

Nassau County Comptroller's

Audit Advisory Committee

2008 Annual Report

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Background and Purpose:

The Nassau County Comptroller's Audit Advisory Committee (Committee) was established by Comptroller Howard S. Weitzman in 2003 to garner outside advice and oversight for the County's financial and auditing operations. Comprised of financial experts and business leaders, this Committee is one of a handful that exists to assist counties in New York State. The Committee consists of five independent members, plus designees from the County's Administration and the County Comptroller.

The Committee assists in monitoring Nassau County's finances and oversees the independent audit of the County's financial statements. The Committee provides advice to the Comptroller in connection with his selection of the County's independent auditor. The Committee examines the appropriateness of the external audit's scope, reviews audit results, and assesses the adequacy of internal controls by both the administration and the auditors. In addition, the Committee reviews and comments on the Comptroller's internal audit plan, audits prepared pursuant to that plan, agency responses, and County control directives and procedures. When appropriate, the Committee periodically conducts special projects and provides advice and consultation on other matters affecting the County's finances.

The Committee's role is advisory only. It may make such recommendations as it believes appropriate to its role. (See Exhibit I for Operating Guidelines of the Committee.)

Committee Composition:

The Committee is composed of a minimum of seven members:

- County Executive or designee
- County Comptroller or designee
- At least five experienced County community/business/financial leaders selected by the Comptroller who are independent of the County and local governments. (One of these independent members is chosen to serve as the chairperson).

Committee members as of December 31, 2008:

Louis C. Grassi: Managing Partner of Grassi & Co., a full service tax, accounting, and business advisory firm. Mr. Grassi is a member of the American Institute of Certified Public Accountants (AICPA) and is on the Board of Trustees of The New York Institute of Technology. Mr. Grassi chaired the External Audit Firm RFP Subcommittee.

Vivianne Hernandez: With 25+ years in the financial services industry, Ms. Hernandez was a partner with Strategic Value Partners LLC, a high yield and distressed debt global hedge fund management firm (\$3.5 billion in assets under management). Ms. Hernandez served on the External Audit Firm RFP Subcommittee.

Aline Khatchadourian: Nassau County's Deputy Comptroller for Audit & Special Projects (serving as designee of the County Comptroller).

Lee E. Launer: Retired partner of PriceWaterhouseCoopers LLP. Mr. Launer is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries and a Fellow of the Conference of Consulting Actuaries. Mr. Launer served on the Nassau Health Care Corporation Subcommittee.

John B. Schwartzman: Adjunct Associate Professor of Finance at Hofstra University and President of the Village of Sea Cliff Library Board of Trustees. A former Chief Investment Officer for Citicorp Investment Services, he was a compliance supervisory principal responsible for approving investment products, sales policies, and advertising.

Thomas W. Stokes: Deputy County Executive for Management, Budget and Finance (serving as designee of the County Executive).

Robert A. Wild: Chairman and Managing Partner of Garfunkel, Wild & Travis, P.C., a law firm specializing in healthcare. Mr. Wild was the Chairman of the Committee and also served on the Nassau Health Care Corporation Subcommittee.

The County Comptroller and a director of Deloitte & Touche, the County's current independent auditor, attend every meeting. Service on the Committee is pro-bono. County officials serving on the Committee do not receive compensation in addition to their regular salaries. Outside members of the Committee serve staggered terms to ensure continuity and stability.

The Year in Review:

During its fifth full year, the Committee consulted with the outside auditors, discussed audit findings, and examined County internal control policies and procedures. The Committee also reviewed the County's financial position and budget, the growing financial crisis and its impact on the County and its debt, the status of tax certiorari refund obligations, and the growing cost of health benefits and identifying savings opportunities.

The Committee actively evaluated the Comptroller's annual internal audit plan, reviewed audit reports issued by the Comptroller's Office, and were regularly updated on the status of major audits in progress. The Committee encouraged key County officials to cooperate with and assist the Comptroller's Office to ensure County department compliance with audit corrective action plans.

Summary of Issues Addressed by the Committee

County's Financial Position

Comptroller Weitzman and members of the County Administration updated the Committee on the County's financial situation throughout the year. In March, the 2007 annual close was reviewed. The County ended 2007 with a \$23.8 million surplus. Two one-time only factors contributed to the surplus: 1) use of \$12 million out of \$50 million borrowed to pay real estate tax refunds, and 2) redirecting \$17.4 million of capital funds borrowed in 1999 for Metropolitan Transportation Authority projects to the retirement of debt.

In July, the Committee reviewed a draft of the Comptroller's Mid-Year Report for 2008. Deputy County Executive Stokes noted that sales tax revenues remain a key area of risk and expressed concern that overtime expenditures will increase in 2008.

In November, the 2009 budget was discussed. Mr. Stokes noted that the administration identified a potential \$100 million gap between revenues and expenditures. He advised that \$35 million of this gap will be reduced through a property tax increase and \$70 million will be reduced through a variety of measures, which include: \$20 million of initiatives requiring New York State approval and \$27 million of cost reducing initiatives. The Comptroller's report on the proposed budget identified a structural gap of \$122.9 million and identified areas of risk totaling \$82 million.

After the budget was released, the national economic situation deteriorated significantly. The Comptroller called on the County Executive and the Legislature to cut the proposed budget by \$30 million and warned that additional reductions would be needed if sales tax receipts continued to drop. Comptroller Weitzman observed that the County Legislature may have the difficult decision of cutting services or people. As sales tax continued to decline during 2008, Comptroller Weitzman updated the Committee that, in November, economists on Long Island predicted sales tax revenues in 2009 would range from flat to a 2% increase.*

*The County ended 2008 with a 1% decline in sales tax and sales tax receipts have declined 8% for the period November 2008 – March 2009.

Sales Tax

Sales tax revenues comprise 40% of the County's total revenues. Given the importance of sales tax to County finances, the Committee discussed the Comptroller's Office's plans to resume auditing sales tax. A sales tax audit agreement was finalized with New York State. While the initial hope of contracting with a firm to develop predictive data to identify non-filers or under-reporters proved impossible in the County's difficult economic climate, the Comptroller hopes to compare State data to County business records by using the County's current data mining software to identify businesses that are not paying sales tax.

Comptroller Weitzman expressed concern regarding the accuracy of New York State's administration of sales tax revenues, noting that large companies file weekly reports, while others report less often. The County's share of sales tax revenues is based on the prior year's percentages; at the end of a quarter, actual revenues are reviewed and adjusted by the state, which is not a good model for predicting sales taxes, and adjustments take significant time. The State was very slow to report the drop in sales tax receipts to localities.

Tax Certiorari Claims

Tax certiorari refunds and liability remained an area of risk and Mr. Weitzman expressed concern over the administration's use in 2007 of long-term borrowing to pay property tax refunds. The Comptroller's Office and Deloitte emphasized the need to review the accuracy of the County's real estate tax refund liability in light of the continued high refund payments.

In March, Mr. Weitzman advised that real estate tax refunds were \$37 million over budget in 2007: \$25 million of this additional expense was paid from the County's operating budget, and \$12 million was borrowed. Mr. Stokes projected that refunds would be \$40 million over budget in 2008. The administration planned to again use borrowed funds to pay the additional unbudgeted expense (ultimately the 2008 expense was reported at \$98.8 million).

Long-Term Debt

The Committee appointed two members to monitor the effect of the ongoing fiscal crisis on the debt issued by the County and NIFA. In January, the Committee met with Jeffrey Nogid, the Debt Manager of the County's Office of Management and Budget. Mr. Nogid advised that the County had approximately \$3.1 billion of outstanding long-term debt, of which \$1 billion consisted of floating or variable-rate debt. He added that \$600 million of the Nassau Interim Finance Authority (NIFA) long-term debt was hedged by interest rate swaps and that \$700 million of the County's variable-rate debt is backed by bond insurers (FSA, CIFG, and MBIA Inc.). At that point, he estimated that the County's maximum exposure on the \$1 billion of floating rate debt was \$10 million – an exposure that would only materialize if all auctions failed.

As the auction rate debt market froze and failed, Deputy County Executive Stokes advised the Committee that NIFA ended up paying additional interest expense – up to the failure interest rate of 15% on auction rate securities. The additional expense to the County because of the failure of the credit markets for the period January 1, 2008 through April 30, 2008 is estimated to be \$7.7 million.

Given the continued financial uncertainty, in March the Comptroller wrote to NIFA stating his preference that NIFA variable rate debt be converted to fixed and that an analysis be performed comparing the costs and risks of fixed versus variable rate debt. The Comptroller also urged that NIFA retain a financial advisor and consult more openly with the County leadership on its financing plans.

As the financial markets continued to present complications throughout the year, the subcommittee on financial exposure was briefed by Mr. Nogid concerning NIFA's plan to substitute variable rate debt obligations for its auction rate securities and, later in the year, on the County's concern that one of NIFA's liquidity providers, Dexia, had proved to be too expensive and should be replaced. The subcommittee was also briefed on the changing exposure through NIFA's swap agreements, which would have cost approximately \$30 million to terminate in March and approximately \$70 million to terminate by the end of the year.

Health Benefits

In 2008 the Legislature enacted into law two recommendations that had been made in a health benefits savings report under the leadership of committee member Lee Launer. The Committee's July 2007 report, *Providing Affordable Health Benefits for County Employees and Retirees: Some Suggested Solutions*, had recommended that the County strengthen the requirements for earning lifetime health benefits. The Legislature unanimously enacted Comptroller Weitzman's proposal that lifetime health benefits be available only to employees who have worked for the government for at least 10 years, five of which must be with the County. The amendment also provided that retiree health benefits are available only to those employees whose County service ended within five years of their retirement eligibility, closing another loophole that had been identified in the Committee's report. The new law affects non-union employees.

The County may lose potential employees as a result of the strengthened requirements for vesting retiree health insurance. Comptroller Weitzman suggested that one possible alternative is that the retiree's health insurance be paid proportionally by the municipalities the individual worked for and having the State Comptroller act as an intermediary, similar to the way pension obligations are funded.

Comptroller Weitzman also asked the Legislature to consider another proposal from the report: authorizing the County Executive to increase the health insurance buy back to provide an incentive to more employees to drop the costly coverage. With the assistance of Mr. Launer, the Comptroller's Office worked with the administration to administer a survey of County employees to determine if this could be done cost effectively. The proposal to increase the buy back, if enough new buy back takers signed up to create cost savings for the County, was submitted to the Legislature for non-union employees. It would require collective bargaining for most County employees.

In September, the Committee was briefed by Director of Labor Relations Dan McCray and Mr. Stokes concerning the administration's review of options to change health insurance providers. As a result of the Committee's discussion, it appeared very difficult to provide the same benefits, as required under current collective bargaining agreements, at a cost savings. The administration

is also hampered in negotiations because it does not have access to its claims history. Comptroller Weitzman expressed concern over whether the County can save money by switching health insurance plans without cutting benefits and suggested the administration review the reports by outside consultants prepared before the County's switch to BPA.

The Committee was also briefed on County consultant's Manatt, Phelps & Phillips, LLP analysis of NYSHIP's accumulated retained premiums. With the assistance of member Lee Launer, Comptroller Weitzman joined the County Executive to make the case to the State Budget Director that NYSHIP had over-accumulated \$540 million in premiums payments from participating governments, far exceeding the amounts needed to cover the cost of the program. Member Launer noted that achieving premium reductions are complicated because NYSHIP must negotiate with each insurance company. State negotiators have conceded that the current 9% cushion level, due to the excess premiums, far exceeds an appropriate 3% to 4% cushion amount. NYSHIP eventually announced that 2009 premiums were increased by only 1.2%. Comptroller Weitzman is still exploring with the State whether it can return the accumulated excess premium from prior years. One option being recommended by the County is for the State to skip billing for one month which would result in savings of approximately 8.5%.

Nassau University Medical Center (NUMC)

In 2008, the Nassau Health Care Corporation Subcommittee was unable to arrange a meeting with representatives of NUMC. The Subcommittee, therefore, cannot provide comments with regard to NUMC's activities and potential impact on the County's finances.

County Information Technology Department

Deloitte has for years expressed some concern over the Department of Information Technology in its management letter. An on-going issue, the quality of disaster recovery planning, was addressed to the Committee by Commissioner of Information Technology, Robert Checca, who provided an overview of the County's disaster recovery plan and IT initiatives. The County's original static IT disaster recovery plan, with backup tapes stored in Rockland County for security will be replaced with a hot site. Chairman Wild asked if IT's Bethpage data center had a tie-in with the Long Island Power Authority (LIPA) to address power failures, and Mr. Checca responded that backup equipment enables them to independently run critical systems that need electricity, such as traffic lights.

Comptroller Weitzman asked if checks could still be issued if the Nassau County Office Building had to be evacuated. Mr. Stokes noted that the County Treasurer and the Office of Purchasing have remote access set up so they can generate checks. The Comptroller's Office, which has to authorize all payments including payrolls, had not been included in the disaster planning. Mr. Stokes advised that only a limited number of employees could be accommodated at the County's disaster recovery site. Comptroller Weitzman indicated that the County should identify the groups of employees that would be needed on-site if a localized disaster occurred. He noted that vendors, taxpayers, and employees' tolerance for disruption would be lower in a localized emergency than if a more wide-spread emergency, such as a hurricane, occurred.

Throughout much of the year, the County engaged in planning to procure a new computer system ("ERP") to manage all financial processes and replace FAMIS. In September, the Committee

discussed Nassau Community College’s (NCC) IT issues. NCC had decided to participate in the planning for the new ERP system. Mr. Weitzman noted that all who opt into ERP agree to the same controls. Mr. Weitzman noted that NCC’s administration opposes the Comptroller’s Office’s right to approve their invoices believing they should be able to spend as they see fit as long as it is in accordance with the budget. Managing their IT independently would cost NCC more and increase its independence. Comptroller Weitzman advised that, while the County Legislature approves NCC’s budget, the County does not subsidize NCC and NCC would need increases in real property taxes or tuition to obtain additional funds. The Committee also discussed NCC’s implementation problems with the new computerized student information Banner system.

Collective Bargaining Issues

In September, the Committee met with Director of Labor Relations McCray who briefed the Committee on the County’s completed negotiations with the Police Benevolent Association (PBA), Detective’s Association (DAI) and Sheriff Officers Association (ShOA). He provided schedules outlining the cost savings over the lifetime of the contracts:

<u>Union</u>	<u>Contract Period</u>	<u>Savings</u>
PBA	2007 – 2012	\$92.5 million
DAI	2007 – 2012	\$33.7 million
ShOA	2005 – 2012	\$48.6 million
Total Savings:		<u>\$174.8 million</u>

Mr. McCray noted that the County cost for salary increases was 3.9% for the PBA and DAI from the 2007 baseline year and 3.5% for the ShOA from the 2005 baseline year. He indicated that starting salaries for new County police officers will be \$34,000, with an increase to \$45,000 upon reaching step one. He also noted that the Nassau County Police Commissioner has identified 50 positions for civilianization and made the salary comparison of a ten-year administrative officer earning \$169,000 (with shift differential and limited overtime) versus a ten-year CSEA employee earning, on average, \$59,000; the savings are substantial.

Audit Plan

The Committee monitored the progress of the Comptroller’s Office’s 2008 audit plan. The plan included audits of time and leave practices at the Department of Social Services, Purchasing and the Human Rights Commission, audits of non-profit agencies that have contracts with the County, an audit of the County’s bus shelter vendor contract, operational audits of the Department of Consumer Affairs and Treasurer’s Office, and financial audits of special districts.

Chairman Wild inquired how the not-for-profit group Leadership Training Institute (LTI) was chosen for an audit and Comptroller Weitzman responded that the audit was requested by the Department of Social Services and an audit plan risk assessment was also conducted. The LTI audit found that the County asked LTI to reserve eight beds for Nassau County troubled youths; however, when not in use LTI “sold” those beds to persons from other counties without informing or reimbursing Nassau County. Chairman Wild noted that a not-for-profit agency may seek to increase operating revenues but that the “surplus” generated by LTI from the sale of beds is not appropriate.

In June, Deputy Comptroller Khatchadourian presented the Comptroller's Office's 2008-2009 Audit Plan. She also detailed the risk assessment efforts of the Field Audit unit of the Comptroller's Office, including:

- Obtaining management input from the Comptroller's Office sections of Claims Processing, Accounting, and Payroll departments;
- Obtaining management input from the County Administration, including Deputy County Executives, District Attorney's Office, County Attorney's Office and Treasurer;
- Reviewing Deloitte's Management Letters;
- Examining the status of the implementation of the Corrective Action Plans issued as a result of all of the audits conducted since the beginning of Comptroller Weitzman's tenure;
- Evaluating all of the County's 2006-07 vendor contracts and, from that evaluation, selecting the largest contracts for detailed analysis;
- Conducting an analysis of errors found by the Claims Processing department to identify those vendors/agencies that are the source of claims processing errors;
- Identifying departments with the largest amounts of departmental revenue; complete a multi-year analysis (by County departments) of County revenues and expenditures.

