



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 5, 2012

The Audit Committee of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority met at 9:00 AM on March 5, 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

Representing

Cattaraugus County
Allegany County
Chautauqua County

Committee Members Not In Attendance

James Griffin, Committee Chairman

Representing

Steuben County

Others Attending

Richard Zink
Edward Bysiek

Representing

STERA CEO and CFO/Treasurer
Bysiek CPA LLC

1. Call to Order and Introduction of Those Present

In the absence of Chairman Griffin, Mr. Gould called the meeting to order at 9:00 AM.

2. Reading and Approval of the Minutes of the Previous Meeting (November 14, 2011)

The Committee approved the minutes of the November 14, 2011 meeting (Brisky, Gould) passing unanimously).

3. Changeover of Auditor

Mr. Zink reported that STERA's current auditor (Trussalo) has terminated the multi-year contract for his provision of auditing services. After consultation with Audit Committee Chairman James Griffin, Mr. Zink had obtained three quotes for audit services for the year ending December 31, 2011. With the approval of Mr. Griffin, Mr. Zink selected low bidder Edward Byisek (Bysiek CPA PLLC) to provide the required audit services. The STERA Audit Committee adopted a resolution approving this process and the selection, and recommending that the Board approve the selection of Mr. Byisek to provide the required audit services (Brisky, Foels, passing unanimously).

4. Presentation of Audit and Management Letter

Mr. Bysek presented and discussed the audit for the year ending December 31, 2011, and the accompanying management letter. The audit indicated an unqualified opinion. The management letter indicated there was a deficiency in CCASSTERA's internal control as follows:

Separation of Duties

Effective internal control over financial reporting states that control activities should be selected and developed at various levels of an entity to reduce risks to achievement of financial reporting objectives. Management has not separated incompatible activities of Organization personnel, thereby creating risks to the safeguarding of cash.

Additionally, the management letter indicated that there are opportunities for strengthening internal controls and operating efficiency, as follows:

Risk Assessment

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the entity's audited financial statements and then should determine how those identified risks should be managed. Management has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including footnote disclosures.

There was a 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.

It was proposed that 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. It was also proposed that the Audit Committee at its next meeting 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. Once that meeting is held, a report concerning "IT", backups, records, etc, will be generated. The report will then be forwarded to the Governance Committee and Board to approve and adopt it. The Audit Committee approved these provisions for recommendation to the Board and Governance Committee (Gould, Foels, passing unanimously).

After discussion, the Committee adopted a resolution recommending that John Foels be named CFO of the STERA Board (Brisky, Gould, passing unanimously).

After discussion, the Committee adopted a resolution recommending that the Board approve the audit for the year ending December 31, 2011 and the accompanying management letter, and recommending that the Board take appropriate steps discussed to address issues brought forward in the management letter (Brisky, Foels, passing unanimously).

5. Review of Bank Statements and Interim Financial Statements

The Committee reviewed the bank statements, bank reconciliation report, and financial statements for the period ending February 29, 2012 and adopted a resolution recommending that the Board

approve the financial statements for the period ending February 29, 2012 (Gould, Brisky, passing unanimously).

Unfinished Business

6. Proposed Revision of Bylaws to Permit the Treasurer / CFO to be a Board member and Development of Job Description for the CFO

The Committee discussed the recommendation of Audit Committee Chairman James Griffin that the first sentence of Section 3 of Article V of the Bylaws would be revised to say “may be a Board member,” and adopted a recommendation to the Governance Committee and the Board that they approve this revision (Gould, Brisky, passing unanimously).

The Committee also noted the indication of Audit Committee Chairman James Griffin that he would work with staff to develop a job description for the CFO, and indicated that the Committee would review any such draft job description that was developed.

7. Proposed Revision of the Audit Agreement

This matter was made moot by the revision of the internal control procedure so that the auditor will not be involved in reviewing internally prepared interim statements during the course of the year, as a function of the audit agreement.

8. Other Unfinished Business

There was no other unfinished business.

New Business

9. Review of Reports

Draft Audit Committee Self-Evaluation Report for Calendar Year 2011

The Committee reviewed the Audit Committee Self-Evaluation Report for Calendar Year 2011, which showed no deficiencies. After discussion, the Committee adopted a resolution recommending that the Board approve the Audit Committee Self-Evaluation Report for Calendar Year 2011 (Brisky, Gould, passing unanimously).

Draft Audit Committee Charter Review Report March 2012

The Committee reviewed the Audit Committee Charter Review Report, which summarizes the proposed revisions that the members of the Committee had suggested on November 14, 2011, and adopted a resolution recommending that the Board approve the Audit Committee Charter Review Report (Brisky, Gould, passing unanimously).

Draft Organizational Assessment of the Effectiveness of Internal Controls

The Committee reviewed and discussed the Organizational Assessment of the Effectiveness of Internal Controls. Based on the audit for the year ending December 31, 2011, and the accompanying management letter, the Committee decided to amend the assessment as follows:

The Assessment should be amended to reflect any changes in the internal control procedures discussed in item #4 above – if there are any – to reduce or minimize risk relating to internal preparation of interim financial statements.

After discussion the Committee adopted a resolution recommending that the Board approve the amended Organizational Assessment of the Effectiveness of Internal Controls (Foels, Brisky, passing unanimously).

10. Other New Business

There was no other new business.

11. Public Comment

There was no public comment.

12. Next Meeting Date and Agenda for Next Meeting

The Audit Committee will next meet on June 18, 2012 at 9:00 AM.

13. Adjournment

The Audit Committee meeting adjourned at 9:30 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: