



Notice of Meeting and Agenda
Bi-State Development
Audit Committee
Friday, October 23, 2015, 8:00 a.m.

Headquarters - Board Room, 6th Floor
211 N. Broadway, Suite 650 - St. Louis, Missouri 63102

This location is accessible to persons with disabilities. Individuals with disabilities needing information or communication accommodations should call Metro at (314) 982-1400; for TTY access, call Relay 711. Sign language interpreter services or other accommodations for persons with hearing or speech disabilities will be arranged if a request for such service is made at least two days in advance of the meeting. Large print material, Braille material or other formats will also be provided upon request.

Agenda	Disposition	Presentation
1. Call to Order	Approval	Chair Gully
2. Roll Call	Quorum	S. Bryant
3. Public Comment	Information	Chair Gully
4. Minutes from May 22, 2015, Audit Committee Meeting - Open Session	Approval	Chair Gully
5. Treasury – Safekeeping Quarterly Accounts Audits - Ending March 31, 2015, and June 30, 2015	Information	J. Cali
6. Internal Audit Status Reports – 4th Quarter - FY2015 and 1st Quarter-FY2016	Information	J. Cali
7. Internal Audit Follow-Up Summary – 4th Quarter-FY2015	Information	J. Cali
8. Unscheduled Business	Information	Chair Gully
9. Call of Dates for Future Committee Meetings	Information	S. Bryant
10. Executive Session	Approval	Chair Gully
<p><i>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);</i></p>		

Agenda	Disposition	Presentation
<i>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).</i>		

Note: Public comment may be made at the written request of a member of the public specifying the topic(s) to be addressed and provided to the Agency's information officer at least 48 hours prior to the meeting.



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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.**


Deputy Secretary to the Board of Commissioners
Bi-State Development Agency / Metro

**Bi-State Development
Agenda Item
Audit Committee Meeting
October 23, 2015**

From: James J. Cali, CPA
Director of Internal Audit
Subject: **Treasury-Safekeeping Quarterly Accounts Audit–Ending March 31, 2015
and June 30, 2015**
Briefing Paper No. 15-37
Disposition: Information
Presentation: James J. Cali, Director of Internal Audit

Objective

To provide the Audit Committee with the results of the Treasury - Safekeeping Quarterly Accounts Audit, ending March 31, 2015, and June 30, 2015.

Board Policy

Board Policy, Chapter 30 Audit, Finance and Budget Section 30.040 Banking and Investment E.1. states:

“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 accounts. These accounts will be audited quarterly by Internal Audit and the results reported through the Treasurer to the Board of Commissioners.”

Funding Source

The Internal Audit Department Budget.

Background

In accordance with the FY2015 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, 2015, and June 30, 2015, to identify the securities classified under the Safekeeping Accounts criteria. Each bank custodian, where the Safekeeping Accounts are held, was contacted to verify the existence of the Securities and to confirm the account balances.

Analysis

Based upon our analysis and examination from each bank custodian's confirmations, IAD has determined that the Safekeeping Accounts exist, and the respective balances have been fairly

presented in the Treasurer's Report dated March 31, 2015, and June 30, 2015. A summary of our findings is presented in the attached table.

Attachment 1

As of March 31, 2015, the safekeeping accounts total \$72.1 million: \$51.2 million represents local sales tax funds internally restricted for capital projects; \$10 million represents funds internally restricted for self-insurance purposes; \$8 million is per Board Policy to internally reserve for unexpected expenses; and \$500,000 is held in reserve for the Gateway Arch. In addition, there was \$2.4 million earmarked for workman's compensation, open claims and pending reserves.

Attachment 2

As of June 30, 2015, the safekeeping accounts total \$68.6 million: \$47.7 million represents local sales tax funds internally restricted for capital projects; \$10 million represents funds internally restricted for self-insurance purposes; \$8 million is per Board Policy to internally reserve for unexpected expenses; and \$500,000 is held in reserve for the Gateway Arch. In addition, there was \$2.4 million earmarked for workman's compensation, open claims and pending reserves.

Committee Action Requested

This material is presented for information only; therefore, no action is required of the Audit Committee.

