,591	(17,891,759)	(27.7)
Total capital assets		795,599,058	807,486,789	(11,887,731)	(1.5)	823,703,813	(28,104,755)	(3.4)
Non-current assets								
Restricted investments		140,579,997	138,346,064	2,233,933	1.6	131,927,261	8,652,736	6.6
Other non-current assets, net amort		85,913	138,007	(52,094)	(37.7)	129,973	(44,060)	(33.9)
Total non-current assets		140,665,910	138,484,071	2,181,839	1.6	132,057,234	8,608,676	6.5
Total assets		1,312,283,800	1,307,866,990	4,416,810	0.3	1,258,309,783	53,974,017	4.3
Deferred outflow of resources								
Deferred pension loss		11,394,238	13,347,773	(1,953,535)	(14.6)	22,797,884	(11,403,646)	(50.0)
Deferred pension expense		2,250,194	2,250,194	-	-	5,571,100	(3,320,906)	(59.6)
Deferred unfunded OPEB loss		7,586,211	7,920,531	(334,320)	(4.2)	3,991,746	3,594,465	90.0
Deferred loss on debt refunding		8,595,188	8,690,678	(95,490)	(1.1)	5,384,612	3,210,576	59.6
Total deferred outflow of resources		29,825,831	32,209,176	(2,383,345)	(7.4)	37,745,342	(7,919,511)	(21.0)
Total		$ 1,342,109,631	$ 1,340,076,166	$ 2,033,465	0.2	$ 1,296,055,125	$ 46,054,506	3.6

Metro Transit
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

		Current				Prior Year		
		Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Liabilities								
Current liabilities								
Accounts payable		$ 11,654,380	$ 13,986,551	$ (2,332,171)	(16.7)	$ 11,215,448	$ 438,932	3.9
Accrued expenses		16,994,600	16,844,248	150,352	0.9	17,558,644	(564,044)	(3.2)
Other current liabilities		5,851,415	4,409,473	1,441,942	32.7	9,322,118	(3,470,703)	(37.2)
Total current liabilities		34,500,395	35,240,272	(739,877)	(2.1)	38,096,210	(3,595,815)	(9.4)
Current liab payable from restricted assets								
Accounts payable and retention		-	-	-	n/a	57,516	(57,516)	(100.0)
Accrued interest payable		6,435,586	3,253,546	3,182,040	97.8	6,712,221	(276,635)	(4.1)
Short-term insurance		232,000	232,000	-	-	140,487	91,513	65.1
Current portion of long-term debt		14,145,000	14,145,000	-	-	10,855,000	3,290,000	30.3
Total current liabilities payable from restricted assets		20,812,586	17,630,546	3,182,040	18.0	17,765,224	3,047,362	17.2
Total current liabilities		55,312,981	52,870,818	2,442,163	4.6	55,861,434	(548,453)	(1.0)
Non-current liabilities								
Other post-employment benefits		54,350,500	53,393,421	957,079	1.8	61,056,306	(6,705,806)	(11.0)
Long-term insurance		581,149	1,047,249	(466,100)	(44.5)	579,528	1,621	0.3
Long-term debt	(2)	490,313,573	490,985,464	(671,891)	(0.1)	509,055,289	(18,741,716)	(3.7)
Capital lease obligations		140,579,997	138,346,066	2,233,931	1.6	131,927,263	8,652,734	6.6
Unfunded pension liabilities		40,790,127	40,790,127	-	-	100,194,458	(59,404,331)	(59.3)
Other non-current liabilities		32,345,192	31,520,727	824,465	2.6	31,274,349	1,070,843	3.4
Total non-current liabilities		758,960,538	756,083,054	2,877,484	0.4	834,087,193	(75,126,655)	(9.0)
Total liabilities		814,273,519	808,953,872	5,319,647	0.7	889,948,627	(75,675,108)	(8.5)
Deferred Inflow of Resources								
Deferred gain on hedging instruments		8,027,678	4,746,794	3,280,884	69.1	2,078,546	5,949,132	286.2
Deferred Unfunded OPEB Gain		9,879,824	9,928,925	(49,101)	(0.5)	642,955	9,236,869	n/a
Deferred pension gain 788 ATU and clerical		24,012,086	24,229,085	(216,999)	(0.9)	1,429,917	22,582,169	n/a
Deferred pension gain IBEW		1,008,025	1,013,659	(5,634)	(0.6)	37,435	970,590	n/a
Deferred pension gain salaried		14,613,757	14,693,164	(79,407)	(0.5)	552,204	14,061,553	n/a
Total deferred inflow of resources		57,541,370	54,611,627	2,929,743	5.4	4,741,057	52,800,313	n/a
Net Position								
Net position - capital investments		354,027,135	1,676,527,182	(1,322,500,047)	(78.9)	975,459,094	(621,431,959)	(63.7)
Net position		97,867,421	(1,239,536,551)	1,337,403,972	107.9	(513,673,508)	611,540,929	119.1
Net income (loss)		18,400,186	39,520,036	(21,119,850)	(53.4)	(60,420,145)	78,820,331	130.5
Total net position		470,294,742	476,510,667	(6,215,925)	(1.3)	401,365,441	68,929,301	17.2
Total		$ 1,342,109,631	$ 1,340,076,166	$ 2,033,465	0.2	$ 1,296,055,125	$ 46,054,506	3.6

Metro Transit
Statement of Cash Flows
For the Nine Months Ended March 31, 2022
(unaudited)

Cash flows from operating activities		
Receipts from customers		$ 19,810,757
Payments to employees		(150,663,249)
Payments to vendors		(63,724,414)
Payments for self-insurance		(1,511,748)
Receipts (payments) from inter-fund activity		9,201,090
Net cash provided by (used in) operating activities	(1)	(186,887,564)
Cash flows from non capital financing activities		
Operating assistance received		271,828,184
Contributions to outside entities		(1,099,209)
Net transfers		(6,007,424)
Nonoperating contributions		455,598
Net cash provided by (used in) non capital financing activities		265,177,149
Cash flows from capital and related financing activities		
Acquisitions of capital assets		(29,434,379)
Payments of long-term debt		(8,940,000)
Escrow Financing		(3,290,000)
Interest paid		(6,706,569)
Contributed capital		31,628,844
Cash flows from capital and related financing activities		(16,742,104)
Cash flows from investing activities		
Purchases of investments		(104,129,388)
Proceeds from sale of investments		57,867,487
Interest received		619,725
Net cash provided by (used in) investing activities		(45,642,176)
Net increase (decrease) in cash and cash equivalents	(2)	15,905,305
Cash and cash equivalents, beginning of year		173,745,292
Cash and cash equivalents, year to date		$ 189,650,597

Supplemental disclosure of cash flow information

Noncash Activities:	
Interest received on capital lease	$ 6,513,135
Interest accrued on capital lease	(6,513,133)
Changes in unfunded pension liability	4,955,059
Changes in unrealized loss on fuel hedge	3,332,532
Deferred loss amortization	392,773
Deferred charges	41,037
Capital tower lease interest amortization	(22,496)
Discounts on bonds	(511,477)
Premium on bonds	3,723
Gain on disposal of fixed assets	(833,448)
Deferred pension expense	-
Deferred unfunded OPEB Loss	855,657
Underwriters' bond discount	-
2013A bond discount	-
2009 debt prepaid insurance amortization	-
Non-revenue vehicle lease amortization	(91,961)

StL Downtown Airport

AC200468

St. Louis Downtown Airport – Financial Highlights

For the Nine Months Ended March 31, 2022

(Preliminary, subject to audit)

Income Statement

1. **Casualty and liability costs** reflect an additional incurred costs net of insurance proceeds related to the maintenance building fire in October 2019. Net reimbursements have resulted in costs under budget by 16.9%.
2. **Net income before depreciation** is $352.2 thousand which is favorable to budget by 85.0%.

Balance Sheet

Nothing to note.

Cash Flow

1. **Cash flows provided by (used in) operating activities** created a net $82 thousand <u>cash outflow</u> for the 9 months through 3/31/2022.
2. **Net cash activity year-to-date** is $1.1 million <u>cash inflow</u>.

Performance Indicators

1. **Fuel sales** for this quarter have exceeded prior year by 4.9% and are 28.0% greater than year to date for the same period. The business is still affected by the overall downward trend due to recent changes in the economy.
2. **Average based aircraft** The count methodology for average based aircraft was changed in late FY 2020 to include aircraft on the apron per day for the month. This was done because the airport could not get accurate or timely data from airport users on total aircraft counts. The previous data also included Gulfstream aircraft in maintenance which are not technically 'based' aircraft. The current quarter' average Based Aircraft reflects a lower result but overall is higher compared to prior year comparable periods.

Notable Item

- A fire occurred on October 9, 2019 in the maintenance building. The estimated cost was $1 million. The insurance deductible is $10,000. Restoration has been completed.

St. Louis Downtown Airport – Performance Indicators

For the Nine Months Ended March 31, 2022

(Preliminary, subject to audit)

		Fuel Sales (gallons)		
	Quarter	FY 2022	FY 2021	Change
	1st Qtr	414,752	261,848	58.4%
	2nd Qtr	348,599	283,469	23.0%
(1)	3rd Qtr	295,810	282,126	4.9%
	4th Qtr	-	348,100	-100.0%
	Fiscal Year	1,059,161	1,175,543	-9.9%

	Aircraft Movements		
Quarter	FY 2022	FY 2021	Change
1st Qtr	27,799	23,671	17.4%
2nd Qtr	25,578	23,767	7.6%
3rd Qtr	21,798	21,614	0.9%
4th Qtr	-	26,945	-100.0%
Fiscal Year	75,175	95,997	-21.7%

		Average Based Aircraft*		
	Quarter	FY 2022	FY 2021	Change
	1st Qtr	1,017	477	113.4%
	2nd Qtr	1,027	505	103.6%
(2)	3rd Qtr	932	542	71.9%
	4th Qtr	-	594	-100.0%

* The count methodology was changed in late FY 2020 to include aircraft on the apron per day for the month.

St. Louis Downtown Airport
Statement of Activities
For the Quarter Ended March 31, 2022
(unaudited)

		Current					Year to Date				
		Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year	Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year
Revenue											
Airport parking		$ 29,679	$ 36,363	$ (6,684)	(18.4)	$ 31,781	$ 96,286	$ 109,090	$ (12,804)	(11.7)	$ 86,013
Leased acreage		257,798	171,034	86,764	50.7	187,262	854,619	513,101	341,518	66.6	564,243
Hangar rental		75,353	135,971	(60,618)	(44.6)	128,705	127,377	407,913	(280,536)	(68.8)	386,615
Aviation sales flowage		24,952	31,255	(6,303)	(20.2)	13,954	86,336	93,765	(7,429)	(7.9)	65,625
Other operating revenue		34,044	34,525	(481)	(1.4)	33,325	93,209	103,575	(10,366)	(10.0)	77,427
Concessions		30,037	30,495	(458)	(1.5)	10,536	89,806	91,485	(1,679)	(1.8)	31,608
Other revenue		-	-	-	-	-	62,627	-	62,627	-	-
Interest income		101	250	(149)	(59.6)	33	177	750	(573)	(76.4)	277
Grants and Assistance		82,000	-	82,000	-	69,000	82,000	-	82,000	-	69,000
Total revenue		533,964	439,893	94,071	21.4	474,596	1,492,437	1,319,679	172,758	13.1	1,280,808
Expense											
Wages and benefits		266,656	219,949	(46,707)	(21.2)	260,751	711,556	667,606	(43,950)	(6.6)	745,448
Services		60,347	23,801	(36,546)	(153.5)	37,550	126,343	81,503	(44,840)	(55.0)	78,967
Fuel and lube consumed		4,382	4,550	168	3.7	1,813	10,028	13,650	3,622	26.5	9,519
Materials and supplies		1,440	26,074	24,634	94.5	21,647	29,046	65,722	36,676	55.8	13,159
Utilities		77,907	51,550	(26,357)	(51.1)	66,608	175,922	138,150	(37,772)	(27.3)	163,541
Casualty and liability costs	(1)	(111,173)	17,146	128,319	748.4	21,585	42,720	51,437	8,717	16.9	335,100
Other expenses		16,759	33,313	16,554	49.7	54,927	41,811	111,213	69,402	62.4	155,340
Interest expense		948	-	(948)	-	948	2,847	-	(2,847)	-	2,866
Total expense		317,266	376,383	59,117	15.7	465,829	1,140,273	1,129,281	(10,992)	(1.0)	1,503,940
Income (loss) before depreciation	(2)	216,698	63,510	153,188	241.2	8,767	352,164	190,398	161,766	85.0	(223,132)
Depreciation and amortization expense		318,495	400,581	82,086	20.5	318,204	956,319	1,039,518	83,199	8.0	955,964
Net income (loss) before transfers		(101,797)	(337,071)	235,274	69.8	(309,437)	(604,155)	(849,120)	244,965	28.8	(1,179,096)
Net transfers in (out)		1,274,741	-	1,274,741	-	-	1,274,741	-	1,274,741	-	-
Net income (loss)		$ 1,172,944	$ (337,071)	$ 1,510,015	448.0	$ (309,437)	$ 670,586	$ (849,120)	$ 1,519,706	179.0	$ (1,179,096)

St. Louis Downtown Airport
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Current				Prior Year		
	Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Assets							
Current assets							
Cash	$ 2,735,949	$ 2,695,610	$ 40,339	1.5	$ 1,828,436	$ 907,513	49.6
Accounts and notes receivable	29,072	262,139	(233,067)	(88.9)	79,454	(50,382)	(63.4)
Federal, state and local assistance receivable	82,000	-	82,000	n/a	71,540	10,460	14.6
Materials and supplies inventory	69,922	69,306	616	0.9	67,895	2,027	3.0
Other current assets	27,926	55,441	(27,515)	(49.6)	28,993	(1,067)	(3.7)
Total current assets	2,944,869	3,082,496	(137,627)	(4.5)	2,076,318	868,551	41.8
Capital assets							
Capital assets	52,421,332	52,398,622	22,710	-	52,321,873	99,459	0.2
Accumulated depreciation	(40,593,207)	(40,274,712)	(318,495)	(0.8)	(39,393,110)	(1,200,097)	(3.0)
Total capital assets, net	11,828,125	12,123,910	(295,785)	(2.4)	12,928,763	(1,100,638)	(8.5)
Land	4,542,564	4,542,564	-	-	4,542,564	-	-
Construction-in-process	315,866	221,460	94,406	42.6	266,845	49,021	18.4
Total capital assets	16,686,555	16,887,934	(201,379)	(1.2)	17,738,172	(1,051,617)	(5.9)
Non-current assets							
Deferred charges	210,099	176,991	33,108	18.7	(44,683)	254,782	570.2
Total non-current assets	210,099	176,991	33,108	18.7	(44,683)	254,782	570.2
Total assets	19,841,523	20,147,421	(305,898)	(1.5)	19,769,807	71,716	0.4
Total	$ 19,841,523	$ 20,147,421	$ (305,898)	(1.5)	$ 19,769,807	$ 71,716	0.4

St. Louis Downtown Airport
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Current				Prior Year		
	Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Liabilities							
Current liabilities							
Interfund accounts payable	280,962	1,813,971	(1,533,009)	(84.5)	602,422	(321,460)	(53.4)
Accrued expenses	63,795	62,660	1,135	1.8	69,300	(5,505)	(7.9)
Other current liabilities	223,089	174,111	48,978	28.1	84,296	138,793	164.6
Total current liabilities	567,846	2,050,742	(1,482,896)	(72.3)	756,018	(188,172)	(24.9)
Non-current liabilities							
Other post-employment benefits	309,546	302,087	7,459	2.5	330,312	(20,766)	(6.3)
Other non-current liabilities	64,667	68,072	(3,405)	(5.0)	78,287	(13,620)	(17.4)
Total non-current liabilities	374,213	370,159	4,054	1.1	408,599	(34,386)	(8.4)
Total liabilities	942,059	2,420,901	(1,478,842)	(61.1)	1,164,617	(222,558)	(19.1)
Net Position							
Net position - capital investments	17,409,350	54,872,239	(37,462,889)	(68.3)	37,462,889	(20,053,539)	(53.5)
Net position	819,528	(36,643,361)	37,462,889	102.2	(17,678,603)	18,498,131	104.6
Net income (loss)	670,586	(502,358)	1,172,944	233.5	(1,179,096)	1,849,682	156.9
Total net position	18,899,464	17,726,520	1,172,944	6.6	18,605,190	294,274	1.6
Total	$ 19,841,523	$ 20,147,421	$ (305,898)	(1.5)	$ 19,769,807	$ 71,716	0.4

St. Louis Downtown Airport
Statement of Cash Flows
For the Nine Months Ended March 31, 2022
(unaudited)

Cash flows from operating activities			
Receipts from customers		$	1,111,669
Payments to employees			(706,806)
Payments to vendors			(236,687)
Payments for self-insurance			(42,720)
Receipts (payments) from inter-fund activity			(207,216)
Net cash provided by (used in) operating activities	**(1)**		(81,760)
Cash flows from non capital financing activities			
Operating assistance received			71,145
Net transfers			1,274,741
Nonoperating contributions			62,627
Net cash provided by (used in) non capital financing activities			1,408,513
Cash flows from capital and related financing activities			
Acquisitions of capital assets			(233,524)
Interest Paid			(2,845)
Cash flows from capital and related financing activities			(236,369)
Cash flows from investing activities			
Interest received			177
Net cash provided by (used in) investing activities			177
Net increase (decrease) in cash and cash equivalents	**(2)**		1,090,561
Cash and cash equivalents, beginning of year			1,645,388
Cash and cash equivalents, year to date		$	2,735,949

Supplemental disclosure of cash flow information

Noncash Activities:

None

Riverfront Attractions

AC200468

Riverfront Attractions – Financial Highlights

For the Nine Months Ended March 31, 2022

(Preliminary, subject to audit)

Income Statement

1. **Total year-to-date revenue** for cruises, food and beverages is gaining against the drop in business from the effects of COVID-19. The first nine months showed a strong net income with Cruise Revenue exceeding budget by 65.1% and 178.1% of prior year.
2. **Total year to date expense** is over budget due to rebuilding of staff and services during the abridged operations. Increases in materials and supplies support the higher food, beverage and retail revenue increases.
3. **Net income before depreciation** is $174.0 thousand.

Balance Sheet

Nothing to note

Cash Flow

1. **Cash flows from operating and interfund activity** is a $180.8 thousand YTD cash outflow.
2. **Net cash activity year-to-date** is $520.5 thousand cash outflow.

Performance Indicators

1. **Passengers, cruises and passengers per cruise:** The first 9 months of FY2022 showed progressively stronger passenger counts over the same period last year. Passenger counts were three time as many this year vs. last year end of period March.
2. **Flood days:** There were 0 flood days during the quarter. The first 2 month of the current quarter reflected a seasonal shutdown. March opened at the same level as the prior year.

Riverfront Attractions – Performance Indicators

For the Nine Months Ended March 31, 2022

(Preliminary, subject to audit)

	Quarter	Riverboat Passengers FY 2022	FY 2021	Change
	1st Qtr	57,900	14,883	289.0%
	2nd Qtr	17,090	6,705	154.9%
(1)	3rd Qtr	6,805	5,889	15.6%
	4th Qtr	-	44,835	-100.0%
	Fiscal Year	81,795	72,312	13.1%

	Quarter	Riverboat Cruises FY 2022	FY 2021	Change
	1st Qtr	552	266	107.5%
	2nd Qtr	190	102	86.3%
(1)	3rd Qtr	39	51	-23.5%
	4th Qtr	-	442	-100.0%
	Fiscal Year	781	861	-9.3%

	Quarter	Riverboat Passengers per Cruise FY 2022	FY 2021	Change
	1st Qtr	105	56	87.5%
	2nd Qtr	90	66	36.8%
(1)	3rd Qtr	174	115	51.1%
	4th Qtr		101	
	Fiscal Year	105	84	24.7%

Riverfront Attractions – Performance Indicators

For the Nine Months Ended March 31, 2022

(Preliminary, subject to audit)

	Riverboat Scheduled Days		
Quarter	**FY 2022**	**FY 2021**	**Change**
1st Qtr	92	73	26.0%
2nd Qtr	72	35	105.7%
(2) 3rd Qtr	17	17	0.0%
4th Qtr	-	89	-100.0%
Fiscal Year	181	214	-15.4%

	Riverboat Days of Operation		
Quarter	**FY 2022**	**FY 2021**	**Change**
1st Qtr	92	73	26.0%
2nd Qtr	72	35	105.7%
(2) 3rd Qtr	-	17	-100.0%
4th Qtr	-	89	-100.0%
Fiscal Year	164	214	-23.4%

	Riverboat Flood Days		
Quarter	**FY 2022**	**FY 2021**	**Change**
1st Qtr	-	-	-
2nd Qtr	-	-	-
(2) 3rd Qtr	-	3	(3)
4th Qtr	-	-	-
Fiscal Year	-	3	(3)

Riverfront Attractions
Statement of Activities
For the Quarter Ended March 31, 2022
(unaudited)

		Current					Year to Date				
		Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year	Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year
Revenue											
Cruise		$ 209,476	$ 88,464	$ 121,012	136.8	$ 144,316	$ 1,532,402	$ 927,914	$ 604,488	65.1	$ 551,099
Food and beverage		57,276	26,181	31,095	118.8	17,645	626,763	433,346	193,417	44.6	144,667
Retail		8,016	5,408	2,608	48.2	7,783	63,953	60,722	3,231	5.3	43,346
Other operating revenue		46,822	14,546	32,276	221.9	16,822	103,760	64,908	38,852	59.9	57,265
Other revenue		167	-	167	-	-	167	-	167	-	-
Sales discount		1,396	(2,899)	4,295	148.2	(133)	1,009	(26,092)	27,101	103.9	(12,727)
Total revenue	(1)	323,153	131,700	191,453	145.4	186,433	2,328,054	1,460,798	867,256	59.4	783,650
Expense											
Wages and benefits		233,015	249,915	16,900	6.8	164,370	986,398	1,021,912	35,514	3.5	825,737
Services		99,159	82,144	(17,015)	(20.7)	12,787	385,683	246,432	(139,251)	(56.5)	116,156
Fuel and lube consumed		23,456	18,898	(4,558)	(24.1)	6,270	43,075	56,693	13,618	24.0	27,729
Materials and supplies		56,961	117,534	60,573	51.5	27,585	440,391	352,602	(87,789)	(24.9)	158,155
Utilities		17,653	22,757	5,104	22.4	17,822	69,461	68,272	(1,189)	(1.7)	47,123
Casualty and liability costs		50,420	50,010	(410)	(0.8)	41,156	144,047	150,030	5,983	4.0	118,816
Other expenses		47,015	38,792	(8,223)	(21.2)	416	85,004	106,088	21,084	19.9	20,683
Total expense	(2)	527,679	580,050	52,371	9.0	270,406	2,154,059	2,002,029	(152,030)	(7.6)	1,314,399
Income (loss) before depreciation	(3)	(204,526)	(448,350)	243,824	54.4	(83,973)	173,995	(541,231)	715,226	132.1	(530,749)
Depreciation and amortization expense		58,682	48,001	(10,681)	(22.3)	60,196	179,286	144,004	(35,282)	(24.5)	184,181
Net income (loss) before transfers		(263,208)	(496,351)	233,143	47.0	(144,169)	(5,291)	(685,235)	679,944	99.2	(714,930)
Net transfers in (out)		-	-	-	-	-	-	-	-	-	2,200,781
Net income (loss)		$ (263,208)	$ (496,351)	$ 233,143	47.0	$ (144,169)	$ (5,291)	$ (685,235)	$ 679,944	99.2	$ 1,485,851

Riverfront Attractions
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Current				Prior Year		
	Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Assets							
Current assets							
Cash	$ 186,511	$ 3,544,094	$ (3,357,583)	(94.7)	$ 38,898	$ 147,613	379.5
Accounts and notes receivable	101	8,435	(8,334)	(98.8)	18,172	(18,071)	(99.4)
Interfund accounts receivable	30,648	-	30,648	n/a	-	30,648	n/a
Materials and supplies inventory	67,109	56,709	10,400	18.3	55,494	11,615	20.9
Other current assets	37,669	94,669	(57,000)	(60.2)	41,157	(3,488)	(8.5)
Total current assets	322,038	3,703,907	(3,381,869)	(91.3)	153,721	168,317	109.5
Capital assets							
Capital assets	5,760,476	5,760,476	-	-	5,449,119	311,357	5.7
Accumulated depreciation	(4,468,477)	(4,409,795)	(58,682)	(1.3)	(4,228,996)	(239,481)	(5.7)
Total capital assets, net	1,291,999	1,350,681	(58,682)	(4.3)	1,220,123	71,876	5.9
Construction-in-process	28,526	-	28,526	n/a	3,366	25,160	747.5
Total capital assets	1,320,525	1,350,681	(30,156)	(2.2)	1,223,489	97,036	7.9
Total assets	1,642,563	5,054,588	(3,412,025)	(67.5)	1,377,210	265,353	19.3
Total	$ 1,642,563	$ 5,054,588	$ (3,412,025)	(67.5)	$ 1,377,210	$ 265,353	19.3

Riverfront Attractions
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Current				Prior Year		
	Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Liabilities							
Current liabilities							
Accounts payable	$ 1,240	$ -	$ 1,240	n/a	$ 1,981	$ (741)	(37.4)
Interfund accounts payable	-	3,219,505	(3,219,505)	(100.0)	202,725	(202,725)	(100.0)
Accrued expenses	65,006	51,042	13,964	27.4	106,200	(41,194)	(38.8)
Other current liabilities	91,609	39,722	51,887	130.6	22,312	69,297	310.6
Total current liabilities	157,855	3,310,269	(3,152,414)	(95.2)	333,218	(175,363)	(52.6)
Non-current liabilities							
Other post-employment benefits	274,452	270,855	3,597	1.3	291,606	(17,154)	(5.9)
Unfunded pension liabilities	41,379	41,379	-	-	211,504	(170,125)	(80.4)
Total non-current liabilities	315,831	312,234	3,597	1.2	503,110	(187,279)	(37.2)
Total liabilities	473,686	3,622,503	(3,148,817)	(86.9)	836,328	(362,642)	(43.4)
Net Position							
Net position - capital investments	1,159,927	3,234,314	(2,074,387)	(64.1)	2,074,387	(914,460)	(44.1)
Net position	14,241	(2,060,146)	2,074,387	100.7	(3,019,356)	3,033,597	100.5
Net income (loss)	(5,291)	257,917	(263,208)	(102.1)	1,485,851	(1,491,142)	(100.4)
Total net position	1,168,877	1,432,085	(263,208)	(18.4)	540,882	627,995	116.1
Total	$ 1,642,563	$ 5,054,588	$ (3,412,025)	(67.5)	$ 1,377,210	$ 265,353	19.3

Riverfront Attractions
Statement of Cash Flows
For the Nine Months Ended March 31, 2022
(unaudited)

Cash flows from operating activities		
Receipts from customers		$ 2,342,096
Payments to employees		(1,035,300)
Payments to vendors		(1,055,805)
Payments for self-insurance		(144,047)
Receipts (payments) from inter-fund activity		(287,694)
Net cash provided by (used in) operating activities	(1)	(180,750)
Cash flows from non capital financing activities		
Nonoperating contributions		167
Net cash provided by (used in) non capital financing activities		167
Cash flows from capital and related financing activities		
Acquisitions of capital assets		(339,883)
Cash flows from capital and related financing activities		(339,883)
Cash flows from investing activities		
None		
Net increase (decrease) in cash and cash equivalents	(2)	(520,466)
Cash and cash equivalents, beginning of year		706,977
Cash and cash equivalents, year to date		$ 186,511

Supplemental disclosure of cash flow information

Noncash Activities:
None

StL Regional Freightway

St. Louis Regional Freightway – Financial Highlights
For the Nine Months Ended March 31, 2022
(Preliminary, subject to audit)

Income Statement

1. **Total year-to-date revenue** A total of $100.0 thousand in Partnership Fees has been recognized from Madison County, Illinois.
2. **Net loss** is $176.8 thousand for the nine months year-to-date.

Balance Sheet

Nothing to note.

Cash Flow

1. **Net cash used in operating activities** $281.7 thousand.
2. **Net decrease in cash and cash equivalents** is also $281.7 thousand

St. Louis Regional Freightway
Statement of Activities
For the Quarter Ended March 31, 2022
(unaudited)

		Current					Year to Date				
		Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year	Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year
Revenue											
Partnership fees		$ -	$ 156,250	$ (156,250)	(100.0)	$ 99,997	$ 100,000	$ 468,750	$ (368,750)	(78.7)	$ 300,003
Other operating revenue		-	-	-	-	-	2,500	-	2,500	-	-
Other non-operating revenue		-	-	-	-	-	-	-	-	-	750
Total revenue	(1)	-	156,250	(156,250)	(100.0)	99,997	102,500	468,750	(366,250)	(78.1)	300,753
Expense											
Wages and benefits		45,147	49,897	4,750	9.5	43,321	126,740	151,945	25,205	16.6	126,207
Services		34,576	84,850	50,274	59.3	38,363	139,561	254,550	114,989	45.2	80,612
Materials and supplies		-	875	875	100.0	-	360	2,625	2,265	86.3	-
Other expenses		7,883	12,250	4,367	35.6	632	12,651	36,750	24,099	65.6	1,997
Total expense		87,606	147,872	60,266	40.8	82,316	279,312	445,870	166,558	37.4	208,816
Net income (loss)	(2)	$ (87,606)	$ 8,378	$ (95,984)	(1,145.7)	$ 17,681	$ (176,812)	$ 22,880	$ (199,692)	(872.8)	$ 91,937

St. Louis Regional Freightway
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Current				Prior Year		
	Current Period	**Prior Period**	**Dollar Change**	**Percent Change**	**Prior Year**	**Dollar Change**	**Percent Change**
Assets							
Current assets							
Cash	$ 57,204	$ 339,998	$ (282,794)	(83.2)	$ 119,300	$ (62,096)	(52.1)
Accounts and notes receivable	2,500	-	2,500	n/a	3,200	(700)	(21.9)
Total current assets	59,704	339,998	(280,294)	(82.4)	122,500	(62,796)	(51.3)
Total assets	59,704	339,998	(280,294)	(82.4)	122,500	(62,796)	(51.3)
Total	$ 59,704	$ 339,998	$ (280,294)	(82.4)	$ 122,500	$ (62,796)	(51.3)

St. Louis Regional Freightway
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Current				Prior Year		
	Current Period	**Prior Period**	**Dollar Change**	**Percent Change**	**Prior Year**	**Dollar Change**	**Percent Change**
Liabilities							
Current liabilities							
Accounts payable	$ 15,000	$ 15,000	$ -	-	$ 15,000	$ -	-
Interfund accounts payable	633,100	836,515	(203,415)	(24.3)	318,340	314,760	98.9
Accrued expenses	42,149	41,413	736	1.8	10,100	32,049	317.3
Other current liabilities	8,750	-	8,750	n/a	82,497	(73,747)	(89.4)
Total current liabilities	698,999	892,928	(193,929)	(21.7)	425,937	273,062	64.1
Non-current liabilities							
Other post-employment benefits	117,194	115,953	1,241	1.1	127,974	(10,780)	(8.4)
Total non-current liabilities	117,194	115,953	1,241	1.1	127,974	(10,780)	(8.4)
Total liabilities	816,193	1,008,881	(192,688)	(19.1)	553,911	262,282	47.4
Net Position							
Net position	(579,677)	(579,677)	-	-	(523,348)	(56,329)	(10.8)
Net income (loss)	(176,812)	(89,206)	(87,606)	(98.2)	91,937	(268,749)	(292.3)
Total net position	(756,489)	(668,883)	(87,606)	(13.1)	(431,411)	(325,078)	(75.4)
Total	$ 59,704	$ 339,998	$ (280,294)	(82.4)	$ 122,500	$ (62,796)	(51.3)

St. Louis Regional Freightway
Statement of Cash Flows
For the Nine Months Ended March 31, 2022
(unaudited)

Cash flows from operating activities			
Receipts from customers		$	99,965
Payments to employees			(124,443)
Payments to vendors			(151,678)
Receipts (payments) from inter-fund activity			(105,584)
Net cash provided by (used in) operating activities	(1)		(281,740)
Cash flows from non capital financing activities			
None			
Cash flows from capital and related financing activities			
None			
Cash flows from investing activities			
None			
Net increase (decrease) in cash and cash equivalents	(2)		(281,740)
Cash and cash equivalents, beginning of year			338,944
Cash and cash equivalents, year to date		$	57,204

Supplemental disclosure of cash flow information

Noncash Activities:
None

Arts in Transit

Arts in Transit, Inc. – Financial Highlights
For the Nine Months Ended March 31, 2022
(Preliminary, subject to audit)

Income Statement

1. **Total year-to-date revenue** decreased 86.7% from prior year primarily as a result of a reduction of in-kind contributions.
2. **Net income** is $5,510.

Balance Sheet

Nothing to note

Cash Flow

Nothing to note.

Arts In Transit, Inc.
Statement of Activities
For the Quarter Ended March 31, 2022
(unaudited)

		Current					Year to Date				
		Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year	Actual	Budget	$ Favorable (Unfavorable)	% Fav (Unfav)	Prior Year
Revenue											
Not for Profit Revenue		$ -	$ 60	$ (60)	(100.0)	$ 2,666	$ 21	$ 240	$ (219)	(91.3)	$ 2,666
Contributions [1]		-	23,609	(23,609)	(100.0)	5,606	3,297	78,326	(75,029)	(95.8)	22,310
Total revenue	(1)	-	23,669	(23,669)	(100.0)	8,272	3,318	78,566	(75,248)	(95.8)	24,976
Expense											
Wages and benefits		-	5,616	5,616	100.0	4,041	2,261	16,848	14,587	86.6	10,760
Services		-	18,179	18,179	100.0	-	48	54,536	54,488	99.9	6,893
Materials and supplies		-	1,711	1,711	100.0	-	11	5,133	5,122	99.8	8
Utilities		-	-	-	-	3	1	-	(1)	-	5
Interfund admin fees		-	1,563	1,563	100.0	1,563	987	4,689	3,702	79.0	4,604
Other expenses		-	350	350	100.0	5,500	(5,500)	1,050	6,550	623.8	5,540
Total expense		0	27,419	27,419	100.0	11,107	(2,192)	82,256	84,448	102.7	27,810
Net income (loss)	(2)	$ -	$ (3,750)	$ 3,750	100.0	$ (2,835)	$ 5,510	$ (3,690)	$ 9,200	249.3	$ (2,834)

[1] - Detailed schedule included.

[1] - Contributions include in-kind donations of services, supplies and materials from other BSD business units.

Arts In Transit, Inc.
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Current				Prior Year		
	Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Assets							
Current assets							
Cash	$ 95,250	$ 95,261	$ (11)	-	$ 95,240	$ 10	-
Total current assets	95,250	95,261	(11)	-	95,240	10	-
Total assets	95,250	95,261	(11)	-	95,240	10	-
Total	$ 95,250	$ 95,261	$ (11)	-	$ 95,240	$ 10	-

Arts In Transit, Inc.
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Current				Prior Year		
	Current Period	Prior Period	Dollar Change	Percent Change	Prior Year	Dollar Change	Percent Change
Liabilities							
Current liabilities							
Interfund accounts payable	$ -	$ 11	$ (11)	(100.0)	$ -	$ -	n/a
Other current liabilities	-	-	-	n/a	5,500	(5,500)	(100.0)
Total current liabilities	-	11	(11)	(100.0)	5,500	(5,500)	(100.0)
Total liabilities	-	11	(11)	(100.0)	5,500	(5,500)	(100.0)
Net Position							
Net position	$ 89,740	$ 89,740	$ -	-	$ 92,574	$ (2,834)	(3.1)
Net income (loss)	5,510	5,510	-	-	(2,834)	8,344	294.4
Total net position	95,250	95,250	-	-	89,740	5,510	6.1
Total	$ 95,250	$ 95,261	$ (11)	-	$ 95,240	$ 10	-

Art In Transit, Inc.
Statement of Cash Flows
For the Nine Months Ended March 31, 2022
(unaudited)

Cash flows from operating activities		
Receipts from customers	$	(215,367)
Payments to employees		127,489
Payments to vendors		52,047
Payments for self-insurance		-
Receipts (payments) from inter-fund activity		35,841
Net cash provided by (used in) operating activities		10
Cash flows from non capital financing activities		
None		
Cash flows from capital and related financing activities		
None		
Cash flows from investing activities		
None		
Net increase (decrease) in cash and cash equivalents		10
Cash and cash equivalents, beginning of year		95,240
Cash and cash equivalents, year to date	$	95,250

Supplemental disclosure of cash flow information

Noncash Activities:		
In-kind donations	$	218,685
In-kind wages and benefits		(129,750)
In-kind services		(19,039)
In-kind materials and supplies		(1,148)
In-kind utilities		(572)
In-kind management fees		(36,828)
In-kind other operating expenses		(31,348)

Self-Insurance Funds

Self-Insurance Fund – Financial Highlights
For the Nine Months Ended March 31, 2022
(Preliminary, subject to audit)

Income Statement

1. **Total Revenue for the Self-Insurance Funds** before eliminations is $38.8 million, which consists of revenue from Health $27.7 million, Casualty $1.6 million and the Worker's Compensation $9.5 million.
2. **Total Claims Paid for the Combined Self-Insurance Funds, including stop loss and third party fees** is $38.4 million.
3. **Health Self-Insurance net loss** is $.948 million.
   Casualty Self-Insurance net loss is $290.7 thousand.
   Worker's Compensation net income is $3.9 million.

Balance Sheet

Nothing of note.

Cash Flow

1. **Cash flows from operating activities YTD is:**
   Positive $1.8 million for **Health Self-Insurance**.
   Negative $6.1 million for **Casualty Self-Insurance**.
   Negative $21,154 for **Worker's Compensation**.
2. **Net increase (decrease) in cash and cash equivalents is:**
   Positive $1.9 million for **Health Self-Insurance**.
   Negative $2.5 million for **Casualty Self-Insurance**.
   Positive $1.0 million for **Worker's Compensation**.

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Self-Insurance Divisions
Combining Statement of Activities by Business Division
For the Nine Months Ended March 31, 2022
(unaudited)

	Health Self-Insurance	Casualty Self-Insurance	Workers Compensation Self-Insurance	Totals	Eliminations	Totals After Eliminations
Revenue						
Employee medical contributions	$ 5,126,943	$ -	$ -	$ 5,126,943	$ -	$ 5,126,943
Employee dental contributions	340,016	-	-	340,016	-	340,016
Bi-State Dev medical contributions	21,942,752	-	-	21,942,752	(90,986)	21,851,766
Bi-State Dev dental contributions	422,094	-	-	422,094	(2,330)	419,764
Bi-State Dev EAP contributions	21,986	-	-	21,986	(130)	21,856
Healthy savings plan	(156,747)	-	-	(156,747)	-	(156,747)
Charges for services - Casualty	-	1,631,495	-	1,631,495	-	1,631,495
Charges for services - Workers Compensation	-	-	9,477,672	9,477,672	-	9,477,672
Interest Income	216	-	1,048	1,264	-	1,264
Total revenue	27,697,260	1,631,495	9,478,720	38,807,475	(93,446)	38,714,029
Expense						
Wages and benefits	634,619	213,974	214,129	1,062,722	-	1,062,722
Services	137,621	494,048	220,903	852,572	-	852,572
Materials and supplies	2,234	209	926	3,369	-	3,369
Utilities	2,067	12	4	2,083	-	2,083
Casualty and liability costs	-	2,962,279	184,675	3,146,954	-	3,146,954
Other expenses	61,498	135	447,770	509,403	-	509,403
Contribution to outside entities	7,500	-	-	7,500	-	7,500
Med/Dental/Rx Claims less Rebates	27,639,555	-	-	27,639,555	(93,446)	27,546,109
Stop loss, third party fees, Medicare Part D	160,307	-	-	160,307	-	160,307
Casualty claims paid	-	1,922,236	-	1,922,236	-	1,922,236
Workers Compensation claims paid	-	-	5,530,314	5,530,314	-	5,530,314
Total expense	28,645,401	5,592,893	6,598,721	40,837,015	(93,446)	40,743,569
Net income (loss) before transfers	(948,141)	(3,961,398)	2,879,999	(2,029,540)	-	(2,029,540)
Net transfers in (out)	-	3,670,656	1,068,406	4,739,062	-	4,739,062
Net income (loss)	$ (948,141)	$ (290,742)	$ 3,948,405	$ 2,709,522	$ -	$ 2,709,522

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Self-Insurance Divisions
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Health Self-Insurance Division	Casualty Self-Insurance Division	Workers Compensation Self-Insurance Division	Totals	Interfund Eliminations	Totals After Eliminations
Assets						
Current assets						
Cash	$ 5,728,517	$ 8,506,071	$ 10,688,634	$ 24,923,222	$ -	$ 24,923,222
Investments	-	-	2,403,578	2,403,578	-	2,403,578
Accounts and notes receivable	28,696	34,358	156,334	219,388	-	219,388
Interfund accounts receivable	-	931,047	2,340,185	3,271,232	(3,271,232)	-
Restricted accounts receivable	-	-	902	902	-	902
Other current assets	-	987,426	58,743	1,046,169	-	1,046,169
Total current assets	5,757,213	10,458,902	15,648,376	31,864,491	(3,271,232)	28,593,259
Total assets	5,757,213	10,458,902	15,648,376	31,864,491	(3,271,232)	28,593,259
Total	$ 5,757,213	$ 10,458,902	$ 15,648,376	$ 31,864,491	$ (3,271,232)	$ 28,593,259

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Self-Insurance Divisions
Quarterly Statement of Financial Position
March 31, 2022
(unaudited)

	Health Self-Insurance Division	Casualty Self-Insurance Division	Workers Compensation Self-Insurance Division	Totals	Interfund Eliminations	Totals After Eliminations
Liabilities						
Current liabilities						
Interfund accounts payable	$ 3,703,460	$ -	$ -	$ 3,703,460	$ (3,271,232)	$ 432,228
Accrued expenses	-	281	5,089	5,370	-	5,370
Total current liabilities	3,703,460	281	5,089	3,708,830	(3,271,232)	437,598
Current liab payable from restricted assets						
Short-term self-insurance	-	3,438,000	6,989,000	10,427,000	-	10,427,000
Medical self-insurance liability	5,247,553	-	-	5,247,553	-	5,247,553
Total current liabilities payable from restricted assets	5,247,553	3,438,000	6,989,000	15,674,553	-	15,674,553
Total current liabilities	8,951,013	3,438,281	6,994,089	19,383,383	(3,271,232)	16,112,151
Non-current liabilities						
Other post-employment benefits	161,438	134,479	46,409	342,326	-	342,326
Long-term self-insurance	-	5,665,000	7,149,000	12,814,000	-	12,814,000
Unfunded pension liabilities	11,677	39,575	16,030	67,282	-	67,282
Total non-current liabilities	173,115	5,839,054	7,211,439	13,223,608	-	13,223,608
Total liabilities	9,124,128	9,277,335	14,205,528	32,606,991	(3,271,232)	29,335,759
Net Position						
Net position	(2,418,774)	1,472,309	(2,505,557)	(3,452,022)	-	(3,452,022)
Net income (loss)	(948,141)	(290,742)	3,948,405	2,709,522	-	2,709,522
Total net position	(3,366,915)	1,181,567	1,442,848	(742,500)	-	(742,500)
Total	$ 5,757,213	$ 10,458,902	$ 15,648,376	$ 31,864,491	$ (3,271,232)	$ 28,593,259

Bi-State Development Agency of the
Missouri-Illinois Metropolitan District
Self-Insurance Funds
Statement of Cash Flows
For the Nine Months Ended March 31, 2022
(unaudited)

	Health Self-Insurance Fund	Casualty Self-Insurance Fund	Workers Compensation Self-Insurance Fund	Total	Total After Eliminations	Eliminations
Cash flows from operating activities						
Receipts from customers	$ 28,013	$ 1,631,495	$ 9,389,472	$ 11,048,980	$ -	$ 11,048,980
Payments to employees	(625,074)	(213,490)	(209,815)	(1,048,379)	-	(1,048,379)
Payments to vendors	(214,162)	(1,481,888)	(728,380)	(2,424,430)	-	(2,424,430)
Payments for self-insurance	(27,424,405)	(4,884,515)	(5,714,989)	(38,023,909)	-	(38,023,909)
Receipts (payments) from inter-fund activity	30,129,297	(1,199,379)	(2,757,442)	26,172,476	-	26,172,476
operating activities	1,893,669	(6,147,777)	(21,154)	(4,275,262)	-	(4,275,262)
Cash flows from non capital financing activities						
Contributions to outside entities	(7,500)	-	-	(7,500)	-	(7,500)
Net transfers	-	3,670,656	1,068,406	4,739,062	-	4,739,062
non capital financing activities	(7,500)	3,670,656	1,068,406	4,731,562	-	4,731,562
Cash flows from capital and related financing activities						
None						
Cash flows from investing activities						
Interest received	216	-	1,154	1,370	-	1,370
investing activities	216	-	1,154	1,370	-	1,370
Net increase (decrease) in cash and cash equivalents	1,886,385	(2,477,121)	1,048,406	457,670	-	457,670
Cash and cash equivalents, beginning of year	3,842,132	10,983,192	12,043,806	26,869,130	-	26,869,130
Cash and cash equivalents, year to date	$ 5,728,517	$ 8,506,071	$ 13,092,212	$ 27,326,800	$ -	$ 27,326,800

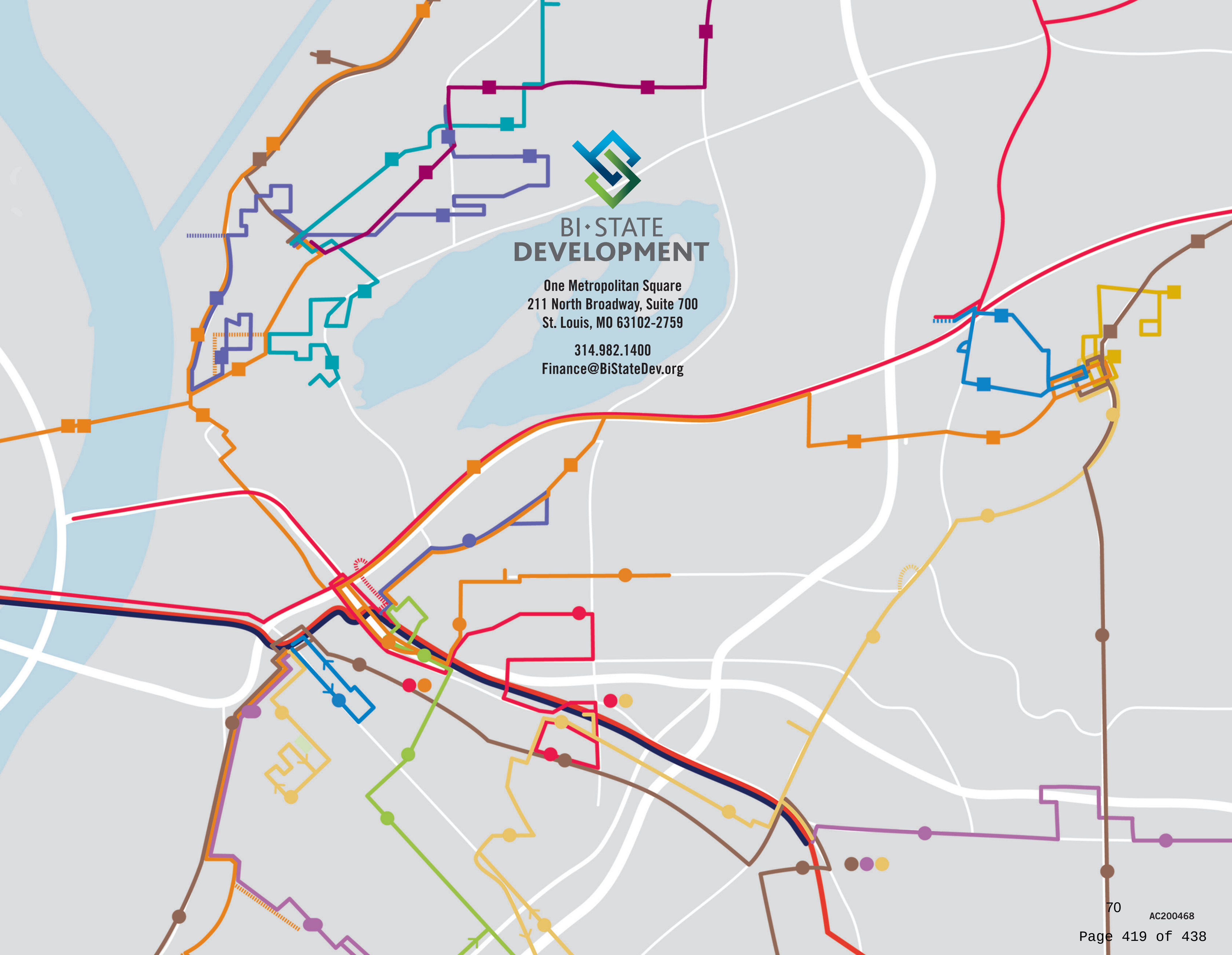
Staffing

AC200468

BI-STATE DEVELOPMENT
STAFFING LEVEL REPORT
March 2022

	EMPLOYEES AT END OF MONTH						
	PRIOR MONTH	ADDED	DELETED	CURRENT MONTH	BUDGETED POSITIONS	VARIANCE	PERCENT VARIANCE
A.T.U. Maintenance & Operations:							
Light Rail Vehicle Operators	96	0	(1)	95	102	(7)	-6.9%
PT Bus Operators	4	0	0	4	4	0	0.0%
Bus Operators	678	25	(25)	678	811	(133)	-16.4%
Van Operators	156	9	(7)	158	200	(42)	-21.0%
Vehicle Maintenance	227	6	(1)	232	264	(32)	-12.1%
MetroBus Support Services and Facility Maintenance	21	0	0	21	34	(13)	-38.2%
Right of Way Maintenance	53	0	0	53	56	(3)	-5.4%
Revenue Operations & Maintenance	11	0	0	11	14	(3)	-21.4%
Materials Management	23	0	0	23	25	(2)	-8.0%
SUBTOTAL A.T.U. Maintenance & Operations	1,269	40	(34)	1,275	1,510	(235)	-15.6%
Other: Adjustment to report							
A.T.U. Clerical Unit	35	2	(1)	36	42	(6)	-14.3%
I.B.E.W.	52	1	0	53	63	(10)	-15.9%
Salaried	463	5	(6)	462	548	(86)	-15.7%
SUBTOTAL Other	550	8	0	551	653	(102)	-15.6%
TOTAL	1,819	48	(34)	1,826	2,163	(337)	-15.6%
ARCH							
Salaried:	15	1	0	16	19	(3)	-15.8%
Hourly:*	58	10	(3)	65	0	65	#DIV/0!
TOTAL ARCH	73	11	(3)	81	19	62	326.3%
AIRPORT	10	0	0	10	10	0	0.0%
RIVERBOAT CRUISES							
Salaried:	8	0	(1)	7	10	(3)	-30.0%
Hourly:*	49	5	(1)	53	0	53	#DIV/0!
TOTAL RIVERBOAT CRUISES	57	5	(2)	60	10	50	500.0%
EXECUTIVE OFFICE	26	0	0	26	28	(2)	-7.1%
GRAND TOTAL	1,985	64	(39)	2,003	2,230	(227)	-10.2%

Does not include Security Officers, Interns or Temporary Employees
*Includes PT and Seasonal - Actual depends on availability; Budget based on average hours
dd



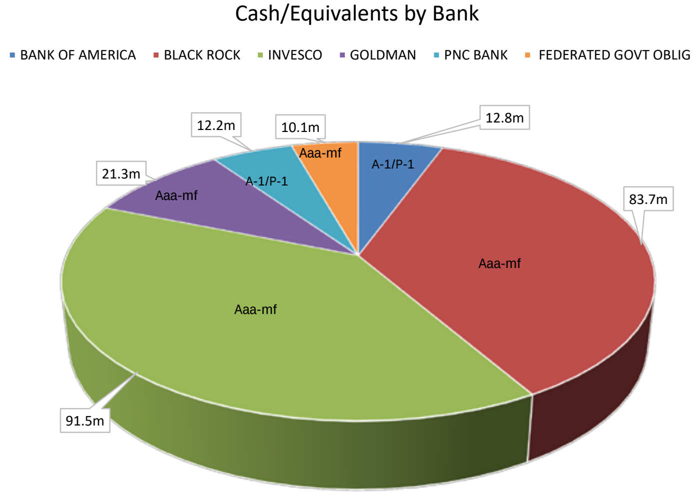
BI·STATE DEVELOPMENT

One Metropolitan Square
211 North Broadway, Suite 700
St. Louis, MO 63102-2759

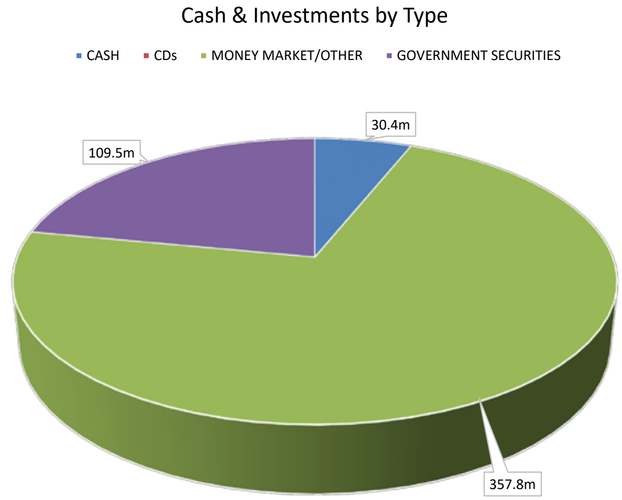
314.982.1400
Finance@BiStateDev.org

Treasury Snapshot: March 2022

All balances shown in millions



*Includes accounts with balance over $250k
**Credit Ratings: S&P/Moody's

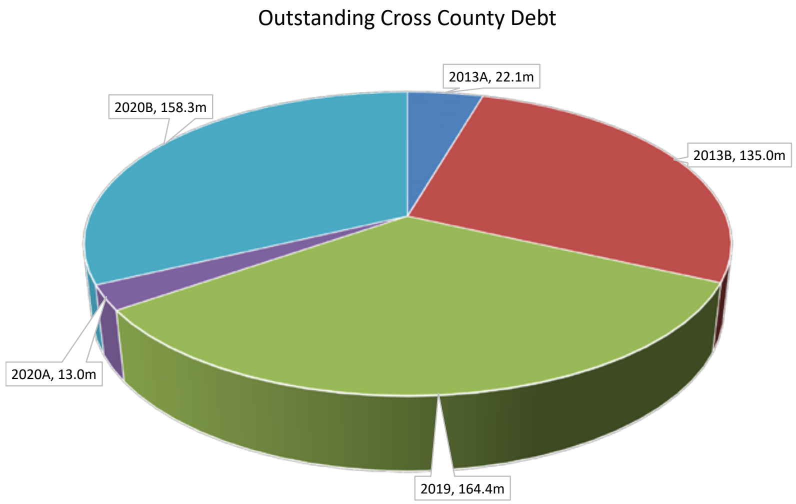


Agency Credit Ratings

S&P	AA	High investment-grade
Moody's	Aa2	High investment-grade
Kroll	AA+	High investment-grade

Short Term Debt Expense

Principal: $12.23
Interest: $12.87



Investment Summary

Purchases Jan - Mar 2022:
Amount: $27.05m
Average Term: 461 Days
Average Rate: 1.35%

Weighted Average Rate on All Investments: 0.34%

Three Month Treasury at 03/31: 0.52%

Fed Funds Rate
Increased 0.25% in March
Expected 0.25% to 0.5% rate hike in May

BI-STATE DEVELOPMENT
TREASURER'S REPORT
Quarter Ended March 31, 2022

INVESTMENTS

Current Yields:
Bi-State investments had an average yield of 0.25% for the month of March, up from 0.05% in December. The Federal Reserve raised rates at the March meeting, due to elevated inflation, and strengthening economic activity and employment. With inflation over three times the target rate of 2%, the Fed expects to raise the Federal Funds rate 0.50% at the May meeting, with an overall increase of at least 2.5% by year-end.

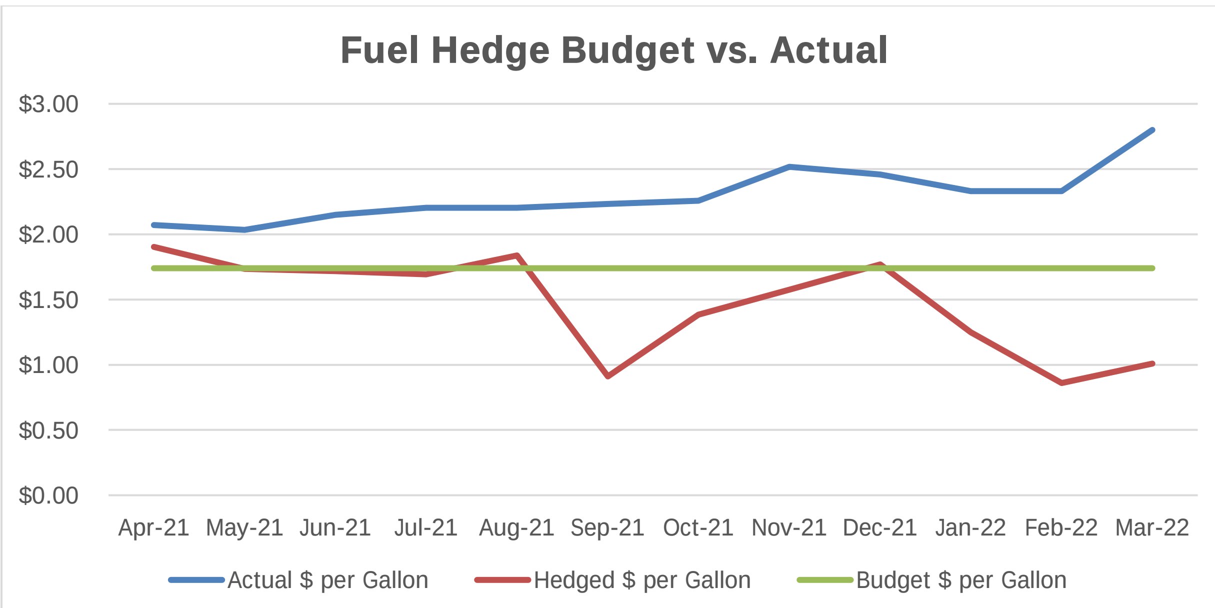
Invested Funds:
In December, Bi-State directed approximately $304.6 million of cash and investments. Approximately 24% of the invested funds were invested in U.S. Treasury or U.S. Government Agency securities, and none were invested in collateralized Certificates of Deposit (CDs). The balance was invested in AAA rated money market funds. The average maturity of Bi-State investments was approximately 70 days.

Investment Purchases:
In the first quarter, Bi-State purchased $27 million in investments. The average term of new investments was 461 days, and the average yield was 1.35%.

Investment:	Par Amount	Term(days)	Yield	Purchased From	Fund
US T-Bill	$ 3,050,000	555	1.22%	Commerce Bank	Transit Prop A
FHLB Bond	$ 3,000,000	365	1.27%	UMB Bank	Transit Prop A
FHLB Bond	$ 2,000,000	365	1.27%	UMB Bank	Transit Prop M City
FHLB Bond	$ 2,000,000	365	1.27%	UMB Bank	Transit Sales Tax
FHLB Bond	$ 2,000,000	365	1.27%	UMB Bank	FTA Funds
FHLB Bond	$ 2,000,000	365	1.27%	UMB Bank	Debt Reserve Funds
FHLB Bond	$ 2,000,000	731	1.87%	Stern Brothers	Transit Prop A
FHLB Bond	$ 2,000,000	731	1.87%	Stern Brothers	Transit Prop M City
FHLB Bond	$ 3,000,000	549	1.63%	Raymond James	Transit Prop A
FHLB Bond	$ 2,000,000	549	1.63%	Raymond James	Transit Prop M City
FHLB Bond	$ 2,000,000	549	1.63%	Raymond James	Transit Sales Tax
FHLB Bond	$ 2,000,000	549	1.63%	Raymond James	Debt Reserve Funds

FUEL HEDGING

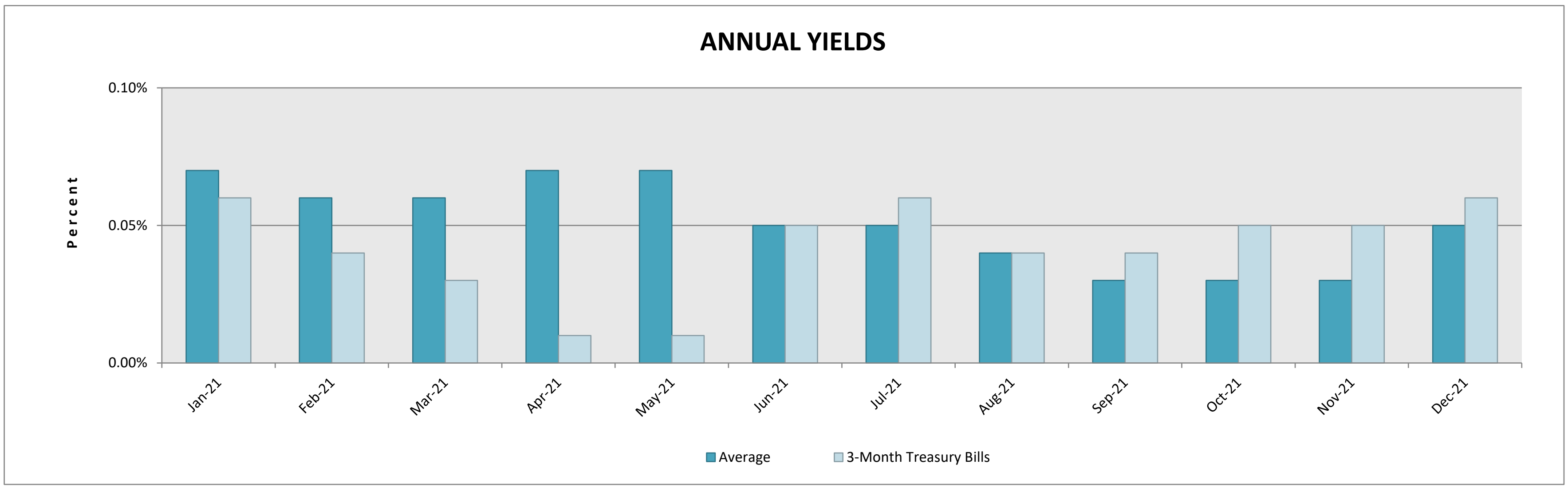
In March, in conjunction with its diesel fuel hedging program, Bi-State had a *realized gain* of approximately $742 thousand and an *unrealized gain* of approximately $8.03 million on the sale of Home Heating Oil #2 futures contracts. March oil prices ended the month at $100.28 a barrel, a 33.3% increase since the end of September. Generally, as the price of oil increases, the value of Bi-State's future positions also increases. A gain in the futures partially offsets the actual increase in the cost of diesel fuel. If oil prices drop, the value of the futures decline. An increase in unrealized gains generally indicates that the price of fuel is rising, and losses generally indicate oil prices are falling.



BI-STATE DEVELOPMENT
ANNUAL INVESTMENT REPORT
FOR MOST CURRENT 12 MONTHS

Funds (ooo's omitted)	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	**Mar-22**
Bi-State Investments	194,691	190,353	223,930	215,264	194,245	225,655	258,181	268,804	277,839	300,350	288,174	**304,580**
Trustee Investments	60,612	56,623	56,810	58,901	61,073	58,418	50,008	50,469	46,874	47,097	47,097	**47,878**

Yields\Rates Information	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	**Mar-22**
Bi-State Directed	0.07%	0.07%	0.05%	0.05%	0.04%	0.03%	0.03%	0.03%	0.05%	0.05%	0.06%	**0.25%**
Trustee Directed	0.79%	0.96%	0.89%	0.86%	0.84%	0.88%	1.03%	1.02%	0.95%	0.97%	0.97%	**0.94%**
3-Month Treasury Bills	0.01%	0.01%	0.05%	0.06%	0.04%	0.04%	0.05%	0.05%	0.06%	0.22%	35.00%	**0.52%**
1 Year Treasury	0.05%	0.05%	0.07%	0.07%	0.07%	0.09%	0.15%	0.24%	0.39%	0.78%	1.01%	**1.63%**
Fed Funds (target)	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	**0.50%**
20-Year Municipals	2.27%	2.20%	2.14%	2.04%	2.14%	2.26%	2.25%	2.11%	2.06%	2.33%	2.51%	**2.73%**
SIFMA (BMA) Index (month end)	0.06%	0.05%	0.03%	0.02%	0.02%	0.05%	0.05%	0.05%	0.10%	0.11%	0.20%	**0.51%**



BI-STATE DEVELOPMENT - QUARTERLY TREASURER'S REPORT SUMMARY

BI-STATE DEVELOPMENT

AS OF: 31-Mar-2022

	Wt. Avg. Maturity (1)	Dollars (,000 omitted)	Percentage Of Total	Rate	Market Value (2)
BI-STATE DIRECTED:					
Cash	0	$25,685	8.4%	0.00%	$25,685
Certificates of Deposit	0	0	0.0%	0.00%	0
U.S. Agencies (discounted)	188	2,498	0.8%	0.11%	2,486
U.S. Agencies (coupon)	384	37,498	12.3%	1.03%	37,327
U.S. Treasury Securities	199	31,695	10.4%	0.26%	31,295
Other Investments (3)	1	207,204	68.0%	0.11%	207,204
TOTAL BI-STATE DIRECTED	**70**	**$304,580**	**100.0%**	**0.25%**	**$303,997**
TRUSTEE DIRECTED:					
Cash	0	$0	0.0%	0.00%	$0
Municipal Bonds	147	1,331	2.8%	3.68%	1,275
U.S. Agencies (coupon)	82	22,492	47.0%	1.71%	22,313
U.S. Treasury Securities	82	14,000	29.2%	0.11%	14,000
Other Investments (3)	1	10,055	21.0%	0.01%	10,055
SUB-TOTAL TRUSTEE	**67**	**$47,878**	**100.0%**	**0.94%**	**$47,643**
TOTAL BI-STATE & TRUSTEE	**70**	**$352,458**		**0.34%**	**$351,640**
LRV LEASE:					
Cash	0	4,709	3.2%	0.00%	4,709
US Treasury Securities	0	0	0.0%	0.00%	0
Other Investments (4)	3	140,580	96.8%	5.80%	140,580
SUB-TOTAL LRV		**$145,289**	**100.0%**	**5.61%**	**$145,289**
Grand Total (5)		**$497,747**			**$496,929**

AS OF: 28-Feb-2022

	Wt. Avg. Maturity (1)	Dollars (,000 omitted)	Percentage Of Total	Rate	Market Value (2)
BI-STATE DIRECTED:					
Cash	0	$20,051	7.0%	0.00%	$20,051
Certificates of Deposit	0	0	0.0%	0.00%	0
U.S. Agencies (discounted)	219	2,498	0.9%	0.11%	2,489
U.S. Agencies (coupon)	235	13,500	4.7%	0.18%	13,448
U.S. Treasury Securities	230	31,695	11.0%	0.26%	31,370
Other Investments (3)	1	220,430	76.5%	0.02%	220,430
TOTAL BI-STATE DIRECTED	**39**	**$288,174**	**100.0%**	**0.06%**	**$287,788**
TRUSTEE DIRECTED:					
Cash	0	$0	0.0%	0.00%	$0
Municipal Bonds	178	1,331	2.8%	3.68%	1,279
U.S. Agencies (coupon)	107	22,492	47.8%	1.71%	22,352
U.S. Treasury Securities	17	9,583	20.3%	0.22%	9,546
Other Investments (3)	1	13,691	29.1%	0.01%	13,691
SUB-TOTAL TRUSTEE	**60**	**$47,097**	**100.0%**	**0.97%**	**$46,868**
TOTAL BI-STATE & TRUSTEE	**42**	**$335,271**		**0.19%**	**$334,656**
LRV LEASE:					
Cash	0	4,709	3.3%	0.00%	4,709
US Treasury Securities	0	0	0.0%	0.00%	0
Other Investments (4)	3	139,780	96.7%	5.80%	139,780
SUB-TOTAL LRV		**$144,489**	**100.0%**	**5.61%**	**$144,489**
Grand Total (5)		**$479,760**			**$479,145**

AS OF: 31-Jan-2022

	Wt. Avg. Maturity (1)	Dollars (,000 omitted)	Percentage Of Total	Rate	Market Value (2)
BI-STATE DIRECTED:					
Cash	0	$63,100	21.0%	0.00%	$63,100
Certificates of Deposit	22	3,002	1.0%	0.07%	3,002
U.S. Agencies (discounted)	247	2,498	0.8%	0.11%	2,490
U.S. Agencies (coupon)	263	13,500	4.5%	0.18%	13,453
U.S. Treasury Securities	224	28,645	9.5%	0.16%	28,377
Other Investments (3)	1	189,605	63.1%	0.02%	189,605
TOTAL BI-STATE DIRECTED	**36**	**$300,350**	**100.0%**	**0.05%**	**$300,027**
TRUSTEE DIRECTED:					
Cash	0	$0	0.0%	0.00%	$0
Municipal Bonds	206	1,331	2.8%	3.68%	1,283
U.S. Agencies (coupon)	135	22,492	47.8%	1.71%	22,387
U.S. Treasury Securities	45	9,583	20.3%	0.22%	9,552
Other Investments (3)	1	13,691	29.1%	0.01%	13,691
SUB-TOTAL TRUSTEE	**80**	**$47,097**	**100.0%**	**0.97%**	**$46,913**
TOTAL BI-STATE & TRUSTEE	**42**	**$347,447**		**0.17%**	**$346,940**
LRV LEASE:					
Cash	0	4,709	3.3%	0.00%	4,709
US Treasury Securities	0	0	0.0%	0.00%	0
Other Investments (4)	3	139,059	96.7%	5.80%	139,059
SUB-TOTAL LRV		**$143,768**	**100.0%**	**5.61%**	**$143,768**
Grand Total (5)		**$491,215**			**$490,708**

Explanatory Notes:

(1) Approximate weighted average of days to effective maturity, from last business day of the month.

(2) Market value of goverment securities provided by safekeeping agent. Cost equals market for other investments.

(3) Includes money market funds and fuel hedging accounts.

(4) Investment Contracts (leases). Values of investment contracts adjusted to conform to lease payment schedules.

(5) All amounts preliminary and subject to audit and adjustment.

Prepared by: 5/31/22

Terri Gudowicz Green, Dir. Of Treasury **Date**

Reviewed by: 5/31/22

Tammy Fulbright, EVP & CFO **Date**

BI-STATE DEVELOPMENT
MONTHLY TREASURER'S REPORT- ALL COMPANIES
BANK / ISSUER SUMMARY as of: 3/31/2022

Section 1 Bank/issuer Summary

BI-STATE DIRECTED * all non debt/lease assets, inc. Prop M:	CASH	CERTIFICATES OF DEPOSIT	REPURCHASE AGREEMENTS	OTHER	GOVERNMENT SECURITIES	COMMERCIAL PAPER\ BA's	TOTAL	MARKET VALUE	NOTES
BANK OF AMERICA MERRILL LYNCH	12,756,178	0	0	0	0	0	12,756,178	12,756,178	FDIC\tri-party collateral(deposits).
BLACK ROCK	0	0	0	83,661,760	0	0	83,661,760	83,661,760	Money Market Fund (Govt. Securities).
COMMERCE BANK	0	0	0	0	0	0	0	0	FDIC\FRB collateral.
INVESCO	0	0	0	91,487,924	0	0	91,487,924	91,487,924	Money Market Fund (Govt. Securities).
GOLDMAN FSQ GOVT	0	0	0	21,275,221	0	0	21,275,221	21,275,221	Money Market Fund (Govt. Securities).
JEFFERSON BANK & TRUST	97,193	0	0	0	0	0	97,193	97,193	FDIC; repo collaterl held at JBT.
JP MORGAN CHASE	197,798	0	0	0	0	0	197,798	197,798	FDIC (bank acct.)MMKT (First Tier\Prime)
BENEFLEX	4,307	0	0	0	0	0	4,307	4,307	FDIC\FRB collateral.
HEALTHSCOPE	43,728	0	0	0	0	0	43,728	43,728	FDIC\FRB collateral.
PNC BANK	12,228,853	0	0	0	0	0	12,228,853	12,228,853	FDIC\FRB collateral.
RBC DAIN RAUSCHER	0	0	0	81,850	0	0	81,850	81,850	Commodities Margin Acct. (fuel hedging)
RJ O'BRIEN	0	0	0	10,696,799	0	0	10,696,799	10,696,799	Commodities Trading Acct. (fuel hedging)
U.S. BANK	(142,403)	0	0	0	0	0	(142,403)	(142,403)	FDIC\FRB Collateral.
FARM CREDIT BANK	0	0	0	0	7,500,000	0	7,500,000	7,441,436	Safekept at Bank of America (BOA).
FEDERAL HOME LOAN BANK	0	0	0	0	32,496,097	0	32,496,097	32,371,443	Safekept at Bank of America (BOA).
U.S. TREASURY	0	0	0	0	31,694,703	0	31,694,703	31,295,551	Safekept by BOA or designated agent.
OTHER	499,234	0	0	0	0	0	499,234	499,234	
sub-total Bi-State directed	*25,684,888*	*0*	*0*	*207,203,554*	*71,690,800*	*0*	*304,579,242*	*303,996,872*	
TRUSTEE DIRECTED									
DEBT ISSUES									
BOK FINANCIAL									
FEDERATED GOVT OBLIG	0	0	0	10,055,479	0	0	10,055,479	10,055,479	Money Market Fund (First Tier\Prime).
GOVERNMENT AGENCIES	0	0	0	0	22,492,084	0	22,492,084	22,313,459	Safekept at BOK Financial
MUNICIPAL BONDS	0	0	0	0	1,331,326	0	1,331,326	1,274,562	Safekept at BOK Financial
U.S. TREASURY	0	0	0	0	13,999,824	0	13,999,824	14,000,172	Safekept at BOK Financial
sub-total	0	0	0	10,055,479	37,823,234	0	47,878,713	47,643,672	
SUB-TOTAL TRUSTEE (BONDS)	*0*	*0*	*0*	*10,055,479*	*37,823,234*	*0*	*47,878,713*	*47,643,672*	
SUB-TOTAL BI-STATE AND TRUSTEE	*25,684,888*	*0*	*0*	*217,259,033*	*109,514,034*	*0*	*352,457,955*	*351,640,544*	
LRV Lease\Leaseback 2001 C1 C2									
FSA\AIG	0	0	0	140,579,997	0	0	140,579,997	140,579,997	Guaranteed Investment Contract (GIC).
US TREASURY	4,708,870	0	0	0	0	0	4,708,870	4,708,870	Safekept by Lease Trustee.
sub-total	4,708,870	0	0	140,579,997	0	0	145,288,867	145,288,867	
sub-total leases	*4,708,870*	*0*	*0*	*140,579,997*	*0*	*0*	*145,288,867*	*145,288,867*	
GRAND TOTAL	**30,393,758**	**0**	**0**	**357,839,030**	**109,514,034**	**0**	**497,746,822**	**496,929,411**	

* *Please refer to Pages 5 and 10 for explanatory notes and credit ratings.*

+ ABBREVIATIONS (above):
FDIC- Federal Deposit Insurance Corp.
FRB - Federal Reserve Bank

Diesel Fuel Hedging Program - FY 2022

	Diesel Fuel Budget \ Actual Comparison:	Jan-22	Feb-22	Mar-22	Year to Date	Life to Date
a	Gallons consumed-actual	266,234	261,922	414,906	2,835,022	102,200,589
b=(c/a)	Average cost per gallon-actual	$ 2.33	$ 2.33	$ 2.80	$ 2.38	$ 2.07
c	***Total Diesel Fuel Cost-Actual***	**$ 620,964**	**$ 610,907**	**$ 1,161,197**	**$ 6,741,771**	**$ 211,882,445**
d	Gallons consumed- budget	523,958	483,998	390,296	3,577,628	108,539,942
e=(f/d)	Average cost per gallon- budget	$ 1.74	$ 1.74	$ 1.74	$ 1.74	$ 2.25
f	***Total Diesel Fuel Cost- Budget***	**$ 910,796**	**$ 841,334**	**$ 678,452**	**$ 6,218,991**	**$ 244,338,749**
g=(f-c)	**Budget Variance (Unfavorable)**	**$ 289,832**	**$ 230,427**	**$ (482,745)**	**$ (522,780)**	**$ 32,456,304**
h	**Realized Futures Gains (Losses)**	**$ 288,582**	**$ 386,933**	**$ 741,703**	**$ 2,881,712**	**$ 1,468,906**
i=(c-h)	**Net Cost of Fuel**	**$ 332,382**	**$ 223,974**	**$ 419,494**	**$ 3,860,059**	**$ 210,413,539**
j=(i-f)	***Net Budget Variance (Unfavorable)***	**$ 578,414**	**$ 617,360**	**$ 258,958**	**$ 2,358,932**	**$ 33,925,210**
j=(i/f)	Net Cost of Fuel, Per Gallon, inc. Hedge	$ 1.25	$ 0.86	$ 1.01	$ 1.36	$ 2.06
k=(e-i)	Net Budget Variance Per Gallon	$ 0.49	$ 0.88	$ 0.73	$ 0.38	$ 0.19

Futures Activity:				***Price of Barrel of Oil:***	
				Date	***Price***
Futures Contracts Purchased	8	8	9		
Futures Contracts Sold	16	16	18	11/30/2021	$ 66.18
Futures Contracts Net Change at month end	(8)	(8)	(9)	12/31/2021	$ 75.21
Total Open Futures Contracts, at month end	153	145	136	01/01/2022	$ 88.15
Futures Contracts Unrealized Gain/(Loss) *	$6,210,670	$6,868,138	$8,027,678	02/28/2022	$ 95.72
(% of Estimated Future Consumption)	88%	93%	88%	03/31/2022	$ 100.28

* = At month end

Explanatory Notes:

Consumption budgeted at approximately 100,000 gallons per week.
A futures contract equals 42,000 gallons.
Numbers above rounded.
Amounts do not include transaction or consulting costs.
Futures Contracts are purchased from May 2022 through Sep 2023 (17 months).

Background:

Linwood Capital is a consultant retained by Bi-State since April 2004 to assist with its energy price risk management program.
Bi-State manages the cost of fuel by utilizing purchase of exchange traded futures, specifically NYMEX Heating Oil#2 (HO#2) futures.
Generally, as oil prices increase, the value of the futures goes up, and acts to partially offset the actual increase in the price of fuel.

Bi-State Development						
Mass Transit Sales Tax Appropriation Cross-County Bonds & St Louis County Loan						
Series	2,013		2,019	2020A	2020B	Total Cross County
	2013A Bonds	2013B Loan	Refunding	Refunding	Refunding	
Issue date	1-Aug-13	1-Aug-13	26-Sep-19	21-Jul-20	21-Jul-20	
Principal (original)	$381,225,000	$75,000,000	$164,430,000	$12,950,000	$158,225,000	
Principal (currently outstanding)	**$22,125,000**	**$135,000,000**	**$164,430,000**	**$12,950,000**	**$158,255,000**	**$492,760,000**
Lien on 1\4 cent Prop M, Prop M2, Prop A tax	Senior	Subordinate	Senior	Senior	Senior	
Stand alone credit rating (S&P\Moody's\Kroll)	AA\Aa2\AA+	NA	AA\Aa2\AA+	AA\Aa2\AA+	AA\Aa2\AA+	
Maturity date(s)	2,048	2,053	2,048	2,045	2,043	
Optional Call Date	Various	Anytime	2,029	2,030	2,030	
Optional Put Date	NA	2,018	NA	NA	NA	
Interest rate mode	Fixed	1% + SIFMA	Fixed	Fixed	Fixed	
Rate	3.00%-5.00%	1.02%-1.06%	3.00%-5.00%	4.00%	0.75%- 3.00%	
Interest pmt. Dates (4/1 &10/1)	April, October	April, October	April, October	April, October	April, October	
Annual debt service:						
Interest - FY 2021	**$5,094,906**	**$1,413,000**	**$7,086,500**	**$359,722**	**$2,292,147**	**$16,246,275**
Principal - (Previous payment 10/1/20 - $10,445,000) (next payment 10/1/21 - $12,230,000)	**$10,855,000**	**$0**	**$0**	**$0**	**$1,375,000**	**$12,230,000**
total princ.&int.	**$15,949,906**	**$1,413,000**	**$7,086,500**	**$359,722**	**$3,667,147**	**$28,476,275**
Debt Service Reserve Fund (DSRF)	$12.5 million in DSRF with bond trustee, Bank of Oklahoma Financial.	NA	NA	Common DSRF with 2013A	Common DSRF with 2013A	
Other	Refunded Series 2002A,B,C, 2007, and Series 2010B.	Refunded Series 2010A Bonds	Refunded Balance of 2009, and 2013A Bonds Maturing in 2019, 2028, 2046 and 2048	Refunded Balance of 2013A Bonds Maturing in 2020		

Arch Tram Refunding Bonds, 2021:
On August 26, 2021, Bi-State closed on the Series 2021 Taxable Arch Tram Refunding Bonds, which refunded the Arch Series 2014 Revenue Bonds. The bonds have a par value of $7,483,283 and a 23-year term, maturing in December 2044. The 2021 refunding allowed for debt service savings of over $753,000 over the life of the bond. The annual debt service requirement is approximately $421,000 per year.

Debt Restructuring, 2020:
On July 21, 2020, the Agency issued its tax-exempt $12.5 million par Series 2020A Bonds, and taxable $158.3 million par Series 2020B Bonds, in order to generate debt service savings. Together, the 2020 Bonds refunded $160 million of the Series 2013A, and generated savings of $36.4 million over the life of the bonds, and allowed Bi-State to reduce the required reserve fund by $6.7 million.

Debt Restructuring, 2019:
On September 12, 2019, Bi-State successfully sold its $164,430,000 Series 2019 Bonds. The deal closed on September 26, 2019, and a true interest cost of 2.87% was achieved. The bond restructuring refunded all $97 million of the Series 2009 and $90 million of the Series 2013A Cross County Bonds, and generated $49.1 million in debt service savings (in 2019 dollars), of which $19.9 million was set aside for public safety infrastructure.

Series 2013A and 2013B Bonds:
On July 1, 2013, Bi-State successfully sold its $381,225,000 Series 2013A Bonds at a rate of 4.75%. Between 2013 and 2015, St Louis County approved three loan advances using the Prop A Capital Reserve to reduce borrowing costs. The first loan for $75 million was granted in 2013, with an interest rate of 1.06%. St Louis County approved the second loan in 2014 for $30 million at 1.04%, and the third loan in 2015 for $30,000 at 1.02%, allowing Bi-State to refund a portion of the 2013A debt. As of December 2021, $22.1 million of the 2013A and $75 million of the 2013B Bonds are still outstanding.

Bi-State Development/St. Clair County Transit District Revenue Bonds Refunding, 2014:
On December 4, 2014, Bi-State and St Clair County Transit District closed on the $4,160,000 issuance of the Series 2014 Bi-State Development/St Clair County Metrolink Extension Project Refunding Revenue Bonds. The bonds mature in 2027, and $2,155,000 in principal is still outstanding.

Capital Leases:
Bi-State has one remaining capital lease, its 2001 LRV Lease (C1, C2 Tranches). In February 2011, staff negotiated a default cure agreement with the 2001 C1 C2 lease investor. The agreement provided that Bi-State deposit additional collateral with the lease trustee, of which the St. Clair County Transit District (SCCTD) provided 70%. Our current collateral requirement is approximately $10.6 million.

Bi-State Development Agency dba Metro
Credit Ratings of Financial Institutions (see also page 5)

	Long-Term Debt Rating			Short-Term Debt Rating			Fitch Bank Rating
Depository Banks:	S&P	Moody's	Fitch	S&P	Moody's	Fitch	
Bank of America, N.A.	A+	Aa2	AA	A-1	P-1	F1+	NA
PNC Bank	A	Aa3	AA-	A-1	P-1	F1+	NA
Trust Companies:							
BOK Financial	A-	A3	A	A-2	P-1	F1	NA

Money Market Funds:	S&P	Moody's
Black Rock Fed Trust	AAAm	Aaa-mf
Black Rock Fed Fund	AAAm	Aaa-mf
Black Rock T Fund	AAAm	Aaa-mf
Federated Govt Oblig Fund	AAAm	Aaa-mf
Invesco Government and Agency	AAAm	Aaa-mf
Invesco Treasury	AAAm	Aaa-mf
Wells Fargo Treasury	AAAm	Aaa-mf

	Long-Term Debt Rating		
Other:	S&P	Moody's	Fitch
AIG (2001 LRV Lease)	A+	A2	A+
U.S. Treasury	AA+	Aaa	AAA
Federal Home Loan Bank (FHLB)	AA+	Aaa	
Federal Farm Credit Bank (FCB)	AA+	Aaa	AAA

NA = Fitch overall bank ratings or LT debt ratings have been withdrawn

INVESTMENT CATEGORY DESCRIPTIONS

CASH: Demand deposit accounts. Some accounts are consolidated by bank for presentation purposes. Negative balances generally reflect check float. Bi-State's bank accounts are protected either by Federal Deposit Insurance Corporation (FDIC), or collateralized with securities pledged to Bi-State and held either in a segregated customer account, tri-party account, or at the Federal Reserve.

CERTIFICATES OF DEPOSIT: Non-negotiable certificates of deposit, protected by FDIC insurance, AAA rated surety or Letter of Credit, or collateralized with securities placed in joint safekeeping with Bi-State at the Federal Reserve Bank.

BANKER'S ACCEPTANCE (BAs): Negotiable investment instruments created by banks to finance commercial trade transactions. Bi-State's investment policy permits purchase of BAs only from banks rated "B" or better by Fitch Ratings (formerly Thomson BankWatch-see ratings descriptions below).

REPURCHASE AGREEMENTS (REPOs): An investment created by the simultaneous sale and repurchase of a security (usually a government security) for different settlement dates. Bi-State's repos are collateralized with securities held in segregated customer accounts, or at the Federal Reserve.

OTHER: Interest checking, money market funds, guaranteed investment contracts (GICs) and investment agreements. Also includes fuel hedging related accounts. Bi-State's policy restricts use of money market funds to Triple A rated institutional funds which have over $500 million in assets.

GOVERNMENT SECURITIES: Securities (bills, discount notes, strips, coupon notes and bonds), issued by the U.S. Treasury or U.S. Government Agencies. Some securities are subject to "call" (redemption before stated final maturity).

COMMERCIAL PAPER: Short-term unsecured promissory note that is the obligation of the issuing entity, generally a large corporation (see ratings descriptions below).

> **NOTE:** Permitted Bi-State investments are specified in Board Policy 30.040. All investments are shown at cost, unless otherwise noted. Market values shown for government securities or commercial paper are considered "subject to market" and provided for informational use only. Cost or par approximates market for other investments, and some of these may be subject to penalty for early redemption.

CREDIT QUALITY RATING DEFINITIONS (also see Page 9)

Standard & Poor's, Moody's Investor Services, Fitch:

AAA Standard & Poor's, Moody's and Fitch rate credit quality on an A to C scale, with A generally regarded as "upper investment grade" and C as "speculative" (D would indicate default). Within each category are different gradients. The triple A rating indicates that the issuer's long term unsecured debt rating or specific investment instrument (such as money market funds) are of the highest credit quality (lowest expectation of risk.) The AAA rating is assigned only when there is exceptionally strong capacity for timely payment of financial commitments.

A1-P1 Commercial Paper issues rated "A-1 by Standard and Poor's and "P-1" by Moody's have the greatest capacity for timely payment (least risk). Bi-State's investment policy permits purchase of A2-P2 commercial paper from issuers with a business presence in the St. Louis region.

Bi-State Development Agency
Audit, Finance & Administration Committee
Open Session Agenda Item
June 10, 2022

From:	Crystal M. Messner, CIA, CFE, CISA Chief Audit Executive
Subject:	**Treasury Safekeeping Quarterly Accounts Ending March 31, 2022** Briefing Paper No. 22-25
Disposition:	Information
Presentation:	Crystal M. Messner, Chief Audit Executive

Objective:
To provide the Committee with the results of the Treasury - Safekeeping Quarterly Accounts Audit, ending March 31, 2022.

Background:
In accordance with the FY2022 Internal Audit Plan and the requirements of the Board Policy, the Internal Audit Department (**IAD**) performed a quarterly audit of the Treasury Safekeeping Accounts.

IAD reviewed the Treasurer's Report, as of March 31, 2022, to identify the Securities classified under the Safekeeping Accounts criteria. Each bank custodian, where the Safekeeping Accounts are maintained, provided a statement of items held in safekeeping, along with their fair value as of March 31, 2022. This information provided the basis to verify the existence of the Securities and to confirm the account balances.

IAD also reviewed the reasonableness of information provided in the Treasurer's Report related to the Diesel Fuel Hedging Program, Attachment 3. The review of this program activity is new to this report and is a part of IAD's effort to provide enhanced audit services. This review focused on the reported results of the Fuel Hedging Program for the current year and the life of the program since its inception on April 1, 2004.

For financial statements issued after June 15, 2015, the Government Accounting Standards Board (**GASB**) Statement No. 72 *Fair Value Measurement and Application* requires investments to be measured at fair value. GASB defines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Analysis:
In applying the GASB Statement No. 72 *Fair Value Measurement and Application*, IAD performed an examination of each bank/safekeeping custodian's account confirmations as compared with the fair values for each investment presented in the Treasurer's Report dated March 31, 2022.

Conclusion:

IAD has determined that the Safekeeping Accounts exist, and the respective balances and credit ratings reported in the Treasurer's Report as of March 31, 2022 are fairly presented. A series of schedules that supports our finding is included in the attached tables.

IAD noted that several accounting adjustments with a net total of $7,951 were recorded after the preparation of the Quarterly Treasury Safekeeping Report, but are reflected in the IAD values. These adjustment are self-correcting in future accounting periods.

IAD also determined, based on agreement of values to BSD's Accounting Records, that the monthly and fiscal year-to-date information provided was fairly stated. The reported Fuel Hedge Program life-to-date information was also fairly stated given the dollar volume involved; however, the life-to-date "Total Fuel Cost" information and the "Realized Gain" information were slightly overstated per Attachment 3.

Committee Action Requested:

This material is presented for information only; therefore, no action is required of the Committee.

Funding Source:

Funding is provided through the Internal Audit Operating Budget.

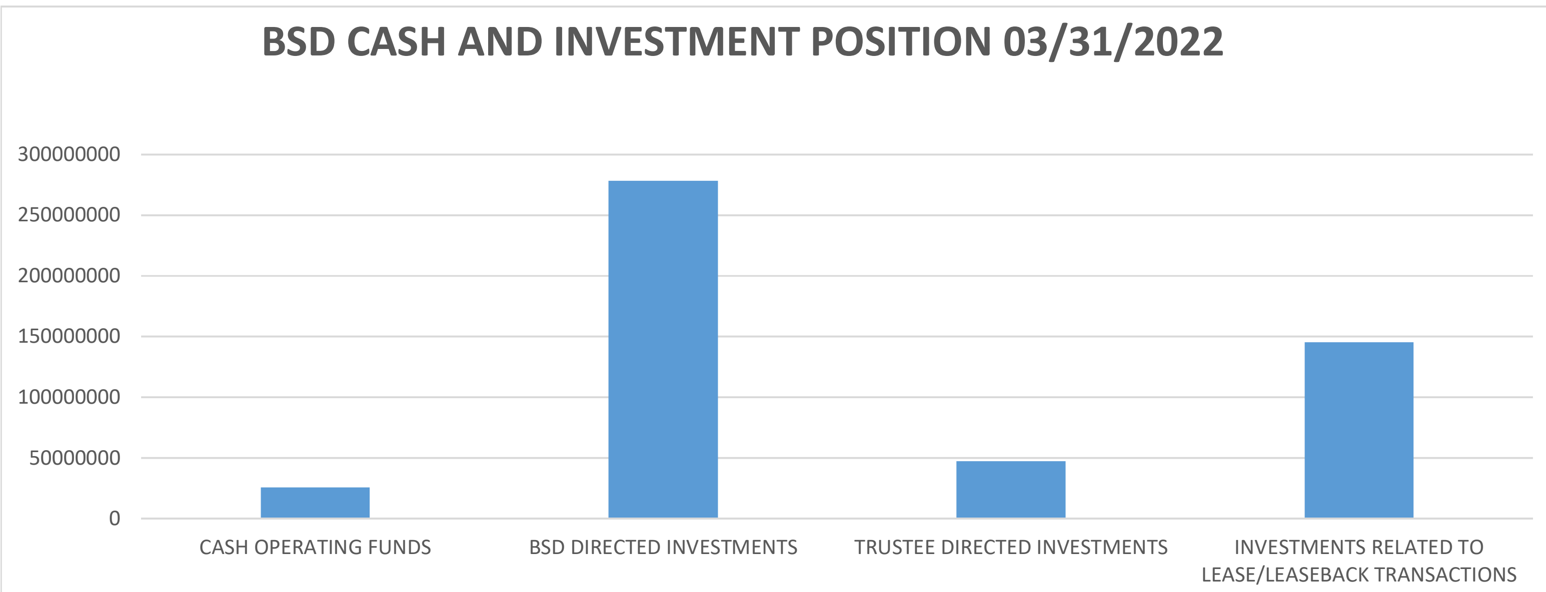
Attachment:

1. Summary of Cash Verification and Safe Kept Balances – Ending March 31, 2022
2. Treasury Safekeeping Quarterly Accounts Verification – Ending March 31, 2022
3. Fuel Hedge Program Actual Results – Ending March 31, 2022

INTERNAL AUDIT DEPARTMENT
INDEPENDENT VERIFICATION OF TREASURER'S REPORT CASH AND SAFE KEPT INVESTMENT BALANCES
REPORT SUMMARY AS OF MARCH 31, 2022

ATTACHMENT-1

ACCOUNT TYPE	Treasurer's Report Balance Stated At Fair Value	Confirmed Balance Per Bank Stated At Fair Value	Variance	Description/Disposition
CASH OPERATING FUNDS	$ 25,684,888	$ 25,691,530	$ 6,642	Accounting adjustment timing
BSD DIRECTED INVESTMENTS	278,311,984	278,311,984		
TRUSTEE DIRECTED INVESTMENTS	47,643,672	47,644,946	$ 1,274	Interest income timing
INVESTMENTS RELATED TO LEASE/LEASEBACK TRANSACTIONS	145,288,867	145,288,902	$ 35	Interest income timing
GRAND TOTAL	**$ 496,929,411**	**$ 496,937,362**	**$ 7,951**	



INTERNAL AUDIT DEPARTMENT
INDEPENDENT VERIFICATION for SAFEKEEPING ACCOUNTS
AS OF MARCH 31, 2022

ATTACHMENT-2

Issuer-Investment (Bank Safekeeping Agent)	Investment Type	Credit Rating (S&P/Moodys/Fitch)	Treasurer's Report Balance Stated At Fair Value	Confirmed Balance Per Bank Stated At Fair Value	Variance	Description/ Disposition
Bi-State Directed Investments				**(Note-2)**		
(Investment Accounts)						
BANK OF AMERICA (Safekeeping Agent)	Black Rock Money Market Fund (Gov't Securities)	AAAm / Aaa-mf / not rated	$ 83,661,760	$ 83,661,760		
BANK OF AMERICA (Safekeeping Agent)	Invesco Money Market Fund (First Tier/ Prime)	AAAm / Aaa-mf / not rated	91,487,924	91,487,924		
BANK OF AMERICA (Safekeeping Agent)	Federated Govt Oblig Fund	AAAm / Aaa-mf / not rated	21,275,221	21,275,221		
RBC DAIN RAUSCHER	Commodities Margin Acct. (fuel hedging)	AA- / Aa2 / AA-	81,850	81,850		
RJ O'BRIEN	Commodities Trading Acct. (fuel hedging)	Not Available	10,696,799	10,696,799		
BANK OF AMERICA (Safekeeping Agent)	Securities of the Federal Farm Credit Bank	AA+ / Aaa / AAA	7,441,436	7,441,436		
BANK OF AMERICA (Safekeeping Agent)	Securities of the Federal Home Loan Bank	AA+ / Aaa / not rated	32,371,443	32,371,443		
BANK OF AMERICA (Safekeeping Agent)	US Treasury Securities Safekept at Bank of America	AAA / Aaa / AAA	31,295,551	31,295,551		
sub-total Bi-State directed			**$ 278,311,984**	**$ 278,311,984**		
Trustee Directed Investments						
(Investment Accounts)						
BANK OF OKLAHOMA (Safekeeping Agent)	Federated Money Markrt Fund (First Tier/Prime)	AAAm / Aaa-mf / not rated	$ 10,055,479	$ 10,055,479		
BANK OF OKLAHOMA (Safekeeping Agent)	Government Agency Securities	(FFCB) AA+ / Aaa / AAA (FHLB) AA+ / Aaa / not rated (PEFC) not rated / Aaa / AAA	22,313,459	22,313,920	461	Timing of interest income
BANK OF OKLAHOMA (Safekeeping Agent)	Municipal Securities	(Illinois GO) BBB / Baa2 / BBB- (Nevada GO) AA+ / Aaa2 / AA+	1,274,562	1,274,562		
BANK OF OKLAHOMA (Safekeeping Agent)	US Treasury Securities	AAA / Aaa / AAA	14,000,173	14,000,985	813	
sub-total Trustee directed			**$ 47,643,672**	**$ 47,644,946**	$ 1,274	Timing of interest income
LRV Lease/ Leaseback C-1 and C-2						
Wells Fargo (Safekeeping Agent)	Wells Fargo Money Market (US Treasuries)	AAAm / Aaa-mf / not rated	$ 140,579,997	$ 140,579,997		
American International Group (AIG)	Guaranteed Investment Contract	A+ / A2 /A+	4,708,870	4,708,905	35	
sub-total leases			**$ 145,288,867**	**$ 145,288,902**	35	Timing of interest income
Grand Total-Safe Kept Investments			**$ 471,244,523**	**$ 471,245,832**	**$ 1,308**	

Note-2 Verification of the safe kept investment balances consisted of agreement of the Fair Value amount to the statement provided by the Safekeeping Agent, or for the Guaranteed Investment Contract verification consisted of agreement to the amount to the predetermined amortization schedule.

INTERNAL AUDIT DEPARTMENT

INDEPENDENT VERIFICATION OF TREASURER'S REPORT FUEL HEDGE PROGRAM ACTUAL RESULTS

REPORT SUMMARY AS OF MARCH 31, 2022

ATTACHMENT-3

Treasurer's Report Values

	Diesel Fuel Budget \ Actual Comparison:	*Jan-22*	*Feb-22*	*Mar-22*	*Year to Date*	*Life to Date*
a	Gallons consumed-actual	266,234	261,922	414,906	2,835,022	102,200,589
b=(c/a)	Average cost per gallon-actual	$ 2.33	$ 2.33	$ 2.80	$ 2.38	$ 2.07
c	***Total Diesel Fuel Cost-Actual***	**$ 620,964**	**$ 610,907**	**$ 1,161,197**	**$ 6,741,771**	**$ 211,882,445**
d	**Realized Futures Gains (Losses)**	**$ 288,582**	**$ 386,933**	**$ 741,703**	**$ 2,881,712**	**$ 1,468,906**
e=(c-d)	**Net Cost of Fuel**	**$ 332,382**	**$ 223,974**	**$ 419,494**	**$ 3,860,059**	**$ 210,413,539**
f=(e/a)	Net Cost of Fuel, Per Gallon, inc. Hedge	$ 1.25	$ 0.86	$ 1.01	$ 1.36	$ 2.06

IAD Verification Values

	Diesel Fuel Budget \ Actual Comparison:	*Jan-22*	*Feb-22*	*Mar-22*	*Year to Date*	*Life to Date*
a	Gallons consumed-actual	311,167	286,093	344,830	2,834,050	98,144,016
b=(c/a)	Average cost per gallon-actual	$ 2.00	$ 2.14	$ 2.31	$ 2.19	$ 2.11
c	***Total Diesel Fuel Cost-Actual***	**$ 620,976**	**$ 610,918**	**$ 796,697**	**$ 6,210,853**	**$ 207,177,173**
d	**Realized Futures Gains (Losses)**	**$ 288,582**	**$ 386,933**	**$ 741,703**	**$ 2,881,712**	**$ 1,466,509**
e=(c-d)	**Net Cost of Fuel**	**$ 332,394**	**$ 223,985**	**$ 54,994**	**$ 3,329,141**	**$ 205,710,665**
f=(e/a)	Net Cost of Fuel, Per Gallon, inc. Hedge	$ 1.07	$ 0.78	$ 0.16	$ 1.17	$ 2.10

MEMORANDUM

TO: Audit, Finance and Administration Committee

FROM: Thomas P. Curran
Executive Vice President, Administration

DATE: June 10, 2022

SUBJECT: Quarterly Procurement Activity Report

Attached for your review are the following three reports for the Third Quarter of Fiscal Year 2022.

Procurement Activity and Non-Competitive Procurement Trend Report. Federal regulations and Board Policy require that procurements be conducted in a manner which fosters full and open competition. In certain instances, however, competition may not be feasible or practical. This report summarizes the relationship between non-competitive spending and total spending.

Procurement Card Transactions Report. Bi-State's Procurement Department administers a Procurement Card Program that provides a means for cardholders to procure low-cost goods and services independently. This report details the overall volume of transactions as well as information related to procedural violations.

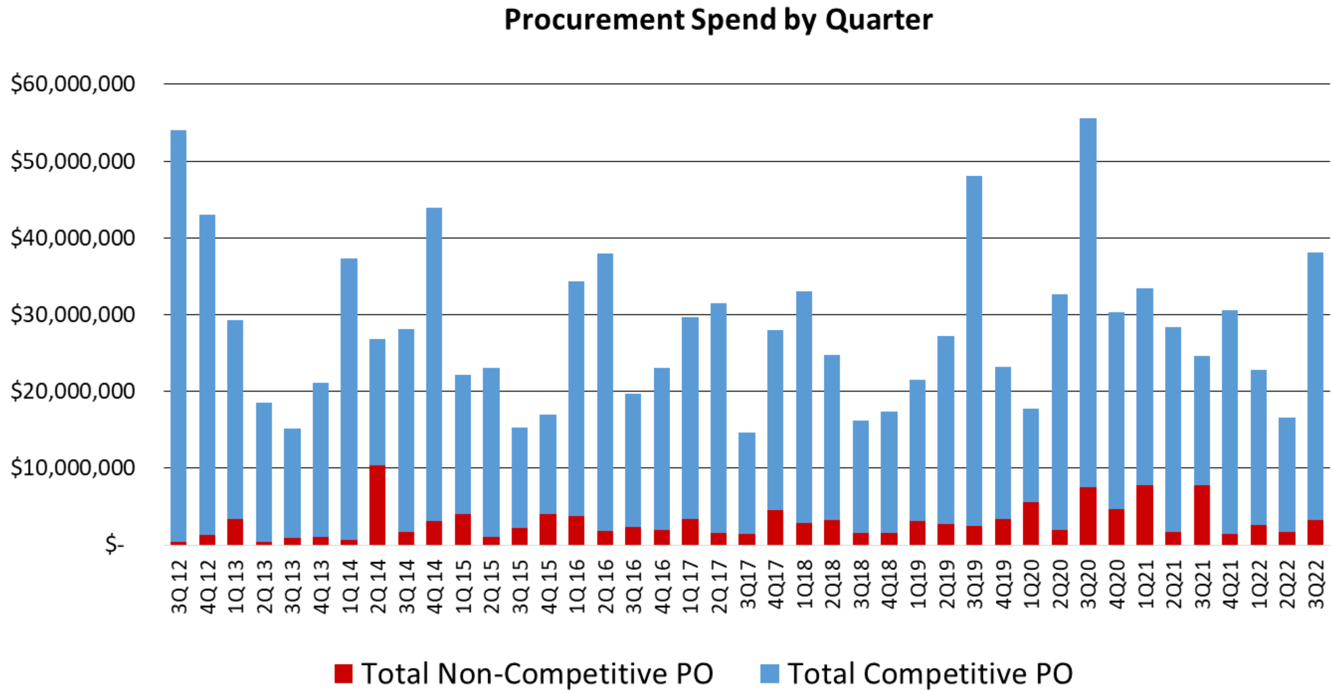
Contract Modifications Report. The Contract Modifications Report lists contracts that have been modified for pricing or period of performance.

Attachments

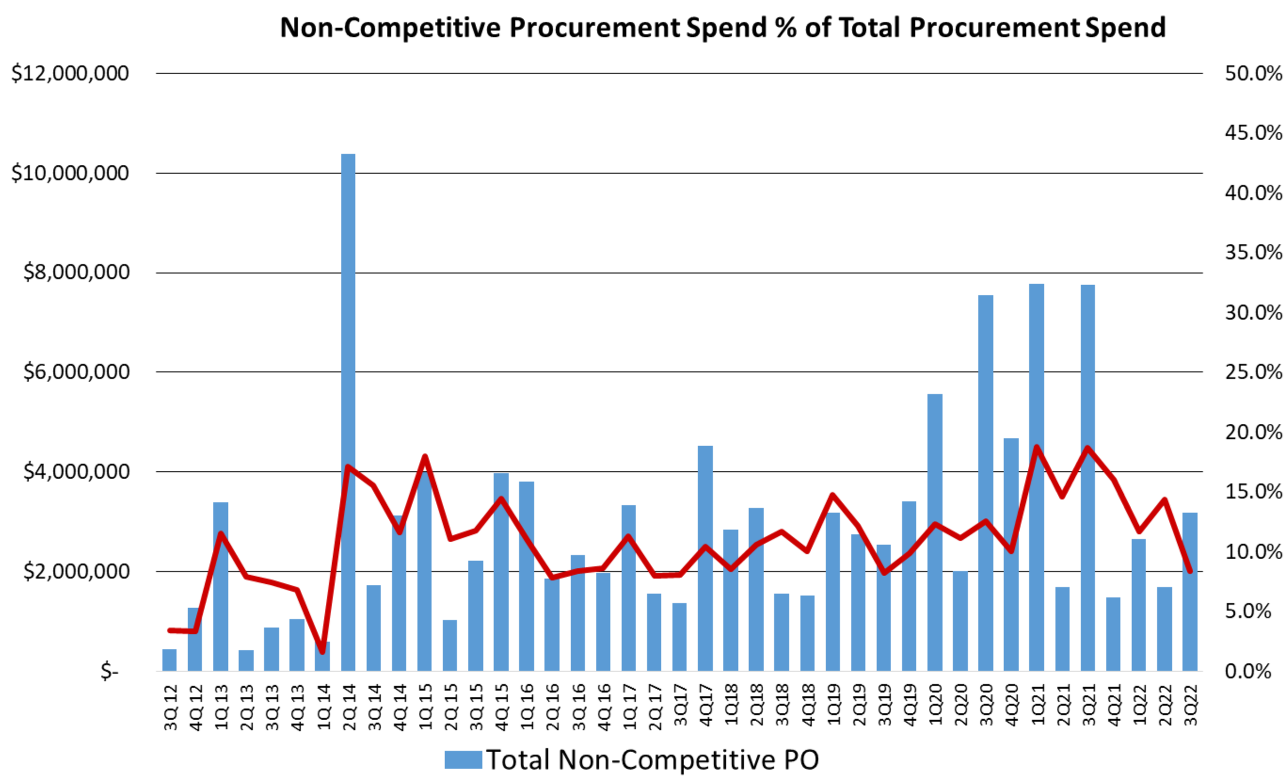
One Metropolitan Square
211 North Broadway, Suite 700
St. Louis, MO 63102-2595
BiStateDev.org

Procurement Activity Report
Non-Competitive Procurement Trend
FY 2022 – Third Quarter (Final)

Third Quarter FY 2022 Non-Competitive Procurements total $3,189,268 or 8.4% of the total Purchase Order Commitment volume of $38,072,694.



Non-Competitive Procurements total $9,024,405 or 8.4% of the total Procurement Spend of $107,998,497 during the last twelve months.



PROCUREMENT CARD TRANSACTIONS REPORT - 3RD QUARTER FY 2022

	1ST QUARTER FY22		2ND QUARTER FY 22		3RD QUARTER FY 22		YEAR-TO-DATE FY 22	
	TRANSACTION COUNT	TRANSACTION AMOUNT	TRANSACTION COUNT	TRANSACTION AMOUNT	TRANSACTION COUNT	TRANSACTION AMOUNT	TRANSACTION COUNT	TRANSACTION AMOUNT
TOTAL TRANSACTIONS	3,623	$1,348,329	2,652	$1,050,425	4,421	$875,111	10,696	$3,273,865
TRANSACTIONS INVESTIGATED	362	$640,866	265	$585,625	442	$588,461	1,069	$1,814,952
PERCENTAGE OF TOTAL INVESTIGATED	10.0%	47.5%	10.0%	55.8%	10.0%	67.2%	10.0%	55.4%
CONFIRMED PROCEDURAL VIOLATIONS	0 TRANSACTIONS	$ -	6 TRANSACTIONS*	$147,541	1 TRANSACTION	$3,996	7 TRANSACTIONS	$151,537
CONFIRMED VIOLATION PERCENTAGE OF TOTAL	0.0%	0.0%	0.2%	14.0%	0.0%	0.5%	0.1%	4.6%

* Two confirmed procedural violations involved payments to BJC Corporate Health for drug testing totaling $125,927.50

CONTRACT MODIFICATIONS REPORT - THIRD QUARTER FY 2022

Contract	Mod #	Description	Reason for Modification	Contractor	DBE	Original Contract Amount	Mod Amount	Revised Contract Amount	Funding	# of Days for Extension
18-SB-105065-CB/KM	1	Ground Maintenance & Landscaping	Exercise of Option Year 1	IDEAL LANDSCAPE GROUP	7%	$838,166.00	$270,000.00	$1,108,166.00	Operating	n/a
21-SS-203986-DR	1	Rehab of Cross-County Tunnels & Stations	Phase II Design Work	GALL ZEIDLER	0%	$228,390.84	$335,460.08	$563,850.92	Litigation settlement funds	n/a
18-RFP-105058-CG	2	Independent Audit Services	Exercise Option Year 2	RUBIN BROWN	0%	$695,005.00	$136,480.00	$831,485.00	Operations	n/a
17-SB-103918-CG	4	Audit Services Pension & Retirement Plans	No cost time extension pending new contract	UHY LLP	0%	$280,677.00	$0.00	$280,677.00	Operations & Pension Trust	90
19-RFP-105718-CG	4	MetroLink Station Enhancements	20% Design Work for 8th & Pine and Convention Center MetroLink Stations	WSP	11%	$952,941.50	$1,524,122.27	$2,477,063.77	Grant and Prop M	n/a
18-RFP-105082-DR	1	Vision Insurance Services	Exercise of Option Year 1	EYEMED VISION CARE	6%	$422,194.37	$149,257.22	$571,451.59	100% fundable by employee contribution	n/a
18-SB-105002-BH/TJ	3	Illinois Bus Cleaning Service	Exercise of Option Year 3	INNEX SERVICE CO INC	10%	$991,092.00	$120,000.00	$1,111,092.00	Operating	n/a