



cityofnovi.org

**CITY of NOVI CITY COUNCIL**

**Agenda Item L  
October 12 , 2009**

**SUBJECT:** Approval of an additional one-year extension to Plante & Moran to provide auditing services to the City of Novi for the fiscal year ending June 30, 2009 in the not-to-exceed amount of \$77,990.

**SUBMITTING DEPARTMENT:** Finance  
**CITY MANAGER APPROVAL:** *AWA for CTP*

<b>EXPENDITURE REQUIRED</b>	<b>\$77,990</b>
<b>AMOUNT BUDGETED</b>	<b>\$78,000</b>
<b>APPROPRIATION REQUIRED</b>	n/a
<b>LINE ITEM NUMBER</b>	<b>Multiple Funds (account number 803)</b>

**BACKGROUND INFORMATION:** In January 2005, the City of Novi issued a Request for Qualifications to provide auditing services and render an opinion on the financial statements in accordance with the Statements of the Governmental Accounting Standards Board (GASB). On May 9, 2005 City Council awarded the contract to Plante & Moran to provide audit services thru the fiscal year ending June 30, 2008. It is the recommendation of City staff to extend the terms of this contract to provide auditing services for the fiscal year ending June 30, 2009 per the attached proposal submitted by Plante & Moran on February 28, 2005. The Consultant Review Committee met and concurred on September 28, 2009.

Plante & Moran has requested a fee of \$77,990 to perform the required financial auditing services as well as perform the Single Audit of the City's federal grants and prepare the Comprehensive Annual Financial Report. The amount requested includes a 2.5% inflationary increase for services to be performed in conjunction with the annual independent audit as has been consistent for the past four years.

An analysis of past audit fees for the last four years are as follows:

<i>Fiscal Year Ending</i>	<i>Annual Fee</i>	<i>% Increase</i>
2005	\$70,655	n/a
2006	\$72,421	2.5%
2007	\$74,232	2.5%
2008	\$76,087	2.5%

The Finance Department will be posting RFP's for these services upon completion of the 2009 audit. The Consultant Review Committee will interview the top firms with a recommendation to follow to the City Council as a whole with the process to be completed by February 2010 for the 2010 fiscal year.

**RECOMMENDED ACTION:** Approval of an additional one-year extension to Plante & Moran to provide auditing services to the City of Novi for the fiscal year ending June 30, 2009 in the not-to-exceed amount of \$77,990.

	<b>1</b>	<b>2</b>	<b>Y</b>	<b>N</b>
<b>Mayor Landry</b>				
<b>Mayor Pro Tem Gatt</b>				
<b>Council Member Burke</b>				
<b>Council Member Crawford</b>				

	<b>1</b>	<b>2</b>	<b>Y</b>	<b>N</b>
<b>Council Member Margolis</b>				
<b>Council Member Mutch</b>				
<b>Council Member Staudt</b>				

Proposal to Provide  
Auditing Services to

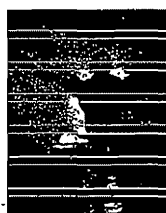
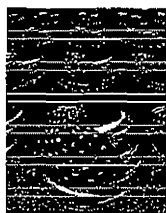
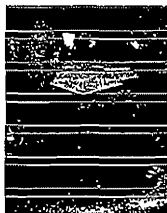
**City of Novi**

For the Years Ended  
June 30, 2005 through 2007  
With Option to Renew for 2008 and 2009

Submitted February 28, 2005

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Plante & Moran, PLLC  
27400 Northwestern Hwy.  
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Southfield, MI 48037-0307  
Joseph C. Heffernan  
248.223.3261



plante  
*pl*  
moran

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February 28, 2005

Carol J. Kalinovik, Purchasing Director  
City of Novi  
45175 W. Ten Mile Rd.  
Novi, MI 48375

Dear Ms. Kalinovik :

We are pleased to have the opportunity to briefly review our qualifications to continue to serve as the auditors and financial consultants for the City of Novi. We believe Plante & Moran is uniquely qualified to serve your city based on our methods of operation (as outlined in Exhibit A) and on our experience with auditing over 125 municipalities, 50 special purpose governmental entities, over 70 school districts, 16 universities and colleges and 400 nonprofit organizations in the State of Michigan (Exhibit E). In addition to our auditing services, we offer a wide range of additional services, as shown in Exhibit C, along with information on our firm's background and governmental services. The additional services have been helpful to many communities similar in size to the City of Novi.

#### **FACILITIES AND CAPABILITIES**

Since our inception 80 years ago, Plante & Moran has had extensive experience in all phases of auditing and accounting. Our staff presently numbers more than 1300 with more than 700 staff members who are Certified Public Accountants. We are equipped to accommodate all of your present and future requirements:

The size of our firm enables us to provide the specialized services your City may require. Because of our history and vast experience in serving municipalities, we have developed a thorough understanding of the close attention and responsiveness that you will require from your professional advisors. Our clients obtain the benefits of our size, while having the close relationship that develops when working with a small group within a wide pool of talented, caring professionals.

Our commitment to municipal auditing, accounting and consulting has provided us with a range and depth of experience that we feel is unequalled by any other firm. Because of this commitment to serving governmental clients, we provide specialized training to our professional staff serving governmental units. We regularly attend and frequently provide speakers for training sessions conducted by the Michigan Township Association, the Michigan Government Finance Officers Association (MGFOA), the Michigan Municipal League and others. We have also been hired by the MMFOA to present a series of three, one-day seminars for their "Back to Basics" series on topics such as "Fundamental Elements of Governmental Accounting, Governmental Budgeting and Public Financial Statements".

A member of



A worldwide association of independent accounting firms

Carol Kalinovik, Purchasing Director  
City of Novi

February 28, 2005

## **GENERAL COMMENTS**

The City Council, like most city councils, is a policy-setting board and has delegated substantial administrative authority to the City administration. In its fiduciary role as protector of the public trust in City government, it is incumbent upon the City Council to exercise appropriate oversight. An integral part of this oversight is the audit function, provided by a firm that answers to the City Council and performs a comprehensive examination of management's financial procedures and transactions.

Plante & Moran's municipal audit procedures center around a comprehensive study and evaluation of all significant financial-related systems. These include testing a significant number of transactions to determine if state procedures are being followed and the adequacy of those procedures. Any deficiencies are then reported, in writing, directly to the City Council.

## **PERSONNEL TO BE ASSIGNED TO THE AUDIT**

Professionals with experience in auditing and serving governmental units will be assigned to your account if Plante & Moran is appointed as independent accountants for the City of Novi. We have provided, as part of Exhibit D, a more detailed description of our approach to assigning staff to each engagement. This Exhibit also includes resumes for the senior level individuals that would be participating on the engagement, Joseph Heffernan, CPA, and Scott Janssen, CPA.

## **UNDERSTANDING OF YOUR SERVICES REQUIREMENTS**

The following is our understanding of the services required by the City of Novi:

1. Annual audit of the City's basic financial statements in accordance with generally accepted auditing standards for the years ended June 30, 2005 through 2007, with the option to renew for 2008 and 2009.
2. Evaluation of each year's annual report for compliance with the requirements of the Government Finance Officers association's Certificate of Achievement for Excellence in Financial Reporting program.
3. Performance of an annual single audit of the City's federal financial assistance and preparation of related reports and schedules, for any years in which total federal expenditures exceeds \$500,000.

Carol Kalinovik, Purchasing Director  
City of Novi

February 28, 2005

### **TIMETABLE FOR DELIVERY OF SERVICES**

We consider the timeliness of the audit report an important factor in presenting an accurate financial picture. We understand that you require all audit work to be completed and the audit opinion to be delivered in time to issue the financial statements by October 31 of each year.

At the conclusion of our examination, we will submit a letter of comments and recommendations setting forth thoughts for improvement in areas such as accounting systems, internal accounting controls and procedures, computer controls and procedures, observations with respect to organization and other matters. Also included in our examination is an oral presentation of the audit report to the City of Novi that highlights the important aspects of the report through the use of visual aids, such as graphs and charts.

### **FEE STRUCTURE**

Because of our long-standing, pleasant relationships with our clients, and our success in obtaining new municipal clients, we believe that our services have met our clients' expectations and that our fees are fair and reasonable. Our service fees are primarily based upon the time required to complete the assignment.

Plante & Moran prides itself on providing the maximum value for our clients. We feel the quality of our professional services surpasses other firms. Further, our fees are typically reasonable compared to others. When considered together, we feel our high quality and reasonable fees results in the highest value municipal services available to the City of Novi.

Included in the annual audit fee at no additional cost to the City of Novi are the following:

1. Graph presentation of audit results to the City Council
2. Letter of recommendations to the City Council
3. Periodic municipal current events letters
4. Mini-seminar to newly elected officials, upon request
5. Ability to get quick answers to financial questions because of our specialist capability
6. Routine telephone calls and communications

Carol Kalinovik, Purchasing Director  
City of Novi

February 28, 2005

We strongly believe that the firm you select should be the firm best qualified to serve your needs, based on its technical expertise as municipal auditors, its operating method and the experience and competence of its personnel. In the long run, these factors will result in your obtaining the best service and value at the lowest cost, which is our firm's objective.

### CONCLUSION

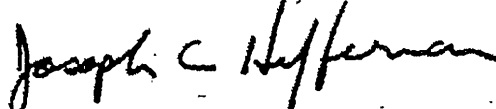
In conclusion, we believe Plante & Moran is uniquely qualified to provide the specific financial assistance needs of your City because:

1. We currently serve over 150 governmental units in the State of Michigan.
2. We are specialists in governmental auditing and consulting with over 200 trained municipal auditors on our staff.
3. Our audit will include a comprehensive evaluation of all significant finance-related systems.
4. Because of our low staff turnover, we have been successful in retaining staff continuity on our audit engagements.
5. We can deliver the audit report on a timely basis.
6. We provide information regarding current events in municipal finance as part of our basic audit service.
7. We are a full-service firm and can provide additional services as described in "Firm Qualifications and Experience" in an efficient, integrated manner.

We are most interested in being a part of the City of Novi team; an independent part, but a part nevertheless. We feel we are in a position to assist you in achieving your objectives. This proposal is a firm and irrevocable offer for a period of 90 days.

Very truly yours,

PLANTE & MORAN, PLLC



Joseph C. Heffernan

:pbr  
Enclosures

plante  
moran

**INDEPENDENCE**

Our firm meets the independence requirements of the U.S. Government Accountability Office's *Government Auditing Standards* issued by the Comptroller General of the United States, 2003 revision. We further confirm that Plante & Moran is independent of the City of Novi and all of its component units.

We also confirm that we will notify the City in writing of any professional relationships entered into during the period of this agreement.



EXHIBIT B

**LICENSE TO PRACTICE IN MICHIGAN**

Plante & Moran and all assigned key professional staff are properly licensed to practice in Michigan.

## FIRM QUALIFICATIONS AND EXPERIENCE

As we mentioned in our letter of transmittal, Plante & Moran has a total staff that presently numbers over 1300. Of this total, more than 200 are specialists trained in governmental auditing and consulting.

The audit of the City of Novi will be conducted with staff from our Southfield office.

We anticipate that this engagement will have up to six total staff members involved at any one time. This total includes two senior level individuals, an in-charge, and up to three staff members ranging in experience from six months to five years. We do not anticipate using staff on a part-time basis for this assignment.

Our firm regularly conducts reviews of our audits using members of our Professional Standards Team. In addition, we have peer reviews by independent CPA firms as required by the Practice Section of the SEC. As a result of our external peer reviews, we have received an unqualified report (see attached).

The most recent quality control review included a review of several specific government engagements.

We have no record of substandard audit work. There has never been any disciplinary action taken, nor is any pending, against our firm from either state regulatory bodies or professional organizations.

Plante & Moran audits approximately 125 municipalities, 50 special purpose governmental entities, 70 school districts, 16 universities and colleges and 400 nonprofit organizations. Many of these receive direct federal funding, resulting in program audits or single audits that are required to be desk-reviewed by the federal cognizant/oversight agency. None of these desk reviews (approximately 180 per year) have resulted in any findings of substandard or deficient auditing. Further, we have had six field reviews during the past three years, none of which have resulted in any findings of substandard or deficient auditing.

Our commitment to our governmental client base has resulted in participation in the following activities:

**Michigan Committee on Governmental Accounting and Auditing** - One of our partners serves on this board, which determines auditing and reporting procedures for all municipalities in the State of Michigan. As a result, he spends a considerable amount of time working with representatives of the State Treasury Department, Municipal Finance Commission and the Department of Transportation.

**Michigan Government Finance Officers Association** - We are very active in this organization and currently have partners participating on the Legislative Committee, Accounting Standards Committee, Technology Committee, and Professional Development Committee.

Over the past few years we invested a significant amount of the time in developing educational materials and tools for the implementation of GASB 34. We were hired by the MGFOA to conduct an extensive series of GASB 34 training sessions for Finance Directors throughout the State of Michigan.

**American Institute of Certified Public Accountants (AICPA)** - One of our partners chaired the AICPA's Governmental Accounting Committee that published the *Industry Audit Guide for Audits of State and Local Governmental Units*. This is the guide used throughout the country on every governmental audit.

In 2004 the AICPA has created a Governmental Audit Quality Center, which is intended to support audit firms that are committed to performing quality governmental audits. One of our partners, Joe Heffernan, is on the executive committee of the Quality Center.

Three of our partners have served on the AICPA Governmental Technical Standards Subcommittee, which was formed to process ethics complaints related to governmental audits.

One of our Directors currently serves on the AICPA Government Expert Task Force, which writes the state and local government audit guide and reviews GASB exposure drafts.

**Governmental Accounting Standards Board (GASB)** - One of our partners has served on the Governmental Accounting Standards Advisory Council (an advisory board to the GASB). In addition, we actively participate in the GASB's due process system relative to issuance of new pronouncements.

**Government Finance Officers Association (GFOA)** - One of our audit managers served on the GFOA Special Review Committee for the Certificate of Achievement for Excellence in Financial Reporting.

## **TRAINING**

Because of our commitment to provide excellent governmental service, we have developed several training programs to assist us in achieving our objectives. We have technical seminars throughout the year for our municipal auditors covering various municipal auditing, accounting and legislative issues.

We regularly conduct mini-seminars for elected officials of many of our clients. These seminars cover a variety of topics, primarily related to municipal finance. We usually give an overview of topics such as budgeting, property taxation, bonding, self-insurance, federal grants, retirement plans, operational auditing, cash management and investments, state-shared revenue and the current status of proposed legislation.

Our auditors are frequent speakers at the training seminars conducted by various governmental organizations. Within the last year, we have participated in seminars sponsored by:

- ◆ Michigan Local Government Manager's Association
- ◆ Michigan Government Finance Officers Association
- ◆ Michigan Municipal League
- ◆ International City Managers Association
- ◆ Governmental Finance Officers Association
- ◆ Michigan Townships Association
- ◆ Annual Governmental Accounting and Auditing Conference (cosponsored by the Michigan Association of Certified Public Accountants and the Department of Treasury)

We also have worked with the State of Michigan in providing training for governmental units. One of our partners served on the Advisory Committee to the State Treasurer on the Budgeting Act (Act 621). As a result, we were retained by the state to write the manual on implementation of Act 621 that was distributed to all municipalities in the state. We then assisted in conducting training seminars on the Budget Act and manual.

One of our audit partners is a specialist in the area of Community Development Block Grants (CDBG) and assisted in writing an accounting manual for the State of Michigan for CDBG recipients. He also serves as a resource person to the state providing special assistance to those communities that request it. One of our municipal audit partners prepared a workbook and conducted training sessions for the Michigan Court Executive Training Program.



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To the Partners of Plante & Moran, PLLC  
and the SEC Practice Section Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of **PLANTE & MORAN, PLLC** (the firm) in effect for the year ended June 30, 2001. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. In addition, the firm has agreed to comply with the membership requirements of the SEC Practice Section of the AICPA Division for CPA Firms (the Section). Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system and the Section's membership requirements based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Section and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it or with the membership requirements of the Section since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of **PLANTE & MORAN, PLLC** in effect for the year ended June 30, 2001, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the firm with reasonable assurance of complying with professional standards. Also, in our opinion, the firm complied during that year with the membership requirements of the Section in all material respects.

As is customary in a peer review, we have issued a letter under this date that sets forth comments relating to certain policies and procedures or compliance with them. The matters described in the letter were not considered to be of sufficient significance to affect the opinion expressed in this report.

*BKD, PLLC*

October 26, 2001

solutions  
or  
success

Attachment to the Peer Review Report of Plante & Moran, PLLC

Description of the Peer Review Process

Overview

Member firms of the AICPA SEC Practice Section (the Section) must have their system of quality control periodically reviewed by independent peers. These reviews are system and compliance oriented with the objective of evaluating whether:

The reviewed firm's system of quality control for its accounting and auditing practice has been designed to meet the requirements of the Quality Control Standards established by the AICPA.

The reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of complying with professional standards.

The reviewed firm was complying with the membership requirements of the SECPS in all material respects.

The Section's Peer Review Committee (PRC) establishes and maintains review standards. At regular meetings and through report evaluation task forces, the PRC considers each peer review, evaluates the reviewer's competence and performance, and examines every report, letter of comments and accompanying response from the reviewed firm that states its corrective Action plan before the peer review is finalized. The staff of the Public Oversight Board, an independent oversight body, plays a key role in overseeing the performance of peer reviews working closely with the peer review teams and the PRC.

Once the PRC accepts the peer review reports, letters of comments and reviewed firms' responses, they are maintained in a file available to the public. In some situations, the public file also includes a signed undertaking by the firm agreeing to specific follow-up action requested by the PRC. That file also includes the firm's annual report which contains information regarding the number of firm offices, firm professionals and SEC clients for which the firm is principal auditor-of-record.

## Planning the Review

To plan the review of Plante & Moran, PLLC, we obtained an understanding of (1) the nature and extent of the firm's accounting and auditing practice, and (2) the design of the firm's system of quality control sufficient to assess the inherent and control risks implicit in its practice. Inherent risks were assessed by obtaining an understanding of the firm's practice, such as the industries of its clients and other factors of complexity in serving those clients, and the organization of the firm's personnel into practice units. Control risks were assessed by obtaining an understanding of the design of the firm's system of quality control, including its audit methodology, and monitoring procedures. Assessing control risk is the process of evaluating the effectiveness of the reviewed firm's quality control system in preventing the performance of engagements that do not comply with professional standards.

## Performing the Review

Based on our assessment of the combined level of inherent and control risks, we identified practice units and selected, engagements within those units to test for compliance with the firm's quality control system. The engagements selected for review included audits of clients that are SEC registrants, audits performed under the Government Auditing Standards, audits performed under FDICIA, multi-office audits and audits of Employee Benefit Plans. The engagements selected for review represented a cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagement reviews included examining working paper files and reports and interviewing engagement personnel.

The scope of the peer review also included examining selected administrative and personnel files to determine compliance with the firm's policies and procedures for the elements of quality control pertaining to independence, integrity and objectivity; personnel management; and acceptance and continuance of clients and engagements. In addition, we tested compliance with the membership requirements of the Section, including those pertaining to independence quality controls and concurring partner review.

Prior to concluding the review, we reassessed the adequacy of scope and conducted an exit conference with firm management to discuss our findings and recommendations.

STATE OF MICHIGAN  
MICHIGAN DEPARTMENT OF CIVIL RIGHTS  
CERTIFICATE OF AWARDABILITY

81177605

The Department of Civil Rights, having conducted a review of the

Plante & Moran, LLP

27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037

certifies that this contractor meets the requirements of Section 209 of Public Act 453 and / or Public Act 220 of Public Acts of 1976. Unless this Certificate is revoked by the provisions outlined below, the contractor is awardable and eligible to do business with the state on transactions administered by the Michigan Department of Management and Budget, Acquisition and/or Infrastructure Services, and / or various other state and local governmental units.

THIS CERTIFICATE SHALL REMAIN VALID FOR ALL BIDS SUBMITTED BY THE COMPANY, TO THE MICHIGAN DEPARTMENT OF MANAGEMENT AND BUDGET, ACQUISITION AND/OR INFRASTRUCTURE SERVICES, AND/OR VARIOUS OTHER STATE AND LOCAL GOVERNMENTAL UNITS, UNTIL

05/01/2004

Unless a written request is submitted by the Contractor to the Michigan Department of Civil Rights, with a copy to the Michigan Department of Management and Budget, not more than 60 nor less than 30 calendar days before the expiration date appearing above, this Certificate will expire and be invalid.

This Certificate may be revoked by the Michigan Department of Civil Rights and / or the Michigan Department of Management and Budget upon finding of:

Violation of Public Act 453 and / or Public Act 220 of Public Acts of 1976

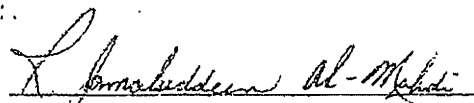
or

Failure to live up to any accepted written equal employment opportunity plan or failure to make good faith effort to do so.

Issued at Detroit, Michigan, on

10/24/2003

By:

  
Contract Compliance Team



**INDIVIDUAL QUALIFICATIONS AND EXPERIENCE**

When we are appointed as independent accountants, we assign only professional who are experienced in auditing and serving governmental units to the account. During the preliminary planning stages, two senior individuals are assigned to each account. During this planning period, both of these individuals take part in the review of systems and procedures, determination of the scope of the audit work and preparation of the audit programs. We have developed specialized governmental audit programs and internal control questionnaires for governmental units.

These programs and questionnaires are tailored to the particular governmental unit under audit. Once this work is completed, the most senior individual on the engagement is given the primary responsibility for the account. In the instance this individual is not available for consultation, the next most senior individual is available as well. Additional staff, at various experience levels, are assigned to enable us to complete the examination as economically and efficiently as possible. We feel that continuity in the staff we assign to specific clients' accounts is an advantage, allowing us to operate as effectively as possible with the least disruption to our clients. Because of our low staff turnover, we have been successful in retaining staff continuity year after year on our audit engagements.

The most senior individual on the engagement would be Joe Heffernan who would serve as the engagement partner, the next most senior individual would be Scott Janssen who would serve as the in-charge manager on the engagement. Both of these individuals are Certified Public Accountants licensed to practice in Michigan, and have exceeded the continuing professional education requirements during the last three years. These requirements include governmental training required by the GAO Yellow Book (24 hours over two years). The MACPA also requires 40 hours per year of continuing professional education. Their resumes, (which include audit experience, professional education and professional organizations) follow this introduction.

Joe and Scott have a considerable commitment to local units of government in Michigan. The same would be true of the additional individuals chosen to assist in the performance of City's audit. We anticipate that two additional individuals would be utilized in the audit; we currently have a pool of over 200 Michigan-based auditors who specialize in auditing local units of government in Michigan and who meet the required governmental continuing professional education requirements. This assures not only the quality of the staff that would be assigned for the year ending June 30, 2005 but also the continuing ability to assign competent government-specialized staff over the term of our audit service agreement.

One additional benefit to the City of Novi that results from our firm's substantial commitment to serve local units of government in Michigan is that there is very little training required of our staff. Even staff members that are newly assigned to the City's audit (as a result of promotions, for instance) would already be very familiar with the governmental concepts.

Plante & Moran's commitment to affirmative action can best be expressed by the fact that our firm has been awarded the Certificate of Awardability from the State of Michigan.

# Joseph C. Heffernan, CPA , Partner - Governmental Auditing and Consulting Group Municipal Professional Standards

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## Experience

- ◆ Joe Heffernan specializes in local government auditing and consulting. He is the partner in charge of professional standards for Plante & Moran's governmental group. In addition, he coordinates the ongoing audit and consulting engagements for several cities, townships, villages, counties and the State of Michigan.
- ◆ Joe's recent experience includes several governmental audit engagements, plus the following consulting assignments: GASB 34 planning and implementation, water and sewer rate studies, five-year financial forecasts, bond defeasance escrow verification, Act 312 arbitration assistance, ice arena forecasts, and fraud investigations.
- ◆ Joe is a frequent speaker for the Michigan Municipal League, the Michigan Municipal Finance Officers Association, the Michigan Townships Association, and the Michigan Association of CPAs.

## Education

- ◆ University of Michigan, Bachelor of Business Administration (with high distinction), 1979

## Professional Affiliations

- ◆ Chair, Michigan Municipal Finance Officers Association Accounting Standards Committee
- ◆ Invited Member of the Michigan Committee on Governmental Accounting and Auditing
- ◆ American Institute of Certified Public Accountants
- ◆ Member of the Executive Committee of the AICPA's Government Audit Quality Center
- ◆ Michigan Association of Certified Public Accountants

# Joseph C. Heffernan, CPA , Partner - Governmental Auditing and Consulting Group Municipal Professional Standards

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## Publications

- ◆ "The GASB is Coming! The GASB is Coming!" (an introduction to GASB34),  
February 2000 P&M newsletter
- ◆ "Investing Public Funds: What You Should Know About Risk and Reward,"  
December 1995, Michigan Township News
- ◆ "Understanding Michigan Cities, Townships and Villages," an  
introduction to the business environment of local units of  
government in Michigan.

## Contact Information

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Southfield, Michigan 48034  
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# Scott Janssen, CPA, Audit Associate

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## Experience

- Governmental Specialist – Audit manager and consultant on various local municipal clients.
- Recent experience beyond job organization and management, training and supervision of staff, and communication with clients includes:
  - Preparation of long-range financial plans for municipalities
  - Assistance with annual budgets
  - Involvement in bond offerings and related bond official statements
  - Coordinate audits of federally funded programs
  - GASB 34 implementation

## Education

- Central Michigan University, Bachelor of Science in Business Administration, Summa Cum Laude

## Professional Affiliations

- American Institute of Certified Public Accountants
- Michigan Association of Certified Public Accountants

## Contact Information

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EXHIBIT E

**SIMILAR ENGAGEMENTS**

The following is a list of similar engagements that were performed by staff out of our Southfield office:

	CITY OF AUBURN HILLS	WATERFORD TOWNSHIP	CITY OF BIRMINGHAM	CHARTER TOWNSHIP OF CANTON	CITY OF ROCHESTER HILLS
Scope of work	Audit of CAFR	Audit of GPFS	Audit of CAFR	Audit of CAFR	Audit of CAFR
Dates	Dec.31, 1974 to present	Dec. 31, 1986 to present	June 30, 1993 to present	December 1982 to present	Dec. 1999 to present
Engagement Partner(s)	Beth Bialy	Joe Heffernan	Joe Heffernan	Frank Audia	Joe Heffernan
Engagement Manager	M.Watterworth	Kathy Kercorian	Carolyn Lorenz	M.Watterworth	Wendy Thomas
Total hours	600	800	560	875	680
Telephone number	248-370-9344	248-674-3111	248-644-1800	734-394-5130	248-841-2401
Contact	George Martini	Carl Solden	Sharon Ostin	Elaine Kirchgatter	Pamela Lee

In addition, see the following pages for a complete listing of our governmental clients.

**MICHIGAN GOVERNMENTAL CLIENTS OF PLANTE & MORAN  
CITIES, TOWNSHIPS AND VILLAGES**

**Macomb County**

Armada Township  
Township of Bruce  
City of Center Line  
Township of Clinton  
City of Eastpointe  
City of Fraser  
Township of Harrison  
Township of Lake  
Township of Macomb  
City of Memphis  
City of Mt. Clemens  
City of Richmond  
Township of Richmond  
City of Roseville  
Township of Shelby  
City of St. Clair Shores  
City of Sterling Heights  
Township of Washington

**Oakland County**

City of Auburn Hills  
Village of Beverly Hills  
City of Birmingham  
City of Bloomfield Hills  
Township of Brandon  
City of Farmington  
City of Farmington Hills  
City of Hazel Park  
Township of Highland  
Township of Independence  
City of Keego Harbor  
City of Lathrup Village  
City of Madison Heights  
Township of Milford  
Village of Milford  
City of Novi  
Township of Orion  
Pontiac Retirement Systems  
City of Rochester Hills  
City of South Lyon  
City of Walled Lake  
Township of Waterford  
Township of West Bloomfield  
City of Wixom  
Village of Wolverine Lake

**Genesee County**

City of Clio  
Township of Grand Blanc  
City of Mt. Morris  
Township of Mt. Morris

**Washtenaw County**

Village of Chelsea  
Salem Township  
City of Saline  
Township of Scio  
Township of Sylvan  
City of Ypsilanti

**Wayne County**

City of Belleville  
Township of Brownstown  
Township of Canton  
City of Dearborn  
City of Dearborn Heights  
City of Garden City  
City of Gibraltar  
Township of Grosse Pointe  
City of Grosse Pointe Farms  
City of Grosse Pointe Park  
Village of Grosse Pointe Shores  
City of Hamtramck  
City of Harper Woods  
City of Highland Park  
Township of Huron  
City of Inkster  
City of Lincoln Park  
City of Livonia  
City of Melvindale  
City of Northville  
Township of Northville  
Township of Plymouth  
Township of Redford  
City of River Rouge  
City of Riverview  
City of Rockwood  
City of Romulus  
City of Southgate  
City of Taylor  
City of Trenton  
Township of Van Buren  
City of Westland  
City of Wyandotte

MICHIGAN GOVERNMENTAL CLIENTS OF PLANTE & MORAN  
CITIES, TOWNSHIPS AND VILLAGES  
(Continued)

Other

City of Albion  
Township of Bedford  
Township of Benton  
City of Benton Harbor  
Township of Berrien  
Village of Berrien Springs  
Township of Bertrand  
City of Brighton  
City of Buchanan  
City of Charlotte  
Township of Clay  
City of Coldwater  
City of Coloma  
Township of Coloma  
Township of Convis  
City of East Lansing  
Village of Eau Claire  
Township of Emmett  
City of Gaylord  
City of Grandville  
Township of Hagar

Township of Hamburg  
Township of Hartford  
City of Hastings  
City of Howell  
Township of Howell  
City of Imlay City  
Township of Johnstown  
Township of Keeler  
Township of Lee  
Township of Lowell  
Township of Marshall  
Township of Meridian  
City of Midland  
City of Monroe  
Township of Orangeville  
City of Owosso  
Township of Parma  
Township of Pokagon  
City of Port Huron  
City of Springfield  
City of Three Rivers  
City of Walker

MICHIGAN GOVERNMENTAL CLIENTS OF PLANTE & MORAN

County Road Commissions and Other Related Entities

Berrien County Road Commission  
Kent County Road Commission  
Oakland County Road Commission  
Macomb County Road Commission  
Washtenaw County Road Commission  
Michigan County Road Commission Self-Insurance Pool  
County Road Association of Michigan  
County Road Association Self-Insurance Fund (CRASIF)

State of Michigan

Department of Management and Budget	- Assistance in preparation of the state's comprehensive annual financial report
Bureau of Community Services	- Compliance audit
State Building Authority	- Financial audits
Legislative Branch of the State Government	Financial audits of: <ul style="list-style-type: none"><li>- House of Representatives</li><li>- Senate</li><li>- House Fiscal Agency</li><li>- Senate Fiscal Agency</li><li>- Legislative Services Bureau</li><li>- Office of the Auditor General</li></ul>
Mackinaw Bridge Authority	
State Bar of Michigan	
Michigan Municipal Bond Authority	



## MICHIGAN GOVERNMENTAL CLIENTS OF PLANTE & MORAN

### Libraries

Auburn Hills Library  
Baldwin Public Library  
Berrien Springs Community Library  
Bloomfield Township Public Library  
Brandon Public Library  
Bridgman Public Library  
Buchanan Library  
Canton Public Library  
Capital Area District Library  
Grosse Pointe District Library  
Hazel Park Memorial Library  
Lakeland Library Cooperative  
Milford Township Library  
Mount Clemens Public Library  
Northville District Library  
Redford District Library  
Rochester Hills Public Library  
Salem-South Lyon District Library  
Saline District Library  
Shiawassee District Library  