



Chautauqua, Cattaraugus, Allegany & Steuben Counties

Southern Tier Extension Railroad Authority

Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York 14779
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"This institution is an equal opportunity organization"
John Margeson, Chairman

STERA AUDIT COMMITTEE MEETING MINUTES

March 30, 2011

The Audit Committee of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority met at 9:30 AM on March 30, 2011 in the Conference Room in the office of the Southern Tier West Regional Planning and Development Board in the Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York. The following persons were in attendance:

Committee Members In Attendance

Michael Brisky
Jay Gould

Representing

Cattaraugus County
Chautauqua County

Committee Members Not In Attendance

James Griffin, Committee Chairman
Vacancy

Representing

Steuben County
Allegany County

Other STERA Board Members in Attendance

James Cooper
Seth Corwin
William Daly
Joseph Eade
John Margeson

Representing

Southern Tier West RPDB
Steuben County
Chautauqua County
Cattaraugus County
Allegany County

Others Attending

Thomas Barnes
John Thomas
Joseph Trussalo
Richard Zink

Representing

STERA Secretary
The Villager (media)
Joseph Trussalo CPA
STERA CEO and CFO/Treasurer

1. Call to Order and Introduction of Those Present

In the absence of Committee Chairman Griffin, Mr. Gould called the meeting to order at 9:30 AM.

2. Approval of Minutes of Previous Meetings

The Committee adopted a resolution approving the minutes of the February 16, 2010 meeting (Gould, Brisky, passing unanimously). The Committee adopted a resolution approving the minutes of the May 17, 2010 meeting (Gould, Brisky, passing unanimously).

Unfinished Business

3. Presentation by Auditor of Audit, Communications Letter, and Management Letter for year ending December 31, 2010

Joseph Trussalo of Joseph Trussalo CPA presented the audit, management letter, and deficiencies letter for the year ending December 31, 2010. He gave STERA an unqualified opinion. There was discussion with respect to the following issues raised in the Management Letter.

With respect to the preparation of internal financial statements, Mr. Trussalo indicated that a cost-benefit analysis of using external assistance in this regard was problematic for a small organization such as STERA. He indicated that an ideal solution to this issue would be for an Audit Committee member or members to review STERA's bank statements monthly and sign off on them, and also reconcile bank statements to internally prepared financial statements, whenever prepared. This could be done through email, with perhaps a signature provided when the member or members attend a STERA meeting in person. Mr. Gould suggested that all members of the Audit Committee review the bank statements and internally prepared financial statements, with the Chairman signing off on the financial statements. Mr. Trussalo indicated that this would be a good internal control practice.

With respect to conflict of interest issues, Mr. Trussalo noted STERA's current Code of Ethics and Standards of Conduct Policies, which have conflict of interest provisions, and indicated that the current practice of having all Board members execute the Cattaraugus County Ethics Form / Conflict of Interest Form (disclosing any actual or potential conflicts with respect to family, business ownership, or investments) and transmit them to the Cattaraugus County Attorney satisfied the good practice with respect to disclosure of potential or actual conflicts, but he suggested that it would be a good internal control practice to also have management oversight of this conflict declaration process so as to make management aware of any potential or actual conflicts and thereby inform everyday Authority operations. Mr. Daly suggested that the Governance Committee receive copies of the filed Cattaraugus County forms, and make a report to the Board and to management. It was noted that the Board had indicated that it would direct management (senior contract staff) to file the Cattaraugus County forms, and Mr. Trussalo indicated that this also would be a good internal control practice.

With respect to records management and disposal issues, it was noted that STERA has adopted a records Management Policy and also has adopted Schedule MI-1 specifying retention and disposal requirements for different types of records, bringing STERA into compliance in this regard.

The Audit Committee adopted a resolution recommending to the Executive Committee that it accept and approve the audit, communication letter, and management letter; transmit them to NYS ABO by the March 31 submission deadline; include them in the STERA Annual Report; and direct that the Authority take appropriate operational actions as discussed above (i.e., with respect to preparation of internal financial statements and conflicts of interest oversight) (Brisky, Gould, passing unanimously).

4. Assessment of the Effectiveness of Internal Controls for year ending December 31, 2010

The Committee reviewed PAAA and NYS ABO requirements for the required Annual Assessment of STERA's Internal Controls and reviewed a draft Assessment of the Effectiveness of Internal Controls for the year ending December 31, 2010. This review of this assessment formerly had been

conducted by the Governance Committee. However, the NYS ABO model audit committee charter (and accordingly STERA's Audit Committee Charter) provides that the assessment should be conducted by the Audit Committee. The draft assessment is prepared in a format consistent with NYS ABO specifications.

Per the draft assessment, the Committee recommended no change in Authority operations or policies to as to increase the effectiveness of internal controls or so as to minimize the risk associated with Authority operations, other than those discussed above in the discussion relating to the Management Letter.

The Committee adopted a resolution approving the assessment and recommending that the Board make a finding that there are no changes in Authority operations or policies that could be made so as to increase the effectiveness of internal controls or so as to minimize the risk associated with Authority operations, other than those discussed above in the discussion relating to the Management Letter; approve the assessment; transmit the approved assessment to NYS ABO by the March 31 submission deadline; and include it in the STERA Annual Report (Brisky, Gould, passing unanimously).

5. Self-Evaluation Report for year ending December 31, 2010

The Audit Committee Charter provides that the Committee will conduct a self-evaluation of its performance on an annual basis. Management has provided a report outlining Audit Committee performance based on the current Audit Committee Charter. (The Audit Committee Charter is based on a model audit committee charter provided by the NYS ABO. There are no other specific State regulations or policies regarding expectations for audit committee functions, responsibilities, operations, or performance.) Each item in the self-evaluation follows along in order with Audit Committee Charter provisions.

The self-evaluation report finishes with a summary of deficiencies and recommendations, and specifies four deficiencies, all of which have been corrected/implemented d by the Audit Committee.

This management report is written in the form of a report from the Audit Committee to the Board on Audit Committee that is a self-evaluation of Audit Committee performance. The Audit Committee adopted a resolution approving the self-evaluation report, and authorizing its transmission to the Executive Committee and Board of Directors (Brisky, Gould, passing unanimously).

6. Audit Committee Report on Review of Audit Committee Charter

The Audit Committee Charter provides that the Committee will review its Charter annually and make recommendations for revision to the Board. Management has provided a report on proposed revisions of the Audit Committee Charter, and the Committee reviewed and discussed the proposed revisions. The management report is in the form of a report from the Audit Committee to the Board on proposed Audit Committee Charter revisions, and includes a revised Audit Committee Charter that includes these proposed revisions. The Audit Committee adopted a resolution approving the proposed revisions to the Audit Committee Charter and recommending to the Executive Committee that it approve the revised Audit Committee Charter on behalf of the Board (Brisky, Gould, passing unanimously).

7. Other Old Business

None.

New Business

None.

8. Public Comment

There was no public comment.

9. Next Meeting Date and Agenda for Next Meeting

Mr. Gould noted that the Audit Committee would next meet as needed, most likely immediately before a scheduled Board meeting, to discuss appropriate matters.

10. Adjournment

The Audit Committee adjourned at 10:20 AM.

I certify that this is an accurate summary of the meeting of the Audit Committee of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority held on the date indicated above.

Name:

Office:

Date: