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**BI-STATE DEVELOPMENT AGENCY / METRO
AUDIT COMMITTEE MEETING
OPEN SESSION MINUTES
MAY 22, 2015 (Revised 06/24/15)**

Committee Members in Attendance

Missouri

Constance Gully, Chair
Kelley Farrell (present @ 8:06 a.m.)
Vincent C. Schoemehl

Illinois

David Dietzel (absent)
Jeffrey Watson (absent)

Other Commissioners in Attendance

Vernal Brown
Michael Buehlhorn (via phone)
Tadas Kicielinski

Staff in Attendance

John Nations, President & CEO
Barbara Enneking, General Counsel and Deputy Secretary
Shirley Bryant, Certified Paralegal/Assistant Secretary
Jim Cali, Director Internal Audit
Rita Marion, Sr. Administrative Assistant
Kathy Klevorn, Sr. Vice-President and Chief Financial Officer
Dianne Williams, Vice President Marketing & Communications
Patti Beck, Director of Communications
Mark Vago, Controller
Kathy Brittin, Director Risk Management, Safety & Claims
Angie Staicoff, Internal Auditor
Kelli Fitzpatrick, Internal Auditor, Part-Time
Tammy Fulbright, Director Treasury Services
Antwuan Donley, Internal Audit Department Intern
Sheila Hockel, Manager Emergency Preparedness
Jerry Vallely, External Communications Manager
Dr. Leisa Marshall, Southeast Missouri State University Faculty Intern, Internal Audit
Michael Gibbs, Accountant, Business Enterprises

Others in Attendance

Matthew Bowser, Crowe Horwath
Scott Nickerson, Crowe Horwath

1. Call to Order

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

2. Roll Call

8:01 a.m. Roll call was taken.

3. Public Comment

8:01 a.m. There was no public comment.

4. Minutes of Prior Open Session Audit Committee Meeting

8:01 a.m. The January 23, 2015, Audit Committee Open Session 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. Internal Audit Department's Quality Assessment Review (QAR)

8:02 a.m. The briefing paper and report regarding the Internal Audit Department's Quality Assessment Review (**QAR**) were provided in the Committee packet. Jim Cali, Director of Internal Audit, introduced Matthew Bowser, a partner with Crowe Horwath (**Crowe**), to provide a brief overview. In March 2015, an external review of the Internal Audit Department (**IAD**) was conducted by Crowe in accordance with the Institute of Internal Auditors (**IIA**) Standards. Suggestions to update the Charters and the Policies and Procedures Manuals to bring them current with the practices taking place at the Agency have been addressed by IAD. Also in an effort to improve the annual audit planning process, IAD will provide more detail regarding information technology and cyber security type risks in the annual audit plan. IAD recognizes that risks are always changing and will be doing more ongoing communication with Agency management and the external auditors to ensure that the current risk of the organization is covered in the audit plan. Risk assessment will drive the plan, the plan will drive the professional staffing, and the staffing will drive the development and training. The ongoing quality self-assessment is a newer standard, which is supported by both the Government Auditing Standards and the IIA Standards that recommends doing a self-assessment regularly, establishing metrics for IAD and reporting on those metrics. One way to do a self-assessment would be through an annual survey process that IIA sponsors, referred to as the Global Audit Information Network (**GAIN**) survey. This survey would help benchmark IAD, from the number and types of audits performed to budgetary expenses, with other like organizations within the government transportation industry. Ongoing reporting of the metrics would also give the Board better visibility into the internal audit function. Upon conclusion of the review, the internal audit activity was assessed and received the highest achievable rating of "Generally Conforms" with the Standards and Code of Ethics for both the Attribute Standards and the Performance Standards. An assessment is required to be performed once every three (3) years by a qualified independent external auditor. This report represents the results of that self-assessment with independent external validation. In closing, Mr. Browser commended Mr. Cali and his staff, commending the CPA's and Rita Marion for a job well done. Mr. Browser also praised IAD's partnership with Southeast Missouri State University and Mr. Cali's success in securing as an intern Professor Leisa Marshall.

Some discussion followed regarding identifiable high risk areas and a cost benefit analysis to assist IAD in determining if additional staff needs to be added internally as opposed to outsourcing certain services. 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. Draft Audit Charter and Policies and Procedures Manual

8:25 a.m. The briefing paper, Draft Audit Charter, and Policies and Procedures Manual were provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. In accordance with some of the findings of the Quality Assessment Review, the Draft Policies and Procedures Manual updates with the current standards for the practice of internal audit are in conformance with the Agency's policies and procedures. There were twenty-six (26) changes made to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. Due to the development of the revised Internal Audit Charter and the "Draft" Internal Audit Department Policies and Procedures Manual, IAD is in complete compliance with these new standards. A motion to recommend that the Committee approve the proposed Internal Audit Charter and Draft Policies and Procedures Manual was made by Commissioner Schoemehl and seconded by Commissioner Brown. **Motion passed unanimously.**