External Audit and Management Letter

In January, Mr. Robert Rooney, Firm Director at Deloitte & Touche LLP, provided copies of Deloitte's 2008 Audit Plan. He advised that Deloitte will communicate with the Committee throughout the audit process in an open and transparent manner. A business cycle control rotation plan will be followed for the testing of controls and the County's expenditures, payroll and personnel, and tax revenue controls will be tested. Deloitte will review the County's journal entries, obtaining an understanding of recurring, monthly and year-end transactions. Other important areas of audit are the County's general computer controls, its methodology for tax certiorari liabilities, and long-term debt. Deloitte will also look at the County Clerk's Office, due to the findings noted in the Comptroller's Office's audit issued in 2007. They will review the integration of the County Clerk's records with the County's accounting system, and the receipt and allocation of revenues.

Cindy Antonucci, lead auditor, discussed the *Deloitte & Touche Report to Management for 2006*. Important matters for the County to address include:

Bank Reconciliations: similar issues were noted in the current 2007 audit regarding older reconciling items, which must be researched and corrected. Deputy Comptroller Khatchadourian noted that the Field Audit Section will focus on this during their audit of the Treasurer's Office and Ms. Antonucci commented that improvement has been seen since last year.

Accrued vacation and sick pay, deferred payroll: many issues identified in the 2006 Report have been resolved. Ms. Antonucci indicated that Deloitte had not noted any problems with timely recording of retirees' deferred payroll information this year.

Tax certiorari refunds: Deloitte has noted improvement regarding documentation and historical information. There are small claims which haven't been paid from the 2001 through 2006 tax years because the Treasurer was unable to locate the taxpayer. It was noted that some individuals who file for refunds are determined to be ineligible because of cases where a

property had a prior owner during the period being challenged, or where an owner has moved and can't be located.

Deferred revenues: some departments need to improve tracking deferred revenues, particularly the Department of Social Services.

Accounts receivable: a new module of NIFS (Nassau Integrated Financial Systems) is being used for accounts receivable and Ms. Antonucci indicated that there were fewer issues this year. It was noted that questionable receivables related to smaller dollar items (rents, for example), rather than to the much larger New York State and Federal government receivables.

Deloitte issued a letter to the Committee dated July 10, 2008 which commented on their audit of the County's financial statements as of December 31, 2007. Points in the letter highlighted by Mr. Rooney included:

- Significant accounting estimates reflected in the County's 2007 financial statements included allowances for uncollectible real property taxes receivable and accounts receivable, accrued vacation and sick pay, arbitrage rebate liability, and tax certiorari.
- The County's accounting policies were noted to be consistent with the prior year's except for the adoption of Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions* and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.
- Deloitte made specific inquiries of the County's management about the representations embodied in the financial statements that professional standards require and received the written representations that the County is required to provide to its independent auditors.

Comptroller Weitzman advised that the 2007 Comprehensive Annual Financial Report (CAFR) will report a significant increase in the deficit in net assets because the County's liabilities include, for the first time, the future cost of lifetime health benefits for current and future retirees. The implementation of GASB Statement No. 45, which requires municipalities to report annual other post-employment benefits (OPEB) costs and the unfunded actuarial accrued liabilities for past service costs, will materially affect the County's financial reporting. Mr. Weitzman indicated that some small municipalities may opt to fund their OPEB, however most New York State municipalities, including Nassau County, intend to follow the pay-as-you-go approach.

Deloitte & Touche Report to Management for 2007

Deloitte will issue a separate report to management for the year ended December 31, 2007 regarding the County's internal control over financial reporting and other matters that were identified during the audit.

In November, the Committee discussed the County Clerk's response to Deloitte's draft 2007 Report to Management. Mr. Rooney noted that the Comptroller's Office's March 2007 audit found material weaknesses in the control, oversight, and accounting for the \$300 million dollars that flows through the County Clerk's office annually. Deloitte's recent audit of the County

Clerk's Office attempted to determine if the problems reported in 2007 still existed and if there were mitigating controls in place.

Mr. Rooney noted that the County Clerk's Office received a draft Report to Management of findings regarding their office. He advised that they had the opportunity to respond and provide supporting documentation to dispute any of the audit's findings and observations. The County Clerk's Office wrote Deloitte to advise that they are considering legal action if the findings are not removed from the Report to Management. Mr. Rooney noted that Deloitte had tried to discuss the audit findings in order to meet the County's timetable for issuing the management letter but was unable to arrange a meeting. He noted that Deloitte was getting advice from its counsel regarding their response to the County Clerk.

Comptroller Weitzman, noting that Deloitte is independent from the County, suggested that Deloitte make every effort to resolve open issues with the County Clerk, as any legal action could affect the issuance of the annual management report, and potentially impact the County's relationship with Deloitte as its external audit firm.

It is the view of the Committee that the interests of the County and its citizens would be best served by a resolution of the issues raised with respect to the County Clerk. The Committee urged the County Clerk and Deloitte & Touche to work cooperatively to address these issues.

Special Report

A draft of the Nassau County *2007 Financial Condition Report* was reviewed. Comptroller Weitzman noted that while the County's Comprehensive Annual Financial Report (CAFR) is an award-winning report garnering annual Certificates of Achievement for Excellence in financial reporting from the Government Finance Officers Association, its length and complexity make it difficult for the public to read and understand. This new 15-page report presents a snapshot of the County's financial condition and provides general information in an easy-to-understand format. Director of Accounting Kugler noted that the *Financial Condition Report* differs from a "popular" CAFR because it only reports on the County's five major operating funds. Due to this more limited scope, she noted that the report cannot be tied into the CAFR.

The *Financial Condition Report* will be distributed in an environmentally sound and cost effective way, with less than 1,000 copies being mailed to reference libraries, schools and other research institutions; it will also be available to the public on the Comptroller's website.

Agency Financial Control Questionnaire

Committee members inquired how special districts, such as water districts, are selected for audit. Ms. Khatchadourian responded that financial statements are obtained and reviewed and a risk assessment is performed. She noted that the Comptroller's Office does not have the staff and resources available to cycle all water districts for audit. Mr. Rooney suggested that wider distribution of the *Comptroller's Agency Financial Controls Questionnaire* could assist in identifying candidates for audit. Currently, the Department of Social Services sends the questionnaire as part of their 2008 contract cycle with outside agencies. Completing the questionnaire is voluntary at present, but in 2009 it will become mandatory. Comptroller Weitzman noted that the County cannot require water districts, or other special districts, to

respond to the questionnaire. Ms. Khatchadourian advised that a report summarizing all questionnaire responses will be prepared.

Conclusion:

The Committee is advised of major financial issues facing the County, and the administration continues to provide the Committee with access to staff and financial information. During the upcoming year, the Committee intends to follow-up on issues already reviewed, as well as monitor and report on new matters that may occur. In particular, the Committee stresses the importance of implementing strong internal controls throughout the County, especially at the departmental level. The members will continue to provide oversight, consultation and advice as the County's initiative to improve internal controls proceeds and as other matters affecting the County's finances are considered by the Committee.

EXHIBIT I

OPERATING GUIDELINES FOR THE NASSAU COUNTY INDEPENDENT AUDIT ADVISORY COMMITTEE

PURPOSE

The Nassau County Audit Advisory Committee (the “Committee”) assists in monitoring Nassau County (the “County”) finances. The Committee monitors and advises where appropriate the independent audit of the County’s financial statements from the selection of the independent auditor to providing advice on the resolution of audit findings. The Committee examines the appropriateness of the outside audit’s scope; the preparation of the annual financial statements; the audit results; and the assessment of the adequacy of internal controls by both the administration and the auditors. In connection with the independent audit, the Committee performs the following functions:

1. Reviews significant written communications between the County and the independent auditors including the management letter and recommends resolutions for any items requiring follow-up and monitoring;
2. Provides input on the creation of an external audit plan and periodically reviews the plan to provide recommendations for changes in process and procedures; and
3. Meets at least once annually, or more often if necessary, with the County’s independent auditors about significant risks or exposures facing the County and assesses steps the County has taken or proposes to take to minimize such risks and periodically review compliance with the County’s proposed steps.
4. The Committee will, from time to time, evaluate, analyze and recommend action on other matters, activities and issues that might impact the finances of the County.

Similarly, the Committee reviews and comments on the Comptroller’s internal audit plan, audits prepared pursuant to that plan, agency responses and County control directives and procedures and periodically participate in special projects when appropriate.

ANNUAL REPORT

At the end of each year, the Committee prepares a report summarizing its activities, which generally include a description of:

- a) The Committee’s monitoring of the County’s financial statements, comprehensive annual financial report and outside audit; and

- b) Any other matters considered by the Committee.

The year-end report is transmitted to the Comptroller, the County Executive, and the Presiding Officer and Minority Leader of the County Legislature, and will be made available for review by the public.

COMPOSITION OF THE COMMITTEE

Members of the Committee are appointed by the Comptroller in the following manner, subject to the approval of the Committee:

The Committee is composed of a minimum of seven members:*

County Executive or designee;

County Comptroller or designee; and

At least five independent members, experienced County community/business/financial leaders selected by the Comptroller, subject to the approval of the Committee, who are independent of the County and local governments. One of the five independent members shall be chosen to serve as committee chairperson and one shall be chosen as vice-chairperson. The chairperson and vice-chairperson shall be elected from among its independent members. The vice-chairperson shall assume the responsibilities of the chairperson when the chairperson is not available.

* The Committee may conduct its business with fewer members while awaiting the filling of vacancies.

Collectively, the Committee should possess the expertise and experience in accounting, financial reporting and finance needed to understand and monitor the preparation of the County's financial statements and the independent audit of those statements.

GOOD STANDING

A Member shall be considered a Member in Good Standing and eligible to vote on issues presented before the Committee if the Member has attended a minimum of three meetings in a twelve-month period, unless the Member's absence has been approved by the Committee. Members who do not meet the minimum attendance requirement may be removed from the Committee unless good cause for such absences has been accepted by the Committee in its sole discretion.

TERMS OF APPOINTMENT

Service on the Committee is pro-bono. County officials serving on the Committee will not receive compensation in addition to their regular salaries. All administrative expenses shall be borne by the Comptroller's Office. Independent members of the Committee serve staggered terms so as to ensure continuity and stability of the Committee. Term of Service for independent

members shall be a three-year term. Independent members may be reappointed at the end of their term for additional terms.

All independent members shall hold their position until successors are chosen, except where an independent member has resigned or has been removed from the Committee.

PLACE OF MEETINGS

All meetings of the Committee shall be held at the Comptroller's Office or any other venue that has been designated from time-to-time.

REGULAR MEETINGS

The Committee shall schedule regular meetings at least quarterly and special meetings as necessary. Notice of all meetings shall be provided at least two days prior to such meeting. Meetings shall not be delayed or rescheduled due to the absence of one or more Committee members so long as at least a quorum of the Committee is present.

SPECIAL MEETINGS

Special meetings of the Committee may be called at any time by the Comptroller and notice of such special meeting shall be given at least one day prior to such meeting.

QUORUM

Unless otherwise provided herein, a simple majority of the independent members then on the Committee shall constitute a quorum in order to conduct official business, except that when the number of independent members constituting the Committee shall be an even number, two-thirds of the independent members shall constitute a quorum. A majority of the independent members present whether or not a quorum is present may adjourn any meeting to another time and place. Each independent member shall be entitled to one vote on each matter submitted to vote before the Committee.

RESIGNATION

Any independent member may resign at any time by giving written notice to the Committee. A resignation is effective upon the date provided for in the notice. If no date is provided for in the written notice, the resignation shall take effect at the next scheduled meeting.

REMOVAL

Any independent member may be removed for "Cause" at a meeting called for that purpose. For purposes of these Guidelines, "For Cause" shall mean: when an independent member has been found by the Committee to have breached the attendance requirement provided for in these Guidelines without being excused by the Committee or any duty arising under these Guidelines or where there was non-disclosure of a material fact(s) that if known, would have presented a

conflict of interest for the Member and where the Member should have reasonably known of the conflict.

VACANCIES

A vacancy or vacancies shall be deemed to exist in the event of an independent member's death, resignation or removal, if the authorized number of independent members is increased or if there is a failure to elect or appoint the full number of authorized independent members.

SUBCOMMITTEES

The Committee shall establish subcommittees from time-to-time where it is deemed necessary for conducting its business.

ADVISORY ROLE

The Committee's role is advisory only. It may make such recommendations as it believes appropriate to its role but shall have no authority to act on its recommendations and shall have no authority to take any independent actions with respect to its role, except to make such recommendations.