



Chautauqua, Cattaraugus, Allegany & Steuben Counties
Southern Tier Extension Railroad Authority

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"This institution is an equal opportunity organization"
John Margeson, Chairman

STERA GOVERNANCE COMMITTEE

MINUTES – October 17, 2011

The Governance Committee of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority met at 9:00 AM on October 17, 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

Joseph Eade, Chairman
Seth Corwin
William Daly

Representing

Cattaraugus County
Steuben County
Chautauqua County

Committee Members Not In Attendance

Timothy O'Grady

Allegany County

Board Members In Attendance

James Cooper

Representing

Southern Tier West

Others Attending

Thomas Barnes

Representing

STERA Corporate Secretary

1. Call to Order and Introduction of Those Present

Committee Chairman Joseph Eade called the meeting to order at 9:05 AM. He noted the presence of a quorum for the meeting.

2. Reading and Approval of the Minutes of the Previous Meeting

The Committee approved the minutes of the prior meeting, held June 20, 2011 (Daly, Corwin, passing unanimously).

Unfinished Business

3. Internal Control Procedures

The Committee noted prior discussions held at the March 30 Executive Committee meeting, the June 20, 2011 Governance Committee meeting, and the June 20, 2011 Board meeting regarding amending operating policies with respect to the development of internal interim financial statements.

Consistent with the recommendations of the auditor, the Executive Committee had recommended to the Board that it adopt an internal control procedure relating to the preparation of internal interim financial statements for review by the authority Board whereby the Audit Committee would review interim financial transactions and draft interim internal interim financial statements and the Audit Committee Chairman would physically sign off on the statements before they are reviewed by the authority Board.

At the June 20, 2011 Governance Committee meeting, the Governance Committee reviewed and discussed a summary of the authority's internal control procedures, which included this new procedure for the development of internal interim financial statements, and adopted a resolution recommending to the Board that it approve the Internal Control Procedures document and the procedures contained therein.

The Audit Committee also reviewed this proposed new procedure at its June 20, 2011 meeting, but failed to endorse the new procedure, instead noting to the Board at the June 20, 2011 STERA Board meeting that the Audit Committee had some issues with the proposed internal control procedures document and the process for developing internal interim financial statements. At the June 20, 2011 STERA Board meeting, Audit Committee Chairman James Griffin proposed that STERA would engage an external accountant to review bank statements and internally prepared financial statements before they were presented to the Audit Committee for review. The Audit Committee then would recommend to the Board that the Board approve the interim financial statements. Also, the Audit Committee Chairman would not physically sign off on the statements.

After discussion, the Board approved Audit Committee Chairman James Griffin's suggestion at its June 20, 2011 Board meeting.

Mr. Barnes reported that STERA CEO Richard Zink had secured three bids for the required accounting services related to the development and approval of interim financial statements, and had engaged Joseph Trussalo CPA for these services. However, per the 2005 PAAA, STERA cannot use Joseph Trussalo CPA for these services contemporaneously with using Joseph Trussalo CPA for audit services without the written consent of the Audit Committee, so Mr. Zink had indicated that he would discuss this matter with the Audit Committee at the October 17 Audit Committee meeting.

The Governance Committee had no comments on the process, deferring to the Audit Committee for its current views on the process.

4. Report on Ethics Filings

Mr. Barnes presented a draft management report on the Ethics Filings made with the Cattaraugus County Attorney's Office prior to April 30, 2011. Despite the discrepancies between the copies of the

filings that the Cattaraugus County Attorney's Office had subsequently provided to STERA and what had been filed, which Mr. Barnes noted at the June 20, 2011 Governance Committee meeting that he had been unable to resolve, STERA management feels comfortable that it can rely on the Cattaraugus County Attorney's Office's representations (a) that STERA has complied fully with the NYS ABO Policy Guidance 07-02 annual filing requirement regarding financial disclosure and (b) that, per the County Attorney's Office's review of the Ethics Forms (financial disclosure forms) submitted by STERA Board members and STERA Corporate Officers to the Cattaraugus County Attorney's Office by April 30, 2011, there no financial issues or ethical issues arising from STERA operations and there are no indications that any STERA Board members or STERA Corporate Officers might be in a situation of actual or potential conflict of interest or where their independent judgment in the exercise of their duties for STERA may be impaired.

At the June 20, 2011 STERA Board of Directors meeting, the STERA Board had directed that Board members will send copies of the 2012 Ethics Forms filings to both the Cattaraugus County Attorney's Office and STERA management, so that the issue relating to the discrepancy between submitted Ethics Forms and copies of the submitted Ethics Forms provide by the Cattaraugus County Attorney's office will not arise in the future.

In its oversight role in STERA governance activities, the Governance Committee reviewed the management report and adopted a resolution approving it and recommending to the STERA Board that it approve it (Daly, Corwin, passing unanimously).

5. Other Unfinished Business

There was no other unfinished business.

New Business

6. STERA-STW Administrative Contract

Mr. Barnes had distributed copies of the STERA-STW Administrative Agreement approved and executed in October 2000, and in effect for a period of 20 years. At the June 20, 2011 STERA Board meeting, Mr. Griffin had suggested that STERA and STW execute such an agreement and the STERA Board had approved this, with all parties forgetting that in fact there already was such an agreement in place already.

In its oversight role in STERA governance activities, the Governance Committee noted that Mr. Griffin might have some suggestions for terminating or revising this agreement, and indicated that once Mr. Griffin had provided his recommendations in this regard, the Governance Committee would revisit the potential revision of the agreement.

7. Contract and Procurement Policy

Mr. Barnes discussed procurement issues relating to direct contracting with WNYP and STW for services without competitive procurement. After discussion, the Governance Committee agreed to recommend that the Board engage an attorney to help provide answers to these questions.

8. Other New Business

There was no other new business.

9. Public Comment

There was no public comment.

10. Next Meeting Date and Agenda for Next Meeting

Mr. Eade noted that the Governance Committee would next meet as needed to discuss appropriate matters.

11. Adjournment

The Board adopted a resolution to adjourn at 9:30 AM (Daly, Corwin, passing unanimously).

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

Name: _____

Office: _____

Date: _____