Attachment 1: Safekeeping Quarterly Accounts Audit – Ending March 31, 2015

Attachment 2: Safekeeping Quarterly Accounts Audit – Ending June 30, 2015

Internal Audit Department
INDEPENDENT VERIFICATION for SAFEKEEPING ACCOUNTS
as of March 31, 2015

Attachment 1

The Treasurer's Report as of 03/31/15 indicates the following U. S. Treasury Securities held in Agency Safekeeping Accounts:					
Issuer-Investment (Bank Safekeeping Agent)	Treasurer's Report balance (Cost) 03/31/15	Treasurer's Report balance (Market Value) 03/31/15	Confirmed Balance Per Bank Agent (Market Value, if provided, or Par Value) 03/31/15	Variance Noted	Description/Disposition
Farm Credit Bank (Bank of America)	\$20,480,178.00	\$20,490,080.00	\$20,490,079.50	-\$0.50	
Federal Home Loan Bank (Bank of America)	\$47,248,274.00	\$47,266,765.00	\$47,266,761.30	-\$3.70	
U.S. Treasury Bills (Bank of America)	\$2,035,071.00	\$2,012,344.00	\$2,012,344.00	\$0.00	
U.S. Treasury Bills (Jefferson Bank & Trust)	\$2,358,608.00	\$2,389,096.00	\$2,405,000.00	\$15,904.00	The Treasurer's report shows the Treasury at market value and the confirmation from JBT shows the security at par.
Total	\$72,122,131.00	\$72,158,285.00	\$72,174,184.80	\$15,899.80	

Internal Audit Department
INDEPENDENT VERIFICATION for SAFEKEEPING ACCOUNTS
as of June 30, 2015

Attachment 2

The Treasurer's Report as of 06/30/15 indicates the following U. S. Treasury Securities held in Agency Safekeeping Accounts:					
Issuer-Investment (Bank Safekeeping Agent)	Treasurer's Report balance (Cost) 06/30/15	Treasurer's Report balance (Market Value) 06/30/15	Confirmed Balance Per Bank Agent (Market Value, if provided, or Par Value) 06/30/15	Variance Noted	Description/Disposition
Farm Credit Bank (Bank of America)	\$25,470,269.00	\$25,476,866.00	\$25,476,864.50	-\$1.50	
Federal Home Loan Bank (Bank of America)	\$29,822,886.00	\$29,815,485.00	\$29,815,483.59	-\$1.41	
U.S. Treasury Bills (Bank of America)	\$11,020,707.00	\$10,989,660.00	\$10,989,659.00	-\$1.00	
U.S. Treasury Bills (Jefferson Bank & Trust)	\$2,358,608.00	\$2,393,951.00	\$2,405,000.00	\$11,049.00	This security is recorded at market on the Treasurer's report and by the par amount on the Bank confirmation.
Total	\$68,672,470.00	\$68,675,962.00	\$68,687,007.09	\$11,045.09	

**Bi-State Development
Agenda Item
Audit Committee Meeting
October 23, 2015**

From: James J. Cali, CPA
Director of Internal Audit

Subject: **Internal Audit Status Report – 4th Quarter-FY2015 and 1st Quarter-FY2016**
Briefing Paper No. 15-36

Disposition: Information

Presentation: James J. Cali, Director of Internal Audit

Objective

To present to the Audit Committee the Internal Audit Department's (**IAD**) Status Report for the 4th Quarter of Fiscal Year 2015, and 1st Quarter of Fiscal Year 2016.

Board Policy

Board Policy, Chapter 30 Audit, Finance and Budget Section 30.005 Audit Committee Charter, A. GENERAL. 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:

The IAD Policies and Procedures Manual, Internal Audit Charter, dated May 22, 2015, and signed by the Chair of the Board of Commissioners, the Audit Committee Chair, the President and CEO, and the Director of Internal Audit states in Section 1.1-Responsibility that the IAD had the 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 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 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 phases.
- Issue periodic reports to the Audit Committee and management summarizing results of audit activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Audit Committee.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the Audit 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.
- Include any assignments given by the Audit Committee or the Board as a whole.

Funding Source

Internal Audit Department Budget.

Background

Internal Audit Status Report

This report provides the Board of Commissioners, Audit Committee Members and Senior Management with a summary of the IAD's quarterly activity pertaining to the Annual Audit Plan.

In addition to tracking the status of current audits, this report also highlights the follow-up activity related to the implementation of recommendations from prior audits.

In accordance with the Institute of Internal Auditors (IIA) Professional Standards, a Quality Assurance Review (QAR) of the IAD should be conducted at least once every five (5) years.

During the 4th Quarter, The Internal Audit Department went through its first external Quality Assessment Review. The QAR was performed by Crowe Horwath, an independent Certified Public Accountant (CPA) firm. The Crowe Horwath Auditors awarded the Internal Audit Department the highest possible QAR rating established by the IIA.

Analysis

As a result of recently completed audits, we have identified a number of Audit Findings resulting in the following questioned costs. We have recouped \$148,258.00 as of June 30, 2015.

<u>Audit</u>	<u>Questioned Costs</u>	<u>Recouped Costs</u>
Transit Advertising Contract - (Lamar)	\$148,258.00	\$148,258.00
Self-Funded Health Insurance Plan (Cigna)	45,000.00	45,968.02
Total	\$193,258.00	\$194,226.02

Committee Action Requested

This material is presented for information only; therefore, no action is required of the Audit Committee.

Attachment 1: Internal Audit Status Report – 4th Quarter-FY2015

Attachment 2: Internal Audit Status Report – 1st Quarter-FY2016

**Bi-State Development
Internal Audit Department**

**Fourth Quarter Status Report
Ending June 30, 2015**

Attachment 1

FISCAL YEAR 2015 - AUDIT PLAN	STATUS	Completion Rate (Percentage)	BUDGET HOURS	Previous FY Total Hours	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	TOTAL AUDIT HOURS	HOURS REMAINING
Kronos Time & Attendance Including FMLA	Completed	107.67%	600.00	513.00	109.00	24.00	-	-	646.00	(46.00)
Quarterly Safekeeping Accts Audit	Ongoing	37.50%	172.00	-	15.00	14.00	17.50	18.00	64.50	107.50
Quarterly Audit Follow-Up	Ongoing	52.15%	172.00	-	21.25	4.00	12.45	52.00	89.70	82.30
Quarterly IAD Status Report	Ongoing	118.17%	172.00	-	49.75	27.50	57.50	68.50	203.25	(31.25)
Audit Plan & Risk Assessment	Completed	1.96%	600.00	-	8.25	0.50	2.00	1.00	11.75	588.25
Health Insurance Claims Audit - Brown Smith Wallace On-Call Auditors	Completed	137.35%	2,114.00	2,729.00	140.75	33.75	-	-	2,903.50	(789.50)
FTA Required - SSO - Security Protective Measures	Completed	77.73%	172.00	-	15.70	99.75	18.25	0.00	133.70	38.30
FTA Required - SSO - Internal Safety Audit	Completed	89.94%	172.00	-	49.20	58.50	47.00	0.00	154.70	17.30
FTA Required - SSO - Safety Certification	Completed	36.56%	240.00	-	16.45	60.50	10.80	0.00	87.75	152.25
FTA Required - SSO - Safety Data Acquisition	Completed	15.29%	240.00	-	23.95	0.00	12.75	0.00	36.70	203.30
FTA Required - SSO - Employee Safety	Completed	82.31%	240.00	-	58.70	90.75	48.10	0.00	197.55	42.45
2013 Grants Review - TSGP - Phase 2 - Captial Expenditures Audit	Completed	59.44%	400.00	119.00	85.75	12.25	20.75	0.00	237.75	162.25
2013 Grants Review - Phase 3	Completed	0.75%	400.00	-	2.00	0.00	1.00	0.00	3.00	397.00
St. Louis Downtown Airport	In Progress	53.22%	800.00	307.75	113.50	4.50	0.00	0.00	425.75	374.25
Smart Card Audit	In Progress	38.91%	800.00	-	40.25	65.75	195.75	9.50	311.25	488.75
Page 1 - Subtotal Audit Hours			7,294.00	3,668.75	749.50	495.75	443.85	149.00	5,506.85	1,787.15

**Bi-State Development
Internal Audit Department**

**Fourth Quarter Status Report
Ending June 30, 2015**

Attachment 1

FISCAL YEAR 2015 - AUDIT PLAN	STATUS	Completion Rate (Percentage)	BUDGET HOURS	Previous FY Total Hours	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	TOTAL AUDIT HOURS	HOURS REMAINING
Fuel Inventory, Cost, Consumption, and Management Audit	In Progress	44.88%	400.00	-	-	-	63.75	115.75	179.50	220.50
Accounts Payable Disbursement Audit	Completed	58.59%	160.00	-	-	-	93.75	0.00	93.75	66.25
Leon Uniforms Audit	Completed	50.63%	380.00	-	-	-	93.65	98.75	192.40	187.60
On - Call Request for Proposal Project	In Progress	44.88%	200.00	-	-	-	39.00	50.75	89.75	110.25
IMG Performance Audit	Completed	14.38%	80.00	-	-	-	11.50	0.00	11.50	68.50
Internal Audit Quality Assessment Review	Completed	68.75%	320.00	-	-	-	190.25	29.75	220.00	100.00
ADA Compliance Audit	In Progress	7.29%	240.00	-	-	-	17.50	0.00	17.50	222.50
Procurement Card (ProCard) Audit	Completed	104.75%	400.00	-	-	-	0.00	419.00	419.00	(19.00)
Capital Expenditures / New Construction Audit	In Progress	0.00%	(440.00)	-	-	-	0.00	0.00	0.00	(440.00)
City of St. Louis, Fire Truck Maintenance Audit	Completed	49.75%	400.00	179.75	15.25	3.25	0.75	0.00	199.00	201.00
Grand Total Audit Hours Per Annual Audit Plan		73.45%	9,434.00	3,848.50	764.75	499.00	954.00	863.00	6,929.25	2,504.75

**Bi-State Development
Internal Audit Department**

**Fourth Quarter Status Report
Ending June 30, 2015**

Attachment 1

FISCAL YEAR 2015 - AUDIT PLAN	STATUS	Completion Rate (Percentage)	BUDGET HOURS	Previous FY Total Hours	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	TOTAL AUDIT HOURS	HOURS REMAINING
<i>On Call Audits</i>										
Health Care TPA Administrator Audit (Brown Smith Wallace On Call Auditors)	Completed	166.08%	1,368.00	2,172.00	100.00	-	-	-	2,272.00	(904.00)
Total On-Call Audit Hours				2,172.00	100.00	-	-	-	2,272.00	(904.00)
<i>Follow-Up Audits</i>										
Accounts Payable Disbursement Refund Audit	In Progress	-	-	-	-	-	-	1.00	1.00	
Self-Funded Health Insurance Follow-Up - HIPPA GAP Analysis	Completed	-	-	-	-	-	0.00	-	0.00	
2013 Grants Review - TSGP - Phase 1 - Training Program Audit	Completed	-	-	-	-	-	2.00	-	2.00	
2013 Grants Review - TSGP - Phase 2 - Training Program Audit	Completed	-	-	-	-	-	0.00	-	0.00	
Lamar Advertising Contracts Audit	Completed	-	-	-	-	-	1.00	5.00	6.00	
City of St. Louis Fire Truck Maintenance Agreement	Completed	-	-	-	-	-	1.00	-	1.00	
Time & Attendance Including FMLA Audit	In Progress	-	-	-	-	-	0.00	0.00	0.00	
FTA Required - SSO - Security Protective Measures	In Progress	-	-	-	3.75	-	1.00	2.00	6.75	
FTA Required - SSO - Internal Safety Audit	In Progress	-	-	-	-	-	1.00	2.00	3.00	
FTA Required - SSO - Safety Certification	In Progress	-	-	-	-	-	1.00	2.00	3.00	
FTA Required - SSO - Safety Data Acquisition	Completed	-	-	-	-	-	1.00	3.00	4.00	
FTA Required - SSO - Employee Safety	In Progress	-	-	-	-	-	1.00	2.00	3.00	
Total Follow-Up Audit Hours		0.00	0.00	0.00	3.75	0.00	9.00	17.00	29.75	

**Bi-State Development
Internal Audit Department**

**Fourth Quarter Status Report
Ending June 30, 2015**

Attachment 1

FISCAL YEAR 2015 - AUDIT PLAN SPECIAL AUDIT ASSIGNMENTS	STATUS	Completion Rate (Percentage)	BUDGET HOURS	Previous FY Total Hours	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	TOTAL AUDIT HOURS	HOURS REMAINING
Board Meeting/Audit Committee Meeting Preparation	Ongoing	-	-	-	122.75	160.50	79.50	205.00	567.75	
AP Continuous Monitoring	Ongoing	-	-	-	-	-	0.00	0.00	0.00	
IA Audit Research	Ongoing	-	-	-	40.50	16.50	13.50	54.75	125.25	
Treasury Department Assistance	Ongoing	-	-	-	-	-	0.00	0.00	0.00	
Accounting Department Assistance	Ongoing	-	-	-	22.00	7.25	4.00	13.00	46.25	
DBE Application Review	Ongoing	-	-	-	-	1.00	8.25	17.00	26.25	
Budget 2016	Completed	-	-	-	-	4.75	1.00	0.00	5.75	
Records Retention - Committee	Ongoing	-	-	-	11.75	36.25	88.25	17.00	153.25	
IAD Oracle Procard Procurement	Ongoing	-	-	-	2.50	6.50	4.00	3.50	16.50	
Ethics Point (Fraud Hotline)	Ongoing	-	-	-	6.00	-	0.00	0.00	6.00	
Metro Ride Store - Cash Count	Completed	-	-	-	-	-	0.00	0.00	9.25	
CEO Special Projects	Ongoing	-	-	-	13.50	-	249.80	99.25	362.55	
Eads Bridge Project	Ongoing	-	-	-	12.50	-	0.00	0.00	12.50	
Auditor Recruitment/Intern Recruitment	Completed	-	-	-	-	19.00	21.00	11.00	51.00	
Training & Professional Development	Ongoing	-	-	-	44.75	84.50	22.25	15.75	167.25	
Total Special Audit Assignment Hours		0.00	0.00	0.00	276.25	336.25	491.55	436.25	1,549.55	

**Bi-State Development
Internal Audit Department**

**First Quarter Status Report
Ending September 30, 2015**

Attachment 2

FISCAL YEAR 2016 - AUDIT PLAN	STATUS	Completion Rate (Percentage)	BUDGET HOURS	Previous FY Total Hours	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	TOTAL AUDIT HOURS	HOURS REMAINING
Audit Follow - Up	Ongoing	15.99%	172.00	-	27.50				27.50	144.50
Quarterly IAD Status Report	Ongoing	28.63%	172.00	-	49.25				49.25	122.75
Quarterly Treasury Safekeeping Audit	Ongoing	13.95%	172.00	-	24.00				24.00	148.00
FY2017 Annual Audit Work Plan & Risk Assessment	In Progress	0.00%	172.00	-	0.00				0.00	172.00
Smart Card - Passenger Revenue Testing of Internal Controls	In Progress	39.03%	800.00	311.25	1.00				312.25	487.75
RFP On - Call Auditor Selection	Completed	9.00%	200.00	-	18.00				18.00	182.00
RFP On - Call Cyber Security Consultant Selection	In Progress	26.25%	200.00	-	52.50				52.50	147.50
Fuel Inventory Audit	In Progress	74.94%	400.00	179.50	120.25				299.75	100.25
ADA Compliance Audit	In Progress	21.88%	80.00	17.50	0.00				17.50	62.50
Segregation of Duties - IT	In Progress	48.88%	400.00	60.25	135.25				195.50	204.50
Petty Cash Change Fund Audit	In Progress	42.50%	200.00	-	85.00				85.00	115.00
Internal Service Fund Implementation - Self Funded Health Insurance Plans	Ongoing	36.22%	176.00	8.50	55.25				63.75	112.25
CEO Special Request - Arch Parking Garage	Completed	69.58%	120.00	83.50	0.00				83.50	36.50
Staples Procurement Card Audit	In Progress	74.38%	200.00	100.50	48.25				148.75	51.25
FTA Required - Comprehensive Three - Year Audit Plan	Completed	46.88%	80.00	25.50	12.00				37.50	42.50
Page 1 - Subtotal Audit Hours			3,544.00	786.50	628.25	0.00	0.00	0.00	1,414.75	2,129.25

**Bi-State Development
Internal Audit Department**

**First Quarter Status Report
Ending September 30, 2015**

Attachment 2

FISCAL YEAR 2016 - AUDIT PLAN	STATUS	Completion Rate (Percentage)	BUDGET HOURS	Previous FY Total Hours	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	TOTAL AUDIT HOURS	HOURS REMAINING
FTA Required - Security Training and Certification (Security)	In Progress	8.75%	240.00	-	21.00				21.00	219.00
FTA Required - Safety Policy (Safety)	In Progress	36.88%	200.00	-	73.75				73.75	126.25
FTA Required - Goals and Objectives (Safety)	In Progress	21.13%	200.00	-	42.25				42.25	157.75
FTA Required - Accident and Incident Investigation (Safety)	In Progress	4.25%	200.00	-	8.50				8.50	191.50
Gateway Arch Financial Audit	In Progress	0.00%	120.00	-	0.00				0.00	120.00
Riverboats Financial Audit	In Progress	0.00%	88.00	-	0.00				0.00	88.00
Armored Car Service Contract Audit	In Progress	0.00%	176.00	-	0.00				0.00	176.00
American Express Card Audit	In Progress	0.00%	360.00	-	0.00				0.00	360.00
Passenger Revenue Audit	In Progress	0.00%	176.00	-	0.00				0.00	176.00
RFP Legal Services	Completed	47.50%	100.00	2.00	45.50				47.50	52.50
Grand Total Audit Hours Per Annual Audit Plan		29.75%	5,404.00	788.50	819.25	0.00	0.00	0.00	1,607.75	3,796.25

**Bi-State Development
Internal Audit Department**

**First Quarter Status Report
Ending September 30, 2015**

Attachment 2

FISCAL YEAR 2016 - AUDIT PLAN	STATUS	Completion Rate (Percentage)	BUDGET HOURS	Previous FY Total Hours	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	TOTAL AUDIT HOURS	HOURS REMAINING
<i>On - Call Audit Hours</i>										
Health Insurance Claims Audit - On Call Contract Audit	In Progress	0.00%	1,800.00	-	0.00				0.00	1,800.00
Total On-Call Audit Hours		0.00	1,800.00	0.00	0.00	0.00	0.00	0.00	0.00	1,800.00
<i>Follow-Up Audits</i>										
Accounts Payable Disbursement Refund Audit	In Progress	-	0.00	-	5.00				5.00	
Leon Uniforms	In Progress	-	0.00	-	19.75				19.75	
Procurement Card (ProCard) Audit	In Progress	-	0.00	-	14.00				14.00	
SSO - Security Protective Measures Audit	In Progress	-	0.00	-	5.00				5.00	
SSO - Internal Safety Audit	In Progress	-	0.00	-	5.00				5.00	
SSO - Safety Certification Audit	In Progress	-	0.00	-	4.50				4.50	
SSO - Employee Safety Audit	In Progress	-	0.00	-	4.00				4.00	
Time and Attendance Including FMLA Audit	In Progress	-	0.00	-	2.75				2.75	
Total Follow-Up Audit Hours			0.00	0.00	60.00	0.00	0.00	0.00	60.00	

**Bi-State Development
Internal Audit Department**

**First Quarter Status Report
Ending September 30, 2015**

Attachment 2

FISCAL YEAR 2016 - AUDIT PLAN SPECIAL AUDIT ASSIGNMENTS	STATUS	Completion Rate (Percentage)	BUDGET HOURS	Previous FY Total Hours	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	TOTAL AUDIT HOURS	HOURS REMAINING
Accounting Department Assistance	Ongoing	-	-	-	8.50				8.50	
AP Continuous Monitoring	Ongoing	-	-	-	0.00				0.00	
Auditor Recruitment / Intern Recruitment	Ongoing	-	-	-	11.25				11.25	
Board Meeting / Audit Committee Meeting Preparations	Ongoing	-	-	-	56.25				56.25	
CEO Meetings	Ongoing	-	-	-	4.25				4.25	
DBE Applicatoin Review	Ongoing	-	-	-	0.00				0.00	
Ethics Point (Fraud Hotline)	Ongoing	-	-	-	0.00				0.00	
Freedom of Information Act	Ongoing	-	-	-	0.00				0.00	
IAD Audit Research / Reading	Ongoing	-	-	-	185.00				185.00	
IAD Oracle Procard Procurement	Ongoing	-	-	-	3.00				3.00	
Records Retention	Ongoing	-	-	-	153.50				153.50	
Training & Professional Development	Ongoing	-	-	-	30.25				30.25	
Treasury Department Assistance	Ongoing	-	-	-	0.00				0.00	
Total Special Audit Assignment Hours			0.00	0.00	452.00	0.00	0.00	0.00	452.00	0.00

**Bi-State Development
Agenda Item
Audit Committee Meeting
October 23, 2015**

From: James J. Cali, CPA
Director of Internal Audit
Subject: **Internal Audit Follow Up Summary – 4th Quarter-FY2015**
Briefing Paper No. 15-38
Disposition: Information
Presentation: James J. Cali, Director of Internal Audit

Objective

To present to the Audit Committee the Internal Audit Department's (**IAD**) follow-up findings regarding the status of prior recommendations during the 4th Quarter of FY2015.

Board Policy

Board Policy, Chapter 30 Audit, Finance and Budget Section 30.005 Audit Committee Charter, A. GENERAL. 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:

(3) Internal Audit Process

- Review with Management and the Director of Internal Audit:
 - a. Significant findings on internal audits during the year and Management's responses thereto.
 - 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 Practice of Internal Auditing).

In addition, the IAD Policies and Procedures Manual, effective May 22, 2015, in Section 2.9-Report Follow-Up, Status Reports 2. states:

The Director of Internal Audit 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."

Funding Source

Internal Audit Department Budget.

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, Internal Audit regularly monitors the status of recommendations.

The Audit Follow-Up Summary Report 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.

Analysis

Not applicable.

Committee Action Requested

This material is presented for information only; therefore, no action is required of the Audit Committee.

**FY2015 – Fourth Quarter Audit Follow-Up
 Executive Summary**

Report Name	Number of Recommendations	Completed	Outstanding – Not Overdue	Overdue
Accounts Payable Refund Check	4	4	0	0
2013 Grant Review - Transit Security Grant Program - Phase II-Capital Expenditures Audit	7	7	0	0
Time and Attendance Including FMLA Audit	11	10	1	0
City of St. Louis Fire Truck Maintenance Agreement Audit	8	8	0	0
Self-Funded Health Insurance Audit	10	10	0	0
Lamar Advertising Contracts Audit	4	4	0	0
SSO-Security Protective Measures Audit	5	3	2	0
SSO-Internal Safety Audit	3	3	0	0
SSO-Safety Data Acquisition Audit	0	0	0	0
SSO-Safety Certification Audit	5	5	0	0
SSO-Employee Safety Audit	2	1	1	0

COMPLETED FOLLOW-UP AUDIT REPORTS:

1. Self-Funded Health Insurance Audit - Closed 2nd Quarter - FY2015
2. Lamar Advertising Audit – Closed 3rd Quarter – FY2015
3. 2013 Grant Review-Transit Security Grant Program-Phase II-Capital Expenditures – Closed 3rd Quarter – FY2015
4. SSO-Safety Data Acquisition Audit– Closed 3rd Quarter – FY2015
5. City of St. Louis Fire Truck Maintenance Agreement Audit – Closed 3rd Quarter-FY2015
6. SSO-Internal Safety Audit – Closed 4th Quarter-FY2015
7. SSO-Safety Certification Audit – Closed 4th Quarter-FY2015
8. Accounts Payable Refunds Check Audit – Closed 4th Quarter-FY2015