Nassau County
Office of the Comptroller

Audit Advisory Committee
2011-2012 Bi-Annual Report

George Maragos
Comptroller

Introduction

The Nassau County Comptroller's Audit Advisory Committee ("Committee") was established in 2003 to obtain outside advice and oversight for the County's financial and auditing operations. Comprised of financial experts and business leaders, the Committee offers independent oversight. The Committee consists of five independent members, plus designees from the County Executive and the County Comptroller.

Purpose

The Committee assists in monitoring Nassau County's finances and reviews the annual independent audit of the County's financial statements. The Committee provides advice to the Comptroller in connection with the selection of the County's independent audit firm. It 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. Additionally, the Committee reviews and comments on the Comptroller's internal audit plan, the audits prepared pursuant to the plan, agency responses, and County control directives and procedures. When appropriate, the Committee conducts special projects and provides advice and consultation on matters affecting the County's finances.

The Committee's Operating Guidelines are attached to this report as an Appendix.

Summary of Significant Areas of Oversight and Guidance

- The national recession and its continued impact on the County's finances was a key concern in 2011 and 2012. The Committee closely monitored the County's financial condition, focusing on the annual budget process and reviewing periodic reports of revenues and expenditures. The Committee received regular updates on the County's financial position from the County Comptroller and the Deputy County Executive for Finance.
- The Committee monitored the County's progress in managing real property tax refunds to commercial and residential property owners. In October of 2012, the County Comptroller advised that residential tax certiorari claims had been resolved due to the County's residential settlement program. A similar program may assist with commercial properties, while the County continues to reform the assessment system.[1]
- The Committee closely monitored the County's efforts to manage its long-term debt, volunteering their expertise in financial markets and actuarial experience where it would be helpful to the administration and Comptroller's Office.

[1] In February 2013, the Nassau County Interim Finance Authority ("NIFA") declined the County's proposal for $150 million in new borrowing for tax certiorari related claims. NIFA observed that the County Legislature had not passed by a supermajority, as required by County Charter, an ordinance authorizing the County to issue new certiorari related bonds. NIFA noted that the County may resubmit the proposal at a later date.

- A representative of the County's external audit firm, Deloitte & Touche LLP, attended each Committee meeting to provide an update on the status of the County's annual audit. The Committee reviewed Deloitte's annual Report to Management and monitored the County's efforts to resolve any deficiencies or exceptions reported.
- The Committee monitored the progress of the Comptroller's Office's 2011 and 2012 audit plans. They reviewed and discussed the audit reports issued by the Comptroller's Office.
- The Committee continued to monitor the financial condition of the Nassau Health Care Corporation/Nassau University Medical Center closely, due to the County's responsibility for the hospital's debt.

Conclusion

The Committee has been a major source of guidance throughout 2011 and 2012 and its suggestions and insights will continue to be used in monitoring the County's financial condition.

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The Audit Advisory Committee is composed of seven members:

- The County Executive or his designee, currently, the Deputy County Executive for Finance;
- The County Comptroller or his designee; and
- Five experienced community, education, business and financial leaders selected by the Comptroller who are independent of the County and local governments. One of the independent members is chosen to serve as the chairperson of the Committee.

Committee members as of December 31, 2012 are:

Paul Leventhal: Serves as the Chairman of the Committee. He is a Certified Public Accountant and a former member of the Nassau County Interim Finance Authority ("NIFA"). Mr. Leventhal is President of Leventhal & Co., CPA's PC, and Vice President of Leventhal Financial Service, Inc. He is a member of the Board of NuHealth, (Nassau Health and Hospital Corporation), Chairman of their Finance Committee and the Legal & Audit Committee. He was a member of the Nassau Community College Board of Trustees, Vice Chairman of their Finance Committee and Chairman of their Enrollment Committee.

Lee E. Launer: A retired partner of PriceWaterhouseCoopers LLP, Mr. Launer is a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries.

John Howell: A Certified Public Accountant and retired Tax Partner of Ernst & Young. Mr. Howell was a Financial Advisor at American Express Financial Advisors (currently known as Ameriprise Financials).

Carl A. Friedrich: A Certified Financial Planner with over 17 years of financial industry experience, including two years as President of an independent fee-only investment management practice, he specializes in investments, goals-based planning, cash-flow and budgeting analysis and portfolio design. Mr. Friedrich was a Vice President in the Equities Division at Goldman, Sachs & Co. for eight years.

Arthur Lukin: A Certified Public Accountant. In 1984, Mr. Lukin merged his practice as a sole practitioner and become a shareholder in Frumkin & Lukin, CPA's, P.C. Mr. Lukin has worked in public accounting since 1970 and is an active member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

Timothy P. Sullivan: Deputy County Executive for Finance. Mr. Sullivan has over 20 years of financial analysis and control experience with municipalities, large corporations, and academic research organizations. He was the Director of Financial Planning for the Long Island Power Authority. Mr. Sullivan serves as the County Executive's Designee to the Committee.

The County Comptroller and a Director of Deloitte & Touche LLP, the County's independent auditors, attend each Committee meeting. The independent members are volunteers and are not compensated for their services. County officials serving on the Committee do not receive compensation in addition to their regular salaries.

Summary of Issues Addressed by the Committee

Nassau County's Financial Position

The national recession and its continued impact on the County's finances was a key issue for the Committee in 2011 and 2012. Comptroller Maragos and Deputy County Executive Sullivan updated the Committee at each meeting concerning the reduction in sales tax revenues and the County's budgetary condition. In May of 2011, Comptroller Maragos noted that significant improvement had been noted in the amount of the County's structural gap, which was $251.8 for 2009 and had improved to $131.6 million for 2010. Mr. Maragos advised that there was a $104.8 million estimated budget risk or "budgetary gap" between County revenues and expenses for 2011. The Comptroller's Office had identified opportunities for closing the gap of approximately $77.3 million, including sales of Mitchel Field leases, sales of other County properties, additional OTPS (other than personal services) savings, and red light camera revenue.

At the May, 2011 Committee meeting, Mr. Sullivan commented on the significant drop in the number of County employees, noting that a voluntary retirement incentive had been offered to employees. He indicated that NIFA's implementation of a control period over the County had resulted in a freeze of wages and longevity pay for County employees effective April 1, 2011 that would save approximately $10 million for 2011.[2]

In May, 2011, Comptroller Maragos provided the Committee with a preliminary 2010 Significant Revenue and Expense Budget Variance report, which indicated that the County ended fiscal year 2010 with an estimated $17.2 million surplus. The audited Comprehensive Annual Financial Report, issued in June of 2011, subsequently reported a budgetary surplus of $26.6 million.

In October 2011, Comptroller Maragos noted that local governments, including Nassau County, were under financial stress from rising health care and pension costs. Nassau County has made a commitment not to raise property taxes, and these factors will have to be addressed later in 2011 or in 2012.

In the latter part of 2011, Deputy County Executive Sullivan discussed the 2012 Proposed Budget with the Committee. The proposed budget had been submitted to the County Legislature on September 15, 2011 and was to be adopted by October 30, 2011. He noted that sales taxes comprise approximately 40% of the County's revenues, while property taxes make up approximately 30%. He indicated that the County had reduced its workforce by approximately 20% and had privatized inmate healthcare at the Nassau County Correctional Center. NIFA must approve the 2012 budget, and they advised the County that $300 million in expenditures should be removed.

[2] On February 14, 2013, a judge of the United States District Court issued a decision in the wage freeze lawsuit brought by certain unions against NIFA and the County, ruling that NIFA's wage freeze authority had expired. However, the judge stayed his ruling pending an appeal by NIFA. On March 14, 2013, NIFA extended the wage freeze for an additional year. The United States Court of Appeals has agreed to expedite NIFA's appeal of the District Court decision.

In October 2012, Comptroller Maragos discussed the year-end close with the Committee, noting that the fund balance of the County's primary funds had declined from approximately $90 million to $40 million. Deputy County Executive Sullivan presented the County's proposed 2013 budget to the Committee. He noted the County's significant accomplishments during the period of 2010 to 2012 included reducing the budgeted workforce to the lowest headcount in several decades, consolidating police precincts from eight to four, and creating a public-private partnership for bus services.

The Comptroller's Office identified approximately $60 million of budgetary risk in the proposed 2013 budget, the lowest amount of risk in any budget for the years 2011 through 2013. Anticipated 2013 expenses total $2.8 billion, with salaries, wages and fringe benefits comprising 46%. Mr. Sullivan noted that less than 5% of the budget is discretionary, because entitlement programs are generally mandated, although the County may choose to fund some programs, such as daycare, at higher than required amounts.

Mr. Sullivan noted that sales taxes make up 40% of the County's anticipated $2.8 billion in revenues for 2012; however, the weakened economy has had a significant effect on sales tax receipts, with a cumulative sales tax shortfall of $785 million since 2007, and a $140 million shortfall for 2012 as of October, 2012. Comptroller Maragos indicated that sales tax receipts may be an area of risk for the County in 2013 if the economy falters again. The County's proposed 2013 budget estimates 3.7% growth for sales taxes over the 2012 forecast. Mr. Sullivan noted that as of October, 2012, there had been 4.9% growth in year-to-date sales tax receipts.

Mr. Sullivan reported that the County's state mandated pension bill has doubled since 2010, from $94 million to an estimated $187 million for 2013. Improvements in stock market results won't help local governments until 2015, when the bill should level off or decline.

Comptroller Maragos advised the Committee that the County's 2013 proposed budget faces challenges, because there are few discretionary expenses left to cut without affecting services to County residents. He noted that the budget would reduce the County's structural gap to a nine-year low of approximately $34.8 million.

Real Property Tax Refunds

Real property tax refunds and related debt are a significant area of risk for Nassau County. The Committee monitored the County administration's efforts to address real estate tax certiorari[3] payments. In May of 2011, Deputy County Executive for Finance Sullivan noted that changes and improvements were being made to the Department of Assessment's computer system, with the County Legislature approving funding for the project.

In May of 2011, Comptroller Maragos noted that tax certiorari refunds were estimated to total $143 million for 2010, in comparison to $79 million for 2009. Deputy County Executive

[3] Real estate tax certiorari is the legal process by which a property owner can challenge the real estate tax assessment on their property in an effort to reduce the property's assessment and real estate taxes.

Sullivan noted that the County's Administration had launched an initiative, approved by the County Legislature, to eliminate the County's guarantee to cover the towns' and school districts' share of the tax certioraris by 2013.[4]

In October 2011, Betsy Regan, a Deloitte & Touche Senior Manager, advised the Committee that Deloitte had noted problems with the tracking and reporting of tax certiorari refunds. The implementation of the new ADAPT database should resolve the problems[5].

Mr. Malloy advised the Committee in October of 2011 that tax certiorari refunds were included in Deloitte's 2011 Audit Plan. Comptroller Maragos noted that there were historic problems with the County's tax assessment process, which had created inaccurate real property assessments and a high level of appeals. Mr. Sullivan noted that Nassau County has approximately $1.2 billion in outstanding debt for tax certioraris, which is double that of Suffolk County. Mr. Sullivan also indicated that while the County's tax certiorari guarantee will end in 2013, it may take three to four years for the County to fully realize the savings.

In October of 2012, Comptroller Maragos noted that an amount estimated at $223 million had been recorded for future commercial tax certiorari settlements and judgments. Over 90% are five to ten years old and date back to the time of the previous County administration. In contrast, residential tax certiorari claims have been resolved due to the County's residential settlement program. Deputy County Executive Sullivan noted that the Administration had requested transitional financing; however the County Legislature did not approve approximately $43 million in bonding for property tax refunds. Mr. Sullivan noted that structured settlements may help the County manage the liability and assist with the County's cash flow.

The Committee noted that in New York State, the County's real property tax refund issues are unique. Comptroller Maragos indicated that approximately 50% of the County's outstanding debt has been issued to cover property tax refunds. While changes have been made in the Department of Assessment, including the appointment of a new Acting Assessor, the department has not always succeeded in its efforts to improve the accuracy of property assessments.

Deputy County Executive Sullivan advised the Committee that the County's residential property tax settlement program had resolved all residential assessment appeals prior to the finalization of the 2012/2013 tax roll. Mr. Sullivan indicated that the County was trying to roll this program out to commercial properties. The Administration's structured settlement program would allow the County to pay down the backlog of tax certiorari cases, while the County continues to reform the assessment system.

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[4] On February 27, 2013, a New York State Appellate Division panel ruled that the County's repeal of the "County guaranty" violated the New York State Constitution and the state's Home Rule Law. The County Attorney has advised that he will appeal the panel's decision.

[5] The ADAPT (ADministration, APpeals, Tax) system provides a single applications package to manage the assessment of real property, preparation of tax rolls and billing and collection of taxes and appeals.

Long-Term Debt

At the close of December 2011, the County and its component units had a combined $3.5 billion in outstanding long-term debt. The Committee closely monitored the County's efforts to manage its long-term debt, volunteering their expertise in financial markets and actuarial experience where it would be helpful to the administration and Comptroller's Office.

In October 2011, Deputy County Executive Sullivan noted that over the past 10 years, the County borrowed $1 billion under NIFA's watch. Currently, NIFA will not allow borrowing for 2011 and 2012 for property tax refunds, advising the County that they will not allow borrowing without a balanced budget. Chairman Leventhal noted that it was essential for NIFA to focus on solutions.

External Audit and Management Letter

Michael B. Malloy, Director, Deloitte & Touche LLP, attended each Committee meeting and provided status reports on the County's annual audit and single audit[6].

In May of 2011, Mr. Malloy presented the Committee with Deloitte & Touche's draft Report to the Audit Committee, while the audit of the County for 2010 was still in progress. He provided an update on the status of the audits of the County's component units, including Nassau Community College and the Nassau County Interim Finance Authority ("NIFA"). During the course of Deloitte's audit of Nassau County, the County noted an error regarding prepaid expenses and brought it to Deloitte's attention. As a result, a $4 million adjustment relating to prepaid expenses was made. GASB Statement 45 requires government employers to measure and report the liabilities associated with other than pension post-employment benefits ("OPEB"). Mr. Malloy advised that Deloitte's actuaries had noted that factors relating to the early retirement incentive program, health care trend rates and the healthcare reform act had not been considered in the County's valuation. The valuation was revised, with Deloitte accepting the final valuation.

At it's October 2011 meeting, Mr. Malloy provided the Committee with Deloitte's Report to Management for the Year Ended December 31, 2010. He noted that two prior period adjustment problems had been addressed by the County before the 2010 Comprehensive Annual Financial Report ("CAFR") had been issued. Deloitte auditors had noted that some grants were not reconciled in a timely manner and that bank reconciliations were not performed uniformly.

The County uses the services of an actuary firm in compiling its OPEB figures. In October, 2011 County Director of Accounting Kathy Kugler advised the Committee that the County's actuary firm, Mercer Company, was no longer working with the County, and a new actuary firm was being chosen.

[6] Entities that receive more than $500,000 in federal funds are subject to audit requirements that are commonly referred to as Single Audits. On an annual basis, the County's external audit firm conducts a Single Audit of the Federal financial assistance programs administered by the County.

Mr. Malloy noted that Deloitte must evaluate the County's ability to continue as a "going concern" each year. In 2011, there were many significant factors to consider in this determination. Mr. Malloy presented Deloitte's 2011 Audit Plan to the Committee, noting that areas that would be reviewed included tax certiorari liability, cash, vacation and sick pay accruals, deferred payroll, grant reconciliations, long-term debt, and component units.
Mr. Malloy described the new accounting standards that would apply to the County. GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* will be implemented by NIFA, and the agency is looking for a derivative evaluator to assist with this effort.

In 2012, Mr. Malloy reported that the 2011 CAFR had been issued on July 27, 2012. The CAFR is posted on the Comptroller's website. Mr. Malloy noted that the CAFR had not been filed by the original June 30, 2012 deadline, but had been issued within the time frame of an extension that had been granted. The County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during 2011. This provided clearer fund balance classifications that can be consistently applied. Mr. Malloy noted that there had been no uncorrected misstatements or significant disagreements with management during the audit.

Mr. Malloy noted that a significant difficulty had been encountered during the audit, while dealing with the third-party actuaries regarding the valuation of the County's OPEB liability. Deloitte auditors believed that the work performed by the County's new actuary firm was not comparable to the work performed the prior year. This led to the late issuance of the CAFR, because a second valuation had to be obtained by another actuary firm. The County has issued a Request for Proposals for an actuarial company, and responses have been received by interested firms. Mr. Malloy noted the importance of the work due to its materiality on the County's financial statements. Committee Member Launer, who is an actuary, offered his assistance to the administration to help in the analysis.

An additional difficulty encountered by Deloitte in performing the 2011 single audit was that the Office of Housing and Community Development was not complying with the federal requirements for sub-recipient monitoring. This related to its Community Development Block Grants and the cash management requirements for its American Recovery and Reinvestment Act ("ARRA") Homeless Prevention & Rapid Re-Housing Program. Mr. Malloy noted that staff terminations and layoffs had contributed to the deficiencies and that employees needed training in grant compliance requirements. To prevent these exceptions from recurring, the Comptroller's Office's Accounting Section will provide assistance to the Office of Housing and Community Development, while the Office of Management and Budget's ("OMB") Grants Management Unit will provide staff training.

Mr. Malloy noted that an outstanding issue regarding the Office of the County Clerk, dating back to the 2007 audit, had delayed the issuance of Deloitte's 2011 Report to Management. The comment cited the need for supervisory review and written policies and procedures for the County Clerk's financial transactions; however, no information had been provided to Deloitte in order to assess the implementation of their proposed recommendations. Comptroller Maragos indicated that the Comptroller's Office would work with the County Clerk to resolve this issue.

In October of 2012, Mr. Malloy advised the Committee that GASB Statement No. 67, *Financial Reporting for Pension Plans- an Amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* will affect pension rules and will have an impact on the County's financial disclosures.

Nassau County Comptroller's Office's Audit Plan

The Committee monitored the progress of the Comptroller's Office's 2011 and 2012 audit plans. The plans included audits of the Assessment Department, the County Attorney's Assessment Litigation Bureau, the Office of Housing and Community Development's Grants Administration, Hotel and Motel Occupancy Tax Collections, Department of Social Services Foster Care Payments, the Traffic and Parking Violations Agency, the Department of Social Services Office of Investigations, and Information Technology Telecommunications Management. Not-for-profit agencies providing services to the County, including the Family & Children's Association and the Long Island Association for Aids Care, Inc. ("LIAAC"), were also included in the audit plan. Living Wage Law compliance audits and desk audits were also performed.

Committee members were provided with copies of audit reports for review and discussion. Joy Watson, Deputy Comptroller for Audit and Special Projects, and JoAnn Greene, Director of Field Audit, attended Committee meetings to provide an update on the audit plan and the status of the audits in progress, as well as to answer any questions the Committee had regarding issued audit reports. Members were invited to offer their recommendations for future audits.

In May of 2011, Comptroller Maragos provided the Committee with an audit report on the Nassau County Industrial Development Agency ("NCIDA"), providing an overview of the audit findings. In October, Ms. Watson advised the Committee that the Board of the NCIDA had adopted the recommendations included in the audit report.

Deputy Comptroller Watson discussed the Comptroller's Office's audit of the Department of Information Technology's Succession Planning, Hardware Inventory Control and Miscellaneous Operations, issued in September, 2011. She expressed concern that there were more than eight information technology related capital projects that were behind schedule. Ms. Watson also discussed the 2010 Living Wage Annual Report with the Committee, noting that although some salary underpayments had been noted, there is more compliance with the Living Wage Law each year and most employees of the agencies audited are being paid correctly.

In 2012, Director of Field Audit, JoAnn Greene, provided the Committee with an update on audit reports released and audits currently in progress. She noted that audit reports on the Office of Housing and Community Development Grants Administration, the Family and Children's Association and Department of Social Services' Emergency Shelters would be issued soon. Audits of the Correctional Center Commissary and Nassau Community College were wrapping up, with reports under preparation. Ms. Greene advised that LIAAC had failed to cooperate with the Comptroller's Office's audit. Since most of their funding comes from New York State, rather than Nassau County, the Comptroller's Office has recommended a full review of the agency by the State Attorney General and the Office of the State Comptroller.

Status of Nassau Health Care Corporation/Nassau University Medical Center

In 1999, the Nassau Health Care Corporation ("NHCC") acquired the County's health facilities, including the Nassau University Medical Center ("NUMC").[7] The County assumed responsibility for the majority of the liabilities and debt of the hospital, which has experienced operating losses. Therefore, the Committee monitors its condition closely.

In May of 2011, Comptroller Maragos provided the Committee with an overview of the findings of the Comptroller's Office's Limited Review of the NHCC, which had been issued in March of 2011. A follow-up audit is currently ongoing.

[7] Comprehensive Annual Financial Report of the Comptroller, Year Ended December 31, 2011, page 105.

Nassau County Comptroller's Office
Field Audit Unit
Reports Issued 2011-2012

The following reports have been released by the Comptroller's Office during the scope of this report.

2011 Reports Issued:

- Limited Financial Review of the South Farmingdale Water District
- Limited Audit of the Long Island Center for Independent Living, Inc. 2009 Compliance with the Nassau County Living Wage Law
- Limited Review of Nassau Health Care Corporation
- Limited Review of the Nassau County Industrial Development Agency
- Review of County Utilities Expenses Long Island Power Authority Costs
- Living Wage Law 2010 Annual Report
- Limited Audit of G.E.M. Health Care Agency, Inc. 2007, 2008, 2009 Compliance with the Nassau County Living Wage Law
- Limited Review of the Nassau County Department of Information Technology's Succession Planning, Hardware Inventory Control and Miscellaneous Operations
- Limited Review of the Department of Assessment
- Limited Review of Tax Certiorari Appraisal Reports of Real Property and Legislative Reform
- Limited Review of the County Attorney Assessment Litigation Bureau Tax Certiorari Business Operations
- Limited Review of the Nassau County Department of Information Technology's Telecommunications Management
- Follow Up Audit of the Department of Social Services Office of Investigations

2012 Reports Issued:

- Limited Review of the Nassau County Traffic and Parking Violations Bureau
- Limited Review of the Department of Social Services' Foster Care Payments for Duplicate Claims
- Limited Review of the Nassau County Police Department's Petty Cash Accounts
- Limited Review of Nassau County's Belmont Park Racetrack Admission Tax Revenue
- Limited Review of Long Island Association for Aids Care, Inc.
- Limited Review of Nassau County's Hotel and Motel Occupancy Tax Collections
- Living Wage Law 2011 Annual Report
- Limited Audit of Cottage Home Care Services 2011 Compliance with the Nassau County Living Wage Law
- Limited Audit of A&B Healthcare Services, Inc. 2011 Compliance with the Nassau County Living Wage Law
- Limited Audit of Jzanus Home Care, Inc. 2011 Compliance with the Nassau County Living Wage Law
- Limited Review of Public Security's Oversight of Parking Meter Maintenance, Revenue Collections and Violations Ticketing
- Limited Review of the Office of Housing and Community Development Grants Administration
- Limited Review of the Family and Children's Association

These reports can be viewed in their entirety by accessing the following links:

http://www.nassaucountyny.gov/agencies/Comptroller/Audits/index.html

and

http://www.nassaucountyny.gov/agencies/Comptroller/LivingWage/LivingWageAuditReports.html

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 tri-annually 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.