



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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John Margeson, Chairman

STERA AUDIT COMMITTEE MEETING MINUTES

June 18, 2012

The Audit Committee of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority met at 9:00 AM on June 18, 2012 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
John Foels
Jay Gould
James Griffin, Committee Chairman

Representing

Cattaraugus County
Allegany County
Chautauqua County
Steuben County

Others Attending

Sarah Phearsdorf

Representing

Southern Tier West RPDB

1. Call to Order and Introduction of Those Present

Chairman Griffin called the meeting to order at 9:00 AM.

2. Reading and Approval of the Minutes of the Previous Meeting (March 5, 2012)

The Committee approved the minutes of the March 5, 2011 meeting (Foels, Gould) passing unanimously).

Unfinished Business

3. Discussion re: how to best address the separation of duties and any methods to address risk in relation to the internal financial statements.

The Committee continued the discussion regarding (a) how to address the separation of duties issue and (b) what a workable internal control policy for minimizing risk as regards the development of interim financial statements.

In March, the Committee had proposed, and the Board had approved, a procedure in which all bank statements, checks, bank reconciliation reports, and interim financial statements be reviewed quarterly by the CFO, who would then recommend that the Board approve the interim financial statements. Per this new process, the Audit Committee would not have a role in reviewing and approving interim financial statements and making recommendations to the Board. In March, the

Committee also had indicated that at its next meeting it would spend time brainstorming as how to best address the separation of duties and any methods to address risk in relation to the internal financial statements. Subsequently, a report concerning "IT", backups, records, etc, would be generated. The report will then be forwarded to the Governance Committee and Board to approve and adopt it.

The Committee discussed the recent proposal by CEO Richard Zink in which the responsibilities for entering invoices and receipts into the accounting software system, cutting checks, making deposits, and developing a reconciliation report with respect to bank statements would be split between three Southern Tier West employees (including the CEO and Corporate Secretary). This would address the separation of duties issue noted by the auditor.

This proposed system also was summarized in the proposed Internal Control Procedure policy discussed below.

After discussion, the Committee decided to adopt a resolution recommending to the Governance Committee and Board of Directors that they adopt the proposed policy (Foels, Brisky, passing unanimously).

The Audit Committee indicated that it wished to review the interim financial statements in advance of the Board meeting, although the Audit Committee will not have a specific role in approving them or recommending to the Board that the Board approve them, per the new procedure.

4. Development of report concerning "IT", backups, records, etc.

The Committee had the sense that this was a role for the CFO to play, not for the Audit Committee. This discussion will be between the CFO and the CEO. The Audit Committee will not be involved, unless its involvement somehow becomes warranted.

5. Revision of Internal Control Procedures

The Committee discussed the latest revision of the Internal Control Procedure Policy, which had been prepared per the discussions at the March Audit Committee and Board meetings, and then revised again to accommodate the newly proposed procedures to address separation of duties as discussed in item #3 above. After discussion, the Committee decided to adopt a resolution recommending to the Governance Committee and Board of Directors that they adopt the proposed policy (Brisky, Foels, passing unanimously).

6. Other Unfinished Business

There was no other unfinished business.

New Business

7. Recommendation of RFP for Audit Services

After discussion, including a review of the proposed RFP, the Audit Committee adopted a resolution recommending to the Board that it undertake a RFP process for procuring audit services for a three year period (Brisky, Gould, passing unanimously).

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

The Audit Committee will next meet on October 15, 2012 at 9:00 AM.

11. Adjournment

The Audit Committee meeting adjourned at 9:30 AM (Griffin, Brisky, passing unanimously).

**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: Thomas M. Barnes

Office: Secretary

Date: June 18, 2012