

**BI-STATE DEVELOPMENT  
AUDIT COMMITTEE MEETING  
OPEN SESSION MINUTES  
MAY 20, 2016**

**Committee Members in Attendance**

**Missouri**

Constance Gully, Chair  
Kelley Farrell (absent)  
Vincent C. Schoemehl

**Illinois**

David Dietzel (absent)  
Jeffrey Watson (absent)

**Other Commissioners in Attendance**

Vernal Brown  
Aliah Holman (via phone)  
Tadas Kicielinski (via phone)

**Staff in Attendance**

John Nations, President & CEO  
Barbara Enneking, General Counsel and Deputy Secretary  
Shirley Bryant, Certified Paralegal  
Jim Cali, Director, Internal Audit  
Rita Marion, Sr. Administrative Assistant  
Kathy Klevorn, Sr. Vice-President and Chief Financial Officer  
Patti Beck, Director of Communications  
Mark Vago, Controller (via phone)  
Angela Staicoff, Internal Auditor  
Kelli Fitzpatrick, Internal Auditor, Part-Time  
Amy Olden, Internal Audit Intern  
Jonathan Frederick, Director, Accounting & Budget  
Michael Gibbs, Accountant Business Enterprises  
Charles Stewart, Vice President, Pensions & Insurance  
Kent Swagler, Director of Corporate Compliance  
Andrew Ghiassi, Manager, Safety & Loss Control  
Larry Jackson, Executive Vice President for Administration  
Kerry Kinkade, Acting Vice President Chief Information Officer  
Theresa Gudowicz Green, Manager Treasury Operations  
Chris Olden, Supervisor Accounting  
Jenny Nixon, Executive Director Tourism Innovation  
Virginia Alt-Hildebrandt, Executive Assistant  
Dave Toben, Director Benefits  
Anita Dunn, Health and Welfare Plan Manager  
Connie Welch, Manager General Accounting  
Jerry Vallely, External Communications Manager

**Others in Attendance**

Scott Nickerson, Crowe Horwath

**1. Call to Order**

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

**2. Roll Call**

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

**3. Public Comment**

**8:00 a.m.** There was no public comment.

**4. Minutes from January 22, 2016 Audit Committee Meeting - Open Session**

**8:00 a.m.** The January 22, 2016, Open Session Audit Committee Meeting minutes were provided in the Committee packet. A motion to approve the minutes was made by Commissioner Kicielinski and seconded by Commissioner Schoemehl. **Motion passed unanimously.**

**5. March 31, 2016 Financials**

**8:01 a.m.** The March 31, 2016 Financials were provided in the Committee packet. Jonathan Frederick, Director Accounting & Budget, provided a brief overview. Metro Transit revenue is 1% under budget at \$225.6 million due to a combination of a 5.4% decrease in passenger boardings and a 10.7% decrease in farebox collections. Expenses are \$12 million under budget due to a significant medical savings attributable to better discounts received through a new Cigna plan, cost containment on prescription medication, decreases in claims, and position vacancies that resulted in an income before depreciation of \$13.8 million. The Gateway Arch reopened to guests March 22, 2016. Although only one tram was operational, it was sold out daily. Due to the reduced service, tram ridership was down compared to last year and Arch tickets revenue decreased 6.2% as a result. Arch expenses had a \$1.2 million return of funds from the National Park Service that was designated for future and capital improvement projects, and all expenses were in line with the prior year. The total income before depreciation was \$1.6 million. Executive Services revenue was down compared to last year as management has controlled costs related to services provided. Expenses are 22.1% under budget due to unfilled positions and lower than expected legal and internal audit expenses resulting in income before depreciation of \$150,632. The Riverfront Attractions had a loss before depreciation of \$223,574 as a direct result of the weather experienced in Fiscal Year 2016. There were over 30 flood days resulting in a decrease in passengers of 37.8% compared to the prior year. The St. Louis Downtown Airport fuel sales, aircraft movement, and aircrafts based at the airport have increased more than expected for Fiscal Year 2016. Expenses such as wages and consulting fees increased, resulting in a loss before depreciation of \$48,866. The St. Louis Regional Freightway revenue consists of partnership contributions of \$312,763 and expenses mainly consist of wages and consulting fees totaling \$340,083, resulting in a loss before depreciation of \$27,320. Bi-State Development Research Institute received a Missouri Foundation For Health Grant of \$39,805. Their expenses are mainly bank fees and small miscellaneous expenses totaling \$328 resulting in income before depreciation of \$39,477. Arts-In-Transit revenue is money received from the Regional Arts Commission, and expenses are for the bus painting project. The Internal Service Fund is favorable to plan as medical expenses are lower than budget. The Agency wide income before depreciation is \$16.8 million. This report was informational only, and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

**6. March 31, 2016 Performance Indicators**

**8:07 a.m.** The March 31, 2016 Performance Indicators Report was provided in the Committee packet. Kathy Klevorn, Sr. Vice-President and Chief Financial Officer, stated that the downward trend in ridership resulted in a negative impact on most indicators, however, operating costs were well below budget. No additional presentations were made.

Commissioner Schoemehl stated that ridership was down and that the downward trend is being driven by concerns over safety, and as a result revenue is down approximately \$4 million. He asked for an analysis to determine if ridership would be improved if the Agency put \$4 million into increased security. Additional discussions followed regarding security and the 2017 budget assumptions.

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

**7. March 2016 Treasury Report**

**8:19 a.m.** The March 2016 Treasury Report was provided in the Committee packet. Theresa Gudowicz Green, Manager of Treasury Operations, provided a brief overview. Bi-State Development (**BSD**) has approximately \$200 million invested in BSD directed funds, and the average rate of return for the month was 45 basis points which is an improvement over the average rate of return of 28 basis points at the end of Fiscal Year 2015. Approximately \$53 million is invested in trustee directed funds which earned an average rate of return of 1.39%. Since the Federal Reserve raised rates in December 2015, there has been no further increase. The Federal Reserve approach seems to be more cautious due to uncertain inflation, weaker consumer spending, a decrease in exports and a general slowdown in the global economy. The current speculation is that it is unlikely there will be another rate increase in June. Another rate hike is still probably expected for later this year and this will be dependent on second and third quarter numbers related to inflation, jobs, and the general state of the local economy. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

**8. Procurement Report Third Quarter**

**8:20 a.m.** The Third Quarter Procurement Report was provided in the Committee packet. Larry Jackson, Executive Vice President of Administration, provided a brief overview. Bi-State Development awarded \$2.3 million in noncompetitive procurements for the third quarter of Fiscal Year 2016, which is 11.9% of our total commitment volume of \$19.7 million. The last twelve (12) months, noncompetitive procurements totaled \$11.9 million or 11% of the total Purchase Order Commitment volume of \$109 million. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

**9. Internal Audit Status Report – Third Quarter**

**8:22 a.m.** The Internal Audit Status Report, Third Quarter was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. In accordance with Board Policy, Internal Audit is presenting the status report of the activities of the Internal Audit Department (**IAD**) for the third quarter of Fiscal Year 2016. This was a very busy quarter, IAD worked on a lot of audits and spent a great deal of time on follow-up from previous audits. IAD has worked closely with the Procurement Department to issue two (2) Request for Proposals (**RFP**); the first for Health Insurance Claims Audit which was awarded to BKD on April 29, 2016; and the second RFP was issued on May 2, 2016, for cyber security consulting. The Transportation Safety Administration (**TSA**) has added a new element in their audit program requiring a cyber security component. An RFP has already been issued for a Threat and Vulnerability Study that will incorporate the cyber security threat vulnerability component to satisfy the TSA requirement. The Transportation Safety Administration Department of Homeland Security has identified transit agencies as a high target for terrorism and other security type incidents. The internal cyber security is handled by Kerry Kinkade, Acting Vice President Chief Information Officer, and his IT team. The IT department has always had staff that deals with cyber, network, and data security; however, the IT Department will be hiring an individual to specifically monitor cyber security issues. This report was

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

**10. Treasury – Safekeeping Quarterly Accounts Audit, Ending December 31, 2015**

**8:27 a.m.** The Treasury – Safekeeping Quarterly Accounts Audit Report, ending December 31, 2015, was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. Per Board Policy, the Internal Audit Department (**IAD**) is required to perform a quarterly audit of the Treasury Safekeeping Accounts. IAD reviewed the Treasurer’s Report, identified the securities classified under the Safekeeping Accounts criteria, contacted each bank custodian to verify the existence of the Securities and to confirm account balances. In accordance with the new GASB Statement No. 72 *Fair Value Measurement and Application*, IAD performed an examination of each bank safekeeping custodian’s account confirmation as compared with the fair values for each investment in the Treasurer’s Report. A chart has been provided to show the individual values, the commodities and the custodians of the Safekeeping assets as part of this report. IAD has determined that the Safekeeping Accounts exist, and their respective balances have been fairly presented. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

