

**MINUTES OF THE
AUDIT COMMITTEE**

THURSDAY, AUGUST 9, 2012

At a meeting of the **Audit Committee**, held Thursday, August 9, 2012, in the Board Room, on the 9th Floor of the Administration Building, Mount Clemens, the following members were present:

Moceri-Vice Chair, Flynn, Frascchetti, Gralewski, Sabatini, Sauger and Tocco.

Absent and excused were Brown and DiMaria.

Commissioner Frascchetti was delayed and had called to ask if Vice Chair Moceri could start the meeting.

There being a quorum of the committee present, Vice Chair Moceri called the meeting to order at 9:18 a.m.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited.

AGENDA

MOTION

A motion was made by Tocco, supported by Gralewski, to adopt the agenda, as presented. **The Motion Carried.**

MINUTES

MOTION

A motion was made by Sabatini, supported by Flynn, to approve the February 23 and March 15, 2012 minutes of this committee, as written. **The Motion Carried.**

PRESENTATION ON 2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT OF MACOMB COUNTY AS PREPARED BY THE AUDIT FIRM REHMANN ROBSON

Commissioners were provided with the following:

- A three-page “DRAFT” document (dated June 29, 2012) titled “Communication with those charged with governance under SAS No. 114” which was prepared by the audit firm Rehmann Robson
- A four-page “DRAFT” document titled “Attachment A - Consideration of Internal Control Over Financial Reporting for the December 31, 2011 Audit” which was prepared by the audit firm Rehmann Robson
- A seven-page outlined letter dated June 29, 2012 from the Macomb County Finance Department addressed to the audit firm Rehmann Robson
- A spiral bound booklet titled “Macomb County, Michigan - Comprehensive Annual Financial Report (CAFR) for the Year Ended December 31, 2011” which was issued by the Finance Department

Pete Provenzano reported that the audit was an intense process which was led by Steve Smigiel with the help of Michelle Mykytiak and Mary Beth Schenden. He reported that they received an unqualified opinion from the auditors which is the best opinion that can be obtained. He noted there were two recommendations made and they have already been implemented.

He mentioned a few financial results of the audit:

- Macomb County did better than expected creating a more efficient government
- Unfortunately, they missed their revenue target estimates by about \$2.5 million which are charges for services, not property taxes
- On the expenditure side, about 100 budgeted positions remained vacant throughout the year which amounted to \$9.7 million in savings
- The departments have done a phenomenal job only buying operating supplies when it is absolutely critical and in doing so operating expenses came in under budget by \$7.1 million
- As an example, the Sheriff’s Office in total came in under budget by \$4 million

Tracey Kasperek from Rehmann Robson briefly overviewed the Independent Auditors’ Report dated June 29, 2012 which was contained in the CAFR. She then overviewed the “DRAFT” management letter titled “Communication with those charged with governance under SAS No. 114” dated June 29, 2012. Attached to the three-page letter was “DRAFT” Attachment A, which contained a summary of their findings and recommendations.

She indicated the documents were still in "DRAFT" form and they will become final, along with the Single Audit Report which is due September 30th. At that time if there are any additional findings they will be shown in the final report.

Mark Kettner from Rehmann Robson overviewed "DRAFT" Attachment A titled "Consideration of Internal Control Over Financial Reporting for the December 31, 2011 Audit." Key topics consisted of the following:

- 2011-1 Material Audit Adjustments
- 2011-2 Preparation of the Schedule of Federal Expenditures of Federal Awards
- 2011-3 Suspended and Debarred Parties

He noted there was a new standard that was reflected in the CAFR this year; GASB Statement No. 54.

He advised commissioners of two new standards coming up: GASB Standard No. 67 required to go into place for 2013 and GASB Standard No. 68 required to go into place for 2014 which are changes to the pension standards. During discussion, he advised commissioners that among other things it requires, the County will have to have two actuarial evaluations every year. He suggested that the Pension Board be advised of the new upcoming standards.

He advised commissioners the next thing that will come after whatever standards there are for the pension they will get mirrored with retiree health care. During discussion, he noted that an actuarial evaluation needs to be done on the sick leave plan.

The following commissioners spoke: Sabatini, Flynn and Mocerri.

MOTION

A motion was made by Frascchetti, supported by Tocco, to receive and file the 2011 Comprehensive Annual Financial Report of Macomb County as prepared by the audit firm Rehmann Robson. **The Motion Carried.**

NEW BUSINESS

Commissioner Flynn inquired about the purpose of the August 29th Audit Committee meeting. Pete Provenzano indicated the purpose of that particular meeting is to approve the County Executive's recommendation for the audit firm for the next five years. Currently, Rehmann Robson's contract with the County for the last five years has expired. He noted a Request for Proposals (RFP) was sent out and bid responses are due this Friday and they will be reviewing the responses over the next few weeks.

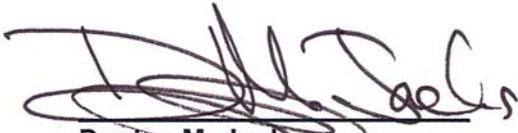
Commissioner Frascchetti inquired if the County will be consolidating all auditing to include the Department of Roads. Pete Provenzano stated that is correct. Right now, Plante & Moran are the auditors for the Department of Roads and have done that audit for the Road Commission for a number of years. The County, because it was a separate entity from the Road Commission, had their own auditors. He indicated they are looking to consolidate auditors to do both audits for the next five years. He noted the RFP has been sent out and bid responses are due this Friday and that decision will be brought to this committee on August 29th.

Commissioner Frascchetti informed Mark Kettner if there is anything else Rehmann Robson needs to provide to this Board by September 30th, to either contact him or Pete Provenzano and he will schedule another meeting of the Audit Committee.

ADJOURNMENT

MOTION

A motion was made by Tocco, supported by Sabatini, to adjourn the meeting at 9:50 a.m. **The Motion Carried.**

A handwritten signature in black ink, appearing to read "Denise M. Jacks", written over a horizontal line.

**Denise M. Jacks
Committee Reporter**