

**BI-STATE DEVELOPMENT  
AUDIT, FINANCE & ADMINISTRATION COMMITTEE MEETING  
AND OPERATIONS COMMITTEE MEETING  
OPEN SESSION MINUTES  
May 18, 2018**

**Audit, Finance & Administration Committee**

**Members in Attendance**

Aliah Holman, Chair  
Constance Gully (absent)  
Vince Schoemehl (absent)  
Jeffrey Watson (absent)  
Justin Zimmerman

**Operations Committee**

**Members in Attendance**

Michael Buehlhorn, Chair  
Vernal Brown (absent)  
Constance Gully (absent)  
Derrick Cox (absent)  
Irma Golliday (via phone)

**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  
Barbara Georgeff, Director of Executive Services  
Patti Beck, Director Communications  
Brenda Krieger, Executive Assistant  
Mark Vago, Sr. Vice-President and Chief Financial Officer  
Lisa Burke, Executive Assistant  
Kathy Klevorn, former Sr. Vice-President and Chief Financial Officer  
James Schifferdecker, Director Passenger Revenue  
Michael Gibbs, Manager Financial Operation-Admin & Business Operation  
Tammy Fulbright, Director Treasury Services  
Charles Stewart, Vice President Pension & Insurance  
Scott Grott, General Manager MetroLink  
Kent Swagler, Director Corporate Compliance & Ethics  
Kelli Fitzpatrick, Sr. Internal Auditor, Part-time  
Angela Staicoff, Sr. Internal Auditor  
Kathy Brittin, Director Risk Management, Safety & Claims  
John Langa, Vice President Economic Development  
Greg Smith, Vice President Procurement & Inventory Management  
Anita Dunn, Health and Welfare Plan Manager  
Janis Clodfelter, Benefit Specialist II  
Kerry Kinkade, Vice President Chief Information Officer  
Virginia Alt-Hildebrandt, Manager Administrative Services  
Gary Smith, Financial Analyst I  
Charles Priscu, Director Labor Relations  
Diana Bentz, Vice President Organizational Effectiveness  
Tim Nittler, Director Capital Projects  
Dave Sanders, Sr. Director Marketing & Partnerships  
Evan Glantz, Senior Administrative Assistant

### **Others in Attendance**

Brad Schelle, Crowe Horwath  
Jeff White, Columbia Capital Management  
Jason Terry, Gilmore & Bell

#### **1. Call to Order**

**8:00 a.m.** Chair Holman called the combined Open Session Audit, Finance and Administration Committee and Operations 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: March 27, 2018**

**8:01 a.m.** The March 27, 2018 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 Buehlhorn and seconded by Commissioner Zimmerman. **Motion passed unanimously.**

#### **5. Operations Committee Open Session Minutes: March 13, 2018**

**8:02 a.m.** The March 13, 2018 Open Session Operations Committee Meeting minutes were provided in the Committee packet. A motion to approve the minutes as presented was made by Commissioner Golliday and seconded by Commissioner Buehlhorn. **Motion passed unanimously.**

#### **6. Conduit Bond Financing for Merchants Bridge Project**

**8:02 a.m.** A briefing paper, together with a draft resolution, regarding the Conduit Bond Financing for Merchants Bridge Project was provided in the Committee packet. Jeff White, Columbia Capital Management LLC, and Jason Terry, of Gilmore & Bell made a brief presentation. Mr. White gave an overview of the process stating that this resolution would authorize the issuance of up to \$250 million conduit financing on behalf of the Terminal Railroad Association of St. Louis (**“TRRA”**). TRRA approached the Agency with a request to issue bonds on its behalf in order to facilitate the reconstruction of the Merchants Bridge (**the “Bridge”**). The Bridge is incredibly important as a crossing of the Mississippi River for railroad traffic nationally, and is 128 years old and ready to be replaced. The proposal would have BSD issue the bonds as a conduit financing of BSD. The TRRA (through its member railroads) will be obligated on the repayment of the bonds. All costs associated with the financing will be borne by TRRA. BSD would not be obligated to repay the bonds if the money for the repayment is not received by BSD from the TRRA, and the bondholders would have the right to look only to the loan payments BSD receives from TRRA as a source of payment of the principal and interest on the bonds. BSD previously served as a conduit issuer for the MetroLink extension to Scott Air Force Base. In response to questions from the committee, Mr. White said that BSD has limited risk in the event of a TRRA default in payment on the bonds, which risk is really what he described as an “intangible risk”, namely having defaulted bonds issued in the name of BSD. Mr. White stated that the proposed issuance, even in the event of a default on repayment, would not create any loss of market access or credit rating changes for BSD’s other existing or potential borrowing programs. Mr. White also said that the reconstruction of the

Merchants Bridge is not a BSD project and BSD does not and will not own the Merchants Bridge. Mr. White was questioned about the amount of the bond issuance, in response to which he said that the exact amount is unknown because of some outstanding grant applications and other financing scenarios which have not been determined but that are expected to be determined by the time of the BSD Board meeting on June 22. The reason TRRA has asked the Agency to do this financing on their behalf is because this is a Freightway priority and Agency participation will help to facilitate the administration of this project. This is a great opportunity for the Agency to promote the Freightway and to provide a service for a regional partner, with no risk. The TRRA will pay all transaction costs incurred by the Agency.

Mr. Terry continued the discussion stating that this resolution authorizes the issuance of up to \$250 million of conduit bonds, which is similar to the structure the Agency has used for borrowing for its own bonds. The resolution authorizes the Executive Committee to approve, at a later date, the final bond documents and the final terms of these bonds. It also authorized the Officers of the Agency to sign the necessary bond documents. This process is substantially similar to the bond resolutions that the Agency has considered in the past for its own bonds.

Mr. White stated that a Committee recommendation for approval was required to refer this matter to the full Board for final approval. The initial financing is expected to take place later this summer. There may be one financing or there may be more, depending upon whether or not TRRA is successful in securing a large loan and/or a grant for the project from the federal government.

John Nations thanked Mr. White and Mr. Terry for their presentation and added that having the opportunity and the ability to do things like this is one of the reasons the Agency was selected to be the Regional Freightway. In addition, the Agency would receive a fee for issuing the bonds. We have discussed many times using our entities to generate alternate forms of revenue. This is an opportunity to advance what has been identified as the region's number one infrastructure project, which is the approximately 128 year old Merchants Bridge. That Bridge is within 10 years of being decertified, and there is not enough capacity on the McArthur Bridge to move all the freight across the Mississippi river. It is not 100% certain that the Agency will do this, but the approval today would allow the conversation to continue and to be in a position to move forward when ready. A motion to approve this agenda item as presented was made by Commissioner Zimmerman and seconded by Commissioner Buehlhorn. **Motion passed unanimously.**

**7. Sole Source Contract Award for Farebox System Maintenance**

**8:11 a.m.** A briefing paper regarding the Sole Source Contract Award for Farebox System Maintenance was provided in the Committee packet. Kerry Kinkade, Vice President Chief Information Officer, and Greg Smith, Vice President Procurement & Inventory Management, provided a brief overview. Mr. Kinkade requested Committee approval to forward this agenda item to the full Board for final approval of the sole source contract with Scheidt and Bachmann for the Farebox Management System. This system was contracted in 2011 and installed through 2013, and is now fully operational. It is a reasonably complicated system with a lot of components; there are 472 fareboxes in the system and 14 cash receiver systems. There are systems at each garage that control the facility equipment, and there is a back end system that collects, correlates, and allows the revenue staff to control the fareboxes. In addition, the system must interact and interface with the onboard Trapeze AVL System, and the Indra SmartCard System. The farebox operation, the cash collection, and the revenue management are all critical operations for the Agency, and the proprietary nature of the system requires support from Scheidt and Bachmann only. Mr. Kinkade

advised that the Agency has negotiated with this vendor and the resulting contract is a \$1,648,000 commitment over five years with annual payments of \$336,000 per year, which is a reasonable contract given the scope of the system and the general software system guidelines.

Some discussion continued regarding future possibilities of changing the entire system. Mr. Kinkade assured the Committee that there was no immediate future need to change the system. The farebox system typically stays in use for 10 to 15 years and is currently very stable. The entire fleet was recently converted to the onboard AVL system and it is not anticipated that it would be changed anytime soon. The Indra SmartCard system is just getting on its feet so it would not be changed within the next five years either. If and when the equipment is replaced, the Agency may want to consider a single supplier for the entire network.

Larry Jackson, Executive Vice President for Administration, informed the Committee of an error in the briefing paper, second paragraph under “Board Policy” which shows sole source procurement totaled 9.6% of all procurements over the last four quarters. The correct percentage should be 11.9%. A motion to approve this agenda item as presented was made by Commissioner Golliday and second by Commissioner Buehlhorn. **Motion passed unanimously.**

**8. Sole Source Contracts for Hardware and Software Maintenance**

**8:17 a.m.** A briefing paper regarding the Sole Source Contracts for Hardware and Software Maintenance was provided in the Committee packet. Greg Smith, Vice President Procurement and Inventory Management, provided a brief overview. Bi-State Development (**BSD**) has made significant investments in technology platforms to enhance all aspects of its business. Each of these systems require continued support from the manufacturer/developers to ensure the software functions as expected and remains current with technology updates. When software products are initially licensed and deployed, BSD enters into software maintenance agreements with the manufacturers/developers to ensure the necessary support is available. BSD’s total operating budget allocates approximately \$2.8 million for costs associated with hardware and software maintenance. Kronos, Oracle and Trapeze equates to just shy of \$2 million of that total. Kronos is used for employee timekeeping, Oracle is for the Financial ERP System, and Trapeze is the Operations and Customer Service system. Several years ago the Board requested that these presentations be consolidated so they could be presented all at once. This presentation is done so that individual presentations do not have to be given throughout the year. Of the many contracts needed throughout the year for hardware and software maintenance, only three of them exceed the \$100,000 sole source Board approval level. Larry Jackson, Executive Vice President for Administration informed the Committee of an error in the briefing paper, second paragraph under “Board Policy” which shows sole source procurement totaled 9.6% of all procurements over the last four quarters. The correct percentage should be 11.9%.

A motion to approve this agenda item as presented was made by Commissioner Zimmerman and seconded by Commissioner Buehlhorn. **Motion passed unanimously.**

**9. Contract Award: Employee Vision Plan Services**

**8:20 a.m.** A briefing paper regarding the Contract Award for Employee Vision Plan Services was provided in the Committee packet. Charles Stewart, Vice President Pension & Insurance, provided a brief overview. This is a competitive negotiated bid and EyeMed was the successful bidder. This is an expenditure of \$700,000 over the course of this contract. Although this is not a budgeted item, BSD pays the bill and collects the money from the employees who participate in the vision

plan. Mr. Stewart introduced Anita Dunn, Health & Welfare Plan Manager, to provide additional information. Ms. Dunn stated that the standard RFP process was done in conjunction with the Procurement Department and with Gallagher, the Health & Welfare Plan consultant, to replace the current contract, which expires at the end of 2018. The new contract will be effective January 1, 2019, with 3 base years and 2 option years. Seven vendors were solicited and 3 bids were received. They were analyzed against various criteria and EyeMed was the highest ranking of the vendors. EyeMed offered a 15% rate reduction for years 1 through 3, with an opportunity for an additional 5% rate reduction in years 4 and 5, if BSD's loss ratio is at 65% or better on August 1 of year 3. We are currently at about 60%, so it is certainly an achievable goal. This vendor offers hearing aid discounts and a freedom pass, which is a voucher for a free set of frames at certain vendors for all enrolled participants. This is fully funded by the employees through payroll deduction, and Mr. Stewart said there is no cost to BSD; all monies are collected from the employees for this program. Based on all the information management's recommendation is for the Committee to approve this agenda item and forward it to the full Board for final approval. A motion to approve this agenda item as presented was made by Commission Buehlhorn and seconded by Commissioner Zimmerman. **Motion passed unanimously.**

**10. Contract Award: Gateway Arch Public Relations and Communications Agency Services**

**8:25 a.m.** A briefing paper regarding the Contract Award for the Gateway Arch Public Relations and Communications Agency Services was provided in the Committee packet. In Jenny Nixon's absence, Dave Sanders, Sr. Director Marketing & Partnerships, provided a brief presentation. A solicitation was issued on January 29, 2018, for Gateway Arch Public Relations and Communications Agency Services. These services are essential for BSD to interact effectively in a highly matrixed partnership in order to ensure strategic, proactive, and seamless communications to the general public as well as local, regional, and national media. Two proposals were received, evaluated and scored. Management requests the Committee's recommendation for Board approval to enter into a contract with the highest ranking firm, Common Ground Public Relations, in a not to exceed amount of \$572,000. This amount includes a 10% contingency for potential unforeseen activities and events; as well as to award monetary and administrative contract modifications as needed.

**\*\*8:26 a.m. Jenny Nixon joined the meeting.**

Jenny Nixon, Executive Director Tourism Innovation, informed the Committee that the Gateway Arch hosted the hospitality industry on Friday; and that was the largest turnout they have ever had for the St. Louis Attractions Association Tourism luncheon. Ms. Nixon added that the Board would be receiving a save the date postcard for July 2. Ms. Nixon asked for Committee approval to forward this agenda item to the full Board for final approval. A motion to approve this agenda item as presented was made by Commissioner Zimmerman and seconded by Commissioner Buehlhorn. **Motion passed unanimously.**

**11. Contract Award for Eight Full Size Sedans**

**8:30 a.m.** A briefing paper regarding the Contract Award for Eight Full Size Sedans was provided in the Committee packet. Greg Smith, Vice President Procurement & Inventory Management, provided a brief overview. BSD uses a variety of non-revenue support vehicles. The current fleet consists of approximately 62 full size sedans out of approximately 210 total support vehicles. The replacement plan for FY18 calls for 16 vehicles, 16 years or older or above 160,000 miles to be replaced. Fourteen full sized sedans fall into that category. Funding was identified for eight, and

a request for a quote was issued to 12 dealers, and only one bid was received. Only a single bid was received at \$21,390 each for a total of \$171,000, which is less than the state of Missouri paid for full sized sedans at \$21,649 so management recommends approval. Some discussion followed regarding the use of the vehicles. Mr. Jackson stated that BSD is in the process at looking at the fleet vehicle procedures and replacements. We currently have an RFP issued for a fleet management agreement where the vehicles will be totally maintained and we can turn them over a little more efficiently than we are doing today. Part of that process of making the transition to a fleet management program will be a review of all placements to make sure we only have vehicles that are absolutely necessary. A motion to approve this agenda item as presented was made by Commissioner Zimmerman and seconded by Commissioner Buehlhorn. **Motion passed unanimously.**

**12. FY2019 Annual Audit Work Plan and Risk Assessment**

**8:35 a.m.** A briefing paper regarding the FY2019 Annual Audit Work Plan and Risk Assessment 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 responsible for preparing an Annual Audit Work Plan. The FY19 Audit Work Plan concentrates on the auditable units associated with grants, passenger revenue, payments and performance of contract services. The Plan confirms compliance with the relevant professional standards for IAD. The scope of the Annual Work Plan is designed to address key risk areas such as Corporate Systems, Support Systems, and Operational Systems. In preparing the audit program, many managers throughout the Agency were asked for their suggestions and areas for improvement. Over 14 individual submissions for audits were received, which have been reflected in this annual audit program. Passenger revenue activities were looked at as part of the high concentration of cash and revenue, high dollar volumes, as well as vendor contracts. The risk assessment used by IAD helps focus efforts on high risk areas, allowing for proper planning, ensuring that the audit resources are focused on those areas needing the greatest attention, and providing the best value to BSD's management.

Commissioner Holman asked if any of the 14 audits submitted were new issues. Mr. Cali responded that some are new and others are variations of old audits, because business processes had changed. IAD is concentrating on the high dollar vendor contracts. In addition to reviewing financial audits, IAD reviews compliance audits, operational audits, and safety and security audits that are required by the FTA. A motion to approve this agenda item as presented was made by Commissioner Golliday and seconded by Commissioner Buehlhorn.

**13. 3<sup>rd</sup> Quarter Financial Statement**

**8:40 a.m.** The 3<sup>rd</sup> Quarter Financial Statement report was provided in the Committee packet. Mark Vago, Sr. Vice-President and Chief Financial Officer and Michael Gibbs, Manager Financial Operation-Admin & Business Operation provided a brief overview. Mr. Gibbs informed the Board that this presentation will also include the Performance Indicators.

Executive Services business unit is composed mostly of revenue of management assessments from the BSD business units and the National Park Service. During the last nine (9) months their revenue increased 9.5%, which is \$3.1 million and their expense was \$2.9 million, primarily due to wages and benefits with a year over year increase in personnel. The income before depreciation was \$137,000.

Gateway Arch has seen a ridership increase year over year of 39%, and we are anticipating the ridership number to increase. The revenue for the year to date is \$5.3 million, which is a 39% increase over last year. Their expenses are \$5.2 million which is a 19.9% increase, mostly due to increased staffing and also increased advertising expense. The contribution to outside entities was \$909,000, and that is primarily a National Park Service (NPS) request for rehabilitation money for the Gateway Arch Projects. Income before depreciation was \$73,000.

Riverfront Attractions has had a good year so far, the passenger experience is up 11% and they have added 18 cruises this year over last year. There seems to be an increased interest in charter cruises. Their revenue of \$1.9 million is up 6.9% over last year. Their expenses of \$1.8 million is up 2.9% over last year. One of their largest expenses is material, supplies and staffing as they have more participation and more cruises. Income before depreciation is \$183,000.

St. Louis Downtown Airport has a total revenue of \$1.2 million or a 7% increase over last year. Their fuel sales are greater than last year by 3%. Their aircraft movements over last year have decreased but their base aircraft of 313 units has stayed steady for the last two quarters. Their total expenses of \$1.1 million is 6.2% over last year, which leaves them with \$89.8 thousand dollar income before depreciation. They sold a hangar during this last nine months for \$1.3 million which gave a gain of \$24,000. The balance sheet will show a large change in cash year over year and that is where this money is; and it can be used for operating expenses.

Mr. Vago discussed Metro statistics and financial information. Metro Transit for the first 9 months of the year had revenue of \$230 million. Passenger revenue of \$31.1 million that is down 7% compared to last year. Ridership is down 9%, ridership through the first nine (9) months is \$28.2 million in boardings. A year ago at this time it was \$31 million, and two years ago it was \$33 million. Metro Transit has contractual revenue coming in from the City of St. Louis, the County of St. Louis, and St. Clair County, of \$27 million, \$107 million and \$41 million respectively. Expenses are \$221.7 million for the first nine (9) months, with about 65% in wages and benefits. Services is \$420 million which is consistent with last year. Materials and supplies of \$18 million. There was some MetroBus engine rebuilds and fuel injectors that were not anticipated which leaves an income before depreciation of \$8 million compared to last year.

St. Louis Regional Freightway total revenue year to date is \$105,000. Their total expenses were \$563,000 with a loss before depreciation of \$457,000. They are continuing to forge agreements, to promote inland trade along the Mississippi, and to advance freight industries and freight movement within the area.

Bi-State Development Research Institute had total revenue of \$371,000, and \$218,000 of that is awards in grant funding and \$150,000 of that is in kind contributions provided by BSD for office services and personnel. The expenses are \$247,000, resulting in income before depreciation of \$123,000. The Research Institute also received the 5<sup>th</sup> Annual Argus Award for achievement in public policy and recognizing its work in addressing regional issues related to health cost and fresh food needs in the area, which is all part of the kiosk program.

Arts in Transit had a total income of \$186,000, and \$33,000 of that is grants and funding, and \$153,000 is in kind contributions by BSD. Total expenses are \$172,000 primarily for the payment of artists, licensing, and wares. Under the leadership of David Allen, the MetroScape local artist contest received 143 entries and 10 of them are now on display in 200 bus shelters all over the Metro Transit system.

Commissioner Holman asked if Metro numbers show that ridership is down 9% and passenger revenue is down, does that mean that there is greater farebox recovery. In response, Mark Vago said farebox recovery has been going down, our average fare is staying pretty much flat, but we are seeing an increase in our contractual revenue with St. Louis City and St. Louis County that is offsetting passenger revenue decrease at this time.

Commissioner Zimmerman questioned that if there is a \$49 to \$50 million loss, is that mainly because of depreciation or is that loss mainly on paper at this point. Mr. Vago said we probably have on an annual basis \$60 to \$70 million in depreciation, which in our case unlike a for profit that has to fund their assets at 100%, BSD only has to fund a portion of that for the local match and about 80% of that is funded through federal funds. So that is why we look at it before depreciation.

Mr. Gibbs continued his presentation discussing the Self-Insurance Funds. The Health Insurance Division received revenue of \$23 million which is a 4.5% increase over last year. The expenses were \$28 million, which is a 28.5% increase over last year. The loss before transfers was \$5.2 million. The main driver of this is that the revenue is received through the employees, by using the headcount rate from our third party actuary. That rate is not meeting the actual expenses that we are incurring.

Self- Insurance Casualty Division has revenue of \$4.2 million which is an 8% increase over last year. Their expenses for this year are flat, year over year at \$3.4 million, and income before transfers is \$743,000.

Workers Compensation total revenue is \$6.6 million that is a 74% increase over last year. The expenses are \$5.4 million, a 33% increase over last year, and income before transfers is \$1.1 million.

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

**14. 3<sup>rd</sup> Quarter Performance Indicators**

**8:49 a.m.** The 3<sup>rd</sup> Quarter Performance Indicators report was provided in the Committee packet. This agenda item was discussed during the presentation of agenda item 13. This was informational only and no Committee action was required. A copy of this report will be kept at the office of the Deputy Secretary.



**15. March Treasury Report**

**8:50 a.m.** The March Treasury Report was provided in the Committee packet. Tammy Fulbright, Director Treasury Services provided a brief overview. She explained that three months reporting was included in this report, to be in sync with other financial reporting. BSD Directed Funds in January was \$208 million with an average rate of return of 1.32%. In February it was almost \$218 million with an average rate of return of 1.34%. In March it was \$208 million with an average rate of return of 1.44%. The spike up in February was timing, BSD purchased buses in March which reduced the numbers back to \$208 million. The average rate of return in December was at 1.16% and in March it was 1.44%. We actually picked up about a quarter percent between December and March, which was equivalent to what the Fed Funds increased rates to in December and there was another rate increase in March. Trustee Directed Funds in January was \$44 million with an average rate of return of 1.76%. February was at \$47 million with an average rate of return of 1.88%; and March was \$49 million with an average rate of return at 1.91%. As of April 1, that \$49 million will be reduced by \$12 million because BSD paid out its semiannual interest payments on the 2009 and 2013 debt. The three month treasury is currently at 1.84%, the six month is at about 2%, and the one year is at about 2.25%. The two-year Agency bonds are at 2.66% and the three-year bonds are at 2.8%. The Fed's met in May and they kept the rates steady at 1.75%, and after six years inflation has finally got to their target rate of 2%. They are not really so concerned with economic growth but they do have some slight concerns over trade disputes. It is still expected that there will be another rate increase of another ¼% in June. It is expected that there will be three rate increases this year, with the third expected in December. Three rate increases are expected in 2019 which would get us to a Fed fund rate of 3%. 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.

**16. 3<sup>rd</sup> Quarter Procurement Report**

**8:52 a.m.** The 3<sup>rd</sup> Quarter Procurement Report was provided in the Committee packet. Greg Smith, Vice President Procurement & Inventory Management, provided a brief overview. The 3<sup>rd</sup> Quarter 2018 Non-Competitive Procurement total \$1.6 million or 9.6% of the total purchase order commitment volume of \$16,240,000. Rolling last twelve months non-competitive procurement total \$12 million or 11.9% of the total purchase order commitment volume of \$102 million. This presentation was informational only and no committee action was required. A copy of this report will be kept at the office of the Deputy Secretary.

**17. Treasury-Safekeeping Quarterly Accounts Audit Ending March 31, 2018**

**8:53 a.m.** The report regarding the Treasury-Safekeeping Quarterly Accounts Audit ending March 31, 2018, was provided in the Committee packet. Jim Cali, Director Internal Audit, provided a brief overview. In accordance with Board Policy, Chapter 30, the Internal Audit Department is charged with the responsibility of reviewing all of the funds that are held by a third party custodian that are classified as Safekeeping Funds. IAD works closely with the Treasury Department to establish where these funds are and reviews the information from the custodian that the funds are there and the values are properly stated. IAD has determined that the Safekeeping Accounts exist, and the respective balances have been fairly presented. 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.

**18. Internal Audit Follow-Up Summary, 3<sup>rd</sup> Quarter FY2018**

**8:54 a.m.** The report regarding the Internal Audit Follow-Up Summary, 3<sup>rd</sup> Quarter FY2018 was provided in the Committee packet. Jim Cali, Director Internal Audit, provided a brief overview. The most important part of the Internal Audit is the implementation of the recommendations by management. The Internal Audit Summary is a report card on the status on how management is doing toward implementing the recommendations that they have agreed to through the various audits that have been presented during the year. During the third quarter, there was great effort put forth by management, and we have no outstanding or overdue recommendations. To date, we have closed 57 out of 99 recommendations and as of the end of the third quarter, 13 audits have been completely closed out. This is a true testament to the great work that management is performing in implementing IAD's recommendations and observations. The 42 remaining recommendations are not overdue, but some of these recommendations have a time implementation date somewhere in the future. Some are related to a budget request in the future fiscal year where they need more time to complete the actual implementation. Management works with IAD to build this corrective action plan with the implementation dates. IAD follows up on all of those dates to make sure management is meeting all of those goals and none of the remaining 42 are at risk of being overdue. 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.

**19. Internal Audit Status Report, 3<sup>rd</sup> Quarter FY2018**

**8:55 a.m.** The Internal Audit Status Report, 3<sup>rd</sup> Quarter FY2018 report was provided in the Committee packet. Jim Cali, Director Internal Audit, provided a brief overview. The Internal Audit Status Report for the third quarter shows the activity of IAD, and what audits are being performed. IAD is in good shape as compared to the annual audit program. Some of the highlights that took place during the third quarter are that the Internal Audit Department worked with Crowe Horwath, our external auditors, and completed IAD's quality review and again IAD received the highest rating possible under the Institute of Internal Auditing Standards. IAD worked with Human Resources to do the recruitment for the next college student intern, and has selected Camila Rivas who is a Masters in Accounting student at St. Louis University. IAD also attended the Government Finance Officers Association and National Conference, and got some good quality CPE at a really low rate. 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.

**20. Unscheduled Business**

**8:56 a.m.** There was no unscheduled business.

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

**8:57 a.m.** The Board was advised of the upcoming meetings, as follows:

Board Meeting:	Friday, June 22, 2018, 8:00 a.m.
Operations Committee:	Tuesday, August 21, 2018, 8:00 a.m.
Audit, Finance & Administration Committee:	Friday, August 24, 2018, 8:00 a.m.

**22. 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).**

**8:58 a.m.** Pursuant to the requirements of Section 10.080 (D) (1), (7 ), (10), (11), (16) and (17) of the Bi-State Development Board Policy, Chapter 10, Section 10.080, Chair Holman requested a motion to allow the Committee to go into closed session. A motion to go into Executive Session was made by Commissioner Zimmerman and seconded by Commissioner Buehlhorn. A roll call vote was taken and the Commissioners present, Holman, Buehlhorn, Zimmerman, Golliday voted to approve this agenda item. **Motion passed unanimously, and the Open Session meeting was adjourned at 8:58 a.m.**

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Deputy Secretary to the Board of Commissioners  
Bi-State Development