**11. Internal Audit Follow-Up Summary, Third Quarter FY 2016**

**8:28 a.m.** The Internal Audit Follow-Up Summary, Third Quarter FY2016 report was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. When the Internal Audit Department completes an audit the most important aspect of that audit is the follow-up. This report is a comprehensive overview highlighting the current implementation status of recommendations issued in prior audit reports. Many times there are recommendations or observations and management has agreed to make adjustments and/or changes to improve efficiencies or operational effectiveness. IAD spends a great deal of time reviewing the management action plans to make sure that the recommendations are being implemented in accordance with the timetable that management has set forth. Management has done a great job over the quarter and closed out a number of outstanding issues. There are two issues that remain overdue, but that is not a problem. These are very complicated issues and IAD believes that these two outstanding and overdue issues will be completed within the next quarter. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

**12. FY2017 Annual Audit Work Plan & Risk Assessment**

**8:29 a.m.** The Fiscal Year 2017 Annual Audit Work Plan & Risk Assessment was provided in the Committee packet. Jim Cali, Director of Internal Audit provided a brief overview. The Fiscal Year 2017 Audit Work Plan will concentrate on the auditable units associated with grants, and payroll/time and attendance issues. It will also confirm IAD’s compliance with the relevant professional standards. In performing these audits, it will provide assurance to the Audit Committee that risks that could prevent Bi-State Development from achieving its objectives have been identified. The scope of the Annual Audit Work Plan is designed to address key risks in the Corporate System, Support System and the Operational System. Highlights for the Fiscal Year 2017 audit plan reflect a great deal of effort put forth for the Federal Transit Administration (**FTA**) required Safety and Security Audits and Safety and Security Oversight regarding passenger railroad. IAD will pay special attention to systems that are related to revenue collections, payables, and the payment card system. A great deal of time has been budgeted to do audit follow ups for the audits that have been completed in previous fiscal years that have rolled over into Fiscal Year 2017. The FTA Triennial Review of the entire agency will take place this summer, and IAD has set aside some time for any follow up that may result from their audit report. A motion to

approve the Fiscal Year 2017 Annual Audit Work Plan and Risk Assessment was made by Commissioner Schoemehl and seconded by Commissioner Brown. **Motion passed unanimously.**

**13. Unscheduled Business**

**8:30 a.m.** There was no unscheduled business.

**14. Call of Dates for Future Committee Meetings**

**8:30 a.m.** The next Board meeting is scheduled for Friday, June 24, 2016, at 8:00 a.m.; the next Operations Committee meeting is scheduled for Tuesday, August 16, 2016, at 8:00 a.m. and the next Finance and Administration Committee meeting is scheduled for Friday, August 26, 2016, at 8:00 a.m.

**15. Executive Session - If such action is approved by a majority vote of the Bi-State Development's Board of Commissioners who constitute a quorum, the Board may go into closed session to discuss legal, confidential, or privileged matters under §610.021(1); RSMo; leasing, purchase or sale of real estate under §610.021(2); personnel actions under §610.021(3); discussions regarding negotiations with employee groups under §610.021(9); sealed bids, proposals and documents related to negotiated contracts under §610.021(12); personnel records or applications under §610.021(13); records which are otherwise protected from disclosure by law under §610.021(14); records relating to hotlines established for reporting abuse and wrongdoing under §610.021(16); or confidential or privileged communications with the District's auditor, including auditor work products under §610.021(17).**

**8:30a.m.** Pursuant to the requirements of Section 610.021(1), 610.021(2), 610.021(14), and 610.021(16) of the Revised Statutes of Missouri, Chairman Gully requested a motion to allow the Committee to go into closed session. A motion to go into Executive Session was made by Commissioner Holman and seconded by Commissioner Schoemehl. A roll call vote was taken and the Commissioners present, Gully, Schoemehl, Holman and Kicielinski voted to approve this agenda item. (It should be noted that Commissioner Brown was in attendance during this vote, however because of an oversight her name was not called.) **Motion passed unanimously, and the Open Session meeting was adjourned.**