7. Treasury - Safekeeping Quarterly Accounts Audit, Ending December 31, 2014

8:26 a.m. The briefing paper and Treasury Safekeeping Quarterly Accounts Audit - Ending December 31, 2014, were provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. In accordance with the FY15 Internal Audit Plan and Board Policy requirements, IAD performed a quarterly audit of the Treasury Safekeeping Accounts. Based on that analysis, it was determined that the Safekeeping Accounts exist, and the respective balances have been fairly presented in the Treasurer's Report dated December 31, 2014. 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. Internal Audit Status Report - FY15, 3rd Quarter

8:27 a.m. The briefing paper and Internal Audit Status Report - FY15, 3rd Quarter report were provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. The Internal Audit Status Report provides a summary of Internal Audit Department's (IAD) quarterly activity pertaining to the Annual Audit Plan. In addition to tracking the status of current audits, it also highlights the follow-up activity related to the implementation of recommendations from prior audits. A Quality Assurance Review (QAR) should be conducted once every five (5) years in accordance with the Institute of Internal Auditors Professional Standards. The QAR assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. For compliance purposes, Crowe Horwath, the Agency's independent external auditors, conducted the QAR of IAD in February 2015. As a result of recent audits, IAD identified a number of Audit Findings resulting in the Agency recouping \$148,258 from Lamar for the Transit Advertising Contract and \$45,968.02 from the Self-Funded Health Insurance Plan with Cigna for a total recovery of \$194,226.02. The contract with Lamar has expired, and the Agency has a new contract with another vendor that provides a fixed rate and a commission for the Agency for advertising on MetroLink and MetroBus. The bus shelter advertising contract is a separate contract with Lamar. Some discussion followed regarding Cigna and the Health Claims data maintained by Cigna. Commissioners Schoemehl and Kicielinski have indicated that Cigna has, in the past, exhibited customer hostility in their lack of cooperation and questioned why the Agency is using Cigna again. Commissioner Gully stated that it might be helpful to bring a comparison of what those challenges were in the prior Cigna contract and how those particular issues are different in the new contract. Mr. Nations reported that the Finance & Administration Committee, chaired by Commissioner Kicielinski, met on May 15, 2015, at which time a unanimous recommendation was forwarded to the Board to renew the contract with Cigna. Mr. Nations stated that a discussion of

the Cigna contract is not on the Agenda for the Audit Committee meeting today, and, consequently, neither Benefits Director David Toben nor Vice-President of Human Resources Melva Pete (who presented this matter to the Finance & Administration Committee) were in attendance to discuss any questions or concerns the Commissioners might have regarding it. Mr. Nations stated that this matter was discussed at some length at the Finance & Administration Committee, and the concerns of the Committee were addressed. Mr. Nations stated that the matter of staff recommending renewal of the Cigna contract to the Finance & Administration Committee was the result of a lengthy review of an internal staff committee, which included some staff members who had been critical of Cigna. The internal staff committee ultimately reported a unanimous recommendation of approval to the Finance & Administration Committee. Mr. Nations reported that in reviewing the recommendation for the Finance & Administration Committee, he had personally sought out a member of the internal staff committee who had been critical of Cigna; that employee supports the renewal of the contract with Cigna. Given that the Finance & Administration Committee had forwarded the Cigna contract to the full Board of Commissioners, Mr. Nations said that he would discuss with Mr. Toben and Mrs. Pete the concerns expressed this morning at the Audit Committee, and that staff will discuss all concerns and issues with the Board of Commissioners at its meeting on June 26, 2015. This report was informational only, and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

9. Internal Audit Follow Up Summary - FY15, 3rd Quarter

8:45 a.m. The briefing paper and the Internal Audit Follow Up Summary - FY15, 3rd Quarter report were provided in the Committee packet. Jim Cali, Director Internal Audit, provided a brief overview. The Internal Audit Department follow up summary report highlights the current implementation status of recommendations issued in prior audit reports. The State Safety and Security Internal Safety Audit is overdue primarily because the Internal Audit Department (**IAD**) is working with the Risk Management and Safety Department to build a comprehensive audit schedule for the State Safety Oversight audit process of the 34 required elements that the FTA requires IAD to audit on a three year cycle. Historically the Agency has approved audit plans for a particular year, but going forward IAD is trying to approve a three year audit plan cycle for all 34 required audit elements. This would improve the ability to budget for the internal audit staff and complete the required Safety and Security audits. Management has been very cooperative in meeting the timetable given for implementing the Audit report recommendations. 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. FY16 Annual Audit Work Plan & Risk Assessment

8:46 a.m. The briefing paper and FY16 Annual Audit Work Plan & Risk Assessment were provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. The FY16 Annual Audit Work Plan & Risk Assessment concentrates on the auditable units associated with grants, payroll/time and attendance issues. The Audit Work Plan (the "**Plan**") also confirms compliance with the relevant professional standards; and incorporates a risk-based analysis of the Agency's operations as its foundation; and explains how IAD plans to utilize its resources to examine various auditable units. Performing these audits provides assurance to the Audit Committee that risks that could prevent the Agency from achieving its objectives have been identified. IAD and management will use the audit reports and related recommendation to develop corrective action plans for the assessment and management of these risks. The comprehensive Risk Assessment analysis identified a total of 120 auditable units. The Plan provides a detailed list of audit projects to be performed during the fiscal year, one of which is to focus on cash transactions, not just from passenger revenue, but at other points of sale such as the MetroRide Store, Arch, and Riverboats. A motion for the Committee to approve the FY16 Annual Audit Work Plan and Risk

Assessment was made by Commissioner Schoemehl and seconded by Commissioner Kicielinski.
Motion passed unanimously.

11. Unscheduled Business

8:47 a.m. Mr. Nations said that there is an item of unscheduled business which requires the Committee's attention. Mr. Nations distributed a Briefing Paper on the subject of "Contract Award to CGN & Associates for Procedure Review Consultant Services" for approval and referral to the Board of Commissioners. Mr. Nations explained that this matter could not timely be prepared to be included in the Committee packet for the meeting, but that he granted permission for it to be brought up at the meeting today because (1) the importance of the issue, (2) the importance of the timing of the issue given that the Board meeting on June 26 will be the last until the full Board meets on September 25, and (3) it is not detrimental to the interests of the Committee or the Agency for the matter to be presented as unscheduled business this morning, but that it could be detrimental to our interests if it were not approved by the Board on June 26. Mr. Nations then called on Director of Risk Management, Safety & Claims Kathy Brittin and Manager of Emergency Preparedness Sheila Hockel to brief the Board. It was explained to the Committee that the Agency's System Safety Program Plan (SSPP) requires the Agency to conduct emergency preparedness drills on a three (3) year cycle. The drills are documented through the Homeland Security Evaluation Exercise Program (HSEEP). The HSEEP After Action Report for the 2011 St. Louis Regional drill found that the Agency's security information dissemination process had gaps both internally and externally. The 2012 After Action Report included an improvement plan to revise the MetroLink Standard Operating Procedure 106.20 to include that the Operations Control Center should contact Public Safety to call the police during an emergency. Although this was common practice, it was not a documented practice, which resulted in further discussion to determine how the Agency's documented procedures compared to the practiced procedures. The Agency has an opportunity to apply for grants in order to make the Agency's security and safety better through the Transportation Security Grant Program (TSGP). The TSGP program provides funds to protect critical surface transportation infrastructure and the traveling public from acts of terrorism. The Agency has participated in the TSGP since FY05. A review of the Agency's Emergency Response Communication procedures is necessary to improve communication shortfalls that may jeopardize the ability to respond quickly to an emergency. A Request for Proposal (RFP) was issued on April 8, 2015 for Procedure Review Consultant Services. One proposal from CGN & Associates, Inc. d/b/a CGN Global was received on May 6, 2015. This proposal was reviewed and it was determined that the pricing was fair and reasonable; however, the cost could be reduced by negotiating the scope of work requirements. Management recommends awarding this sole source contract in an amount not to exceed \$122,000. A motion for the Audit Committee to approve and refer to the Board for approval of the sole source contract for Procedure Review Consultant Services to CGN & Associates, Inc., d/b/a CGN Global in an amount not to exceed \$122,000 was made by Commissioner Schoemehl and seconded by Commissioner Kicielinski. **Motion approved unanimously.**

12. Executive Session - 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 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 report 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).

8:55 a.m. Pursuant to the requirements of Section 610.021(17) of the Revised Statutes of Missouri, Commissioner Gully requested a motion to allow the Committee to go into closed session. A motion was made by Commissioner Schoemehl and seconded by Commissioner Kicielinski. A roll call vote was taken and the Commissioners present, Gully, Farrell, Schoemehl, Brown, Buehlhorn, and Kicielinski voted to approve this agenda item. **Motion passed unanimously.**

13. Call of Dates for Future Committee Meetings

9:45 a.m. Future meetings are as follows: a Board meeting scheduled for Friday, June 26, 2015, at 8:00 a.m.; Operations Committee meeting on Tuesday, August 18, 2015, at 8:00 a.m.; and Finance & Administration Committee meeting on Friday, August 28, 2015, at 8:00 a.m.

15. Adjournment

9:45 a.m. A motion to adjourn the Open Session Audit Committee Meeting was made by Commissioner Schoemehl and seconded by Commissioner Kicielinski. **Motion passed unanimously.**