

**BI-STATE DEVELOPMENT  
AUDIT, FINANCE & ADMINISTRATION COMMITTEE MEETING  
OPEN SESSION MINUTES  
OCTOBER 20, 2017**

**Committee Members in Attendance**

Constance Gully Chair  
Vernal Brown  
David Dietzel, (absent)  
Vince Schoemehl, (absent)  
Jeffrey Watson, (absent)

**Other Commissioners in Attendance**

Michael Buehlhorn

**Staff in Attendance**

John Nations, President and Chief Executive Officer  
Barbara Enneking, General Counsel and Deputy Secretary  
Shirley Bryant, Certified Paralegal  
Jim Cali, Director of Internal Audit  
Larry Jackson, Executive Vice President for Administration  
Kathy Klevorn, Sr. Vice-President and Chief Financial Officer  
Barbara Georgeff, Director of Executive Services  
Patti Beck, Director Communications  
Brenda Krieger, Executive Assistant  
Mark Vago, Controller  
Charles Stewart, Vice President Pension & Insurance  
Kathy Brittin, Director Risk Management, Safety & Claims  
Tammy Fulbright, Director Treasury Services  
Maryanne Coley, Manager Benefits  
David Toben, Director Benefits  
Virginia Alt-Hildebrandt, Manager Administrative Services  
Anita Dunn, Health and Welfare Plan Manager  
Jonathan Frederick, Director Accounting & Budget  
Kerry Kinkade, Vice President Chief Information Officer  
Angela Staicoff, Sr. Internal Auditor  
Gary Smith, Internal Audit Intern  
Karl Tyminski, Sr. Internal Auditor, Part-time  
Kelli Fitzpatrick, Sr. Internal Auditor, Part-time  
Andrew Ghiassi, Manager Safety & Loss Control  
Diana Bentz, Vice President Organizational Effectiveness  
Jerry Valley, External Communications Manager

**Others in Attendance**

Scott Nickerson, Crowe Horwath LLP

**1. Call to Order**

**8:00 a.m.** Chair Gully called the Open Session Audit, Finance and Administration Committee Meeting to order at 8:00 a.m.

2. **Roll Call**  
**8:00 a.m.** Roll call was taken.
3. **Public Comment**  
**8:00 a.m.** There were no public comments.
4. **Audit, Finance and Administration Committee Open Session Minutes: August 25, 2017**  
**8:01 a.m.** The August 25, 2017 Open Session Audit, Finance and Administration Committee Meeting minutes were provided in the Committee packet. A motion to approve the minutes as presented was made by Commissioner Brown and seconded by Commissioner Buehlhorn. **Motion passed unanimously.**
5. **Sole Source Contract for Performance and Management Audit/Mass Transit Consultant Services**  
**8:01 a.m.** The briefing paper regarding the sole source contract for Performance and Management Audit/Mass Transit Consultant Services and Attachments 5-1, 5-2 and 5-3 were provided in the Committee packet. Kathy Klevorn, Sr. Vice-President and Chief Financial Officer provided a brief overview. The Performance Management Audit Services are required under Article VI Section 618 of the Series 2002 Mass Transit Sales Tax Appropriation Bond Indenture that requires a review of MetroLink Infrastructure and Management Performance every two years; and St. Louis County Ordinance #24,264 (2010) that included a revision to Ordinance #24,245 (2009) which allowed the Prop A Sales Tax initiative to be placed on the April 2010 ballot in St. Louis County, requiring the Agency to enter into a contract for service and submit to a performance audit of its management and operations every three years. The original five (5) year contract was executed by Bi-State Development (**BSD**) in Fiscal Year (**FY**) 2011. IMG/Rebel (**IMG**) was the sole bidder in the FY 2011 competitive bid process, and they successfully performed the required audits under the original five (5) year contract. This contract was extended to complete the audit due May 2017. A solicitation for performance management services for the period FY 2018 to FY 2022 was issued in April 2017. Several firms showed interest, but failed to submit a proposal. Those firms were contacted and their responses were cataloged in the Follow-Up Solicitation Report. The general response was that the scope of work was geared to large consulting firms with experience auditing internal processes, performing financial audits, and auditing transportation systems and facilities. As a result of the Follow-Up Solicitation Report, the RFP was reissued to include verbiage that a Consulting Firm could partner with an Engineering Firm to fulfill BSD's requirements. Only one proposal was received from IMG/Rebel Advisory, Inc. with ABNA as the DBE subcontractor. Management recommends that the Audit, Finance and Administration Committee accept and forward to the Board for approval the request to award a five (5) year contract to IMG/Rebel Advisory, Inc. in the not-to-exceed amount of \$395,349. A motion was made by Commissioner Brown and seconded by Commissioner Buehlhorn to approve this agenda item as presented in the briefing paper and forward to the Board for final approval. **Motion passed unanimously.**
6. **Contract Modification: Employee Vision Plan Services**  
**8:04 a.m.** The briefing paper regarding the contract modification for Employee Vision Plan Services was provided in the Committee packet. Dave Toben, Director of Benefits, introduced Anita Dunn, Health & Welfare Plan Manager to provide a brief overview. The health and welfare plan consultants and Bi-State Development (**BSD**) issued a solicitation on June 17, 2013, to retain a qualified firm to provide a fully insured voluntary vision plan for eligible employees and their dependents. Enrollment in the voluntary vision plan has continued to increase year over year at

levels not originally anticipated when first presented in August 2013. The vendor is performing at expectation and management's recommendation is for the Audit, Finance and Administration Committee to accept and refer to the Board for approval the request for additional funding for Option Years one (\$142,000) and two (\$150,500) for the Employee Vision Plan in a total contract amount not to exceed \$659,000 and award any future monetary and administrative contract modifications as needed. Charles Stewart, Vice President Pension & Insurance, informed the Committee that the vision benefit is fully paid for by employee contributions, BSD advance pays the monthly premium to EyeMed Vision Care Inc. A motion was made by Commissioner Brown and seconded by Commissioner Buehlhorn to approve this agenda item as presented in the briefing paper and forward to the Board for final approval. **Motion passed unanimously.**

**7. Internal Audit Status Report – 1st Quarter FY2018**

**8:07 a.m.** The Internal Audit Status Report, 1<sup>st</sup> Quarter FY 2018 was provided in the Committee packet. Jim Cali, Director Internal Audit, provided a brief overview. The Internal Audit Status Report provides the Board, the Audit Finance & Administration Committee, and senior management with a summary of the Internal Audit Department's (IAD) quarterly activity pertaining to the Annual Audit Plan. 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. Mr. Cali introduced Sheah Thompson to the Committee, who began working in IAD as a college intern for the fall semester. During the 1<sup>st</sup> Quarter IAD has met with Crowe Horwath (Crowe), the Agency's external auditors, to assist them in the work they did for the Annual Financial Statement Audit. Also, related to the contract with Crowe, BSD reached an agreement with Crowe to begin the Quality Assessment Review of IAD, which is required once every three (3) years and which will begin in February 2018. This report was informational only and no Committee action was required. A copy of this report will be kept at the office of the Deputy Secretary.

**8. Internal Audit Follow-Up Summary – 1st Quarter FY2018**

**8:08 a.m.** The Internal Audit Follow-Up Summary, 1<sup>st</sup> Quarter FY 2018 was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. In accordance with Board Policy, the Internal Audit Department (IAD) is tasked with doing a follow-up of previously concluded audits. To ensure compliance, IAD regularly monitors the status of recommendations. Each recommendation has been reviewed and its status is either listed as "completed", "outstanding" or "overdue." During this quarter, IAD has been tracking 14 different audits and 113 recommendations. To date, management has worked diligently to close out 94 recommendations leaving 19 open, however, no recommendations are overdue. Management has done a great job implementing the recommendations and corrective action plans they committed to for the audits that are outstanding. Nine other audits with outstanding recommendations were also closed out during this 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.

**9. August Treasury Report**

**8:09 a.m.** The August Treasury Report was provided in the Committee packet. Tammy Fulbright, Director Treasury Services, provided a brief overview. BSD directed funds were approximately \$175 million with an average rate of return of .93% for the month of August, which is up about 40 basis points from last August. At this time of year, the Agency's Self-Directed Funds tend to tick downward until the Sales Tax Funds are received. Those funds were received in September. Currently, the One-Year Treasury are at 1.36%, the Two-Year Agency Bonds are at 1.67%, and the Three-Year is are 1.83%. The Feds have two more meetings this year, one in October and one in

December, with an expectation of a rate increase in December. The Fed's fund rate is expected to get up to approximately 1.5%. The Agency has investments maturing later this fall and hopes to take advantage of that rate increase in the early part of 2018. The Agency Trustee Directed Funds were at approximately \$57 million with an average rate of return of 1.37%. The Agency's October 1 payment also included a principle payment resulting in a pay down of approximately \$8.3 million. Rates are going to continue to move upward. The Fed Fund rate is expected to be approximately 2% by the end of 2018 and 3% by the end of 2019. That is good news for the Agency as rates move forward and increase. This report was informational only and no Committee action was required. A copy of this report will be kept at the office of the Deputy Secretary.

**10. Pension Audit Updates**

**8:11 a.m.** The Pension Audit Update report was provided in the Committee packet. Charles Stewart, Vice President Pension & Insurance, provided an overview. The Internal Audit Department issued a Pension Data Audit in March 2012 that identified policy, procedure, recordkeeping and internal control deficiencies that affected both financial reporting and the general administration of the pension plans. IAD recommended that the pension trustees engage an independent certified public accounting firm to perform an annual financial statement audit. That recommendation was implemented. The Financial audit reports for plan years ended 2017 were issued by Mayer Hoffman McCann, PC (MHM) in September 2017. MHM issued unqualified "clean" audit opinions for plan years ended 2017 for all three pension plans. All issues identified during the course of the audit were corrected prior to the completion of the audits. The 401(k) Retirement Savings Program audit report for year ended December 31, 2016 is in process. This report was informational only and no Committee action was required. A copy of this report will be kept at the office of the Deputy Secretary.

**11. Unscheduled Business**

**8:16 a.m.** There was no unscheduled business.

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

**8:16 a.m.** The Board was advised of the upcoming meetings, as follows:

Board Meeting:

Friday, November 17, 2017, 8:00 a.m.

**13. Adjournment to 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 pursuant to Bi-State Development Board Policy Chapter 10, Section 10.080(D) Closed Records; Legal under § 10.080(D)(1); Real Estate under §10.080(D)(2); Personnel under § 10.080 (D)(3); Health Proceedings under §10.080(D)(4); Employee Negotiations under § 10.080(D)(5); Data Processing under § 10.080(D)(6); Purchasing and Contracts under § 10.080(D)(7); Proprietary Interest under § 10.080(D)(8); Hotlines under § 10.080(D)(9); Auditors under § 10.080(D)(10); Security under § 10.080(D)(11); Computers under § 10.080(D)(12); Personal Access Codes under § 10.080(D)(13); Personal Information under § 10.080(D)(14); Insurance Information under § 10.080(D)(15); Rail, Bus, or Facilities Safety and Accidents under § 10.080(D)(16) or Protected by Law under § 10.080(D)(17).**

**8:17 a.m.** Pursuant to the requirements of Section 10.080 (D) (1), (10), of the Bi-State Development Board Policy, Chapter 10, Section 10.080, Chair Gully requested a motion to allow the Committee to go into closed session. A motion to go into Executive Session was made by

Commissioner Brown and seconded by Commissioner Buehlhorn. A roll call vote was taken and the Commissioners present, Gully, Brown and Buehlhorn voted to approve this agenda item. **Motion passed unanimously, and the Open Session meeting was adjourned at 8:17 a.m.**

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Deputy Secretary to the Board of Commissioners  
Bi-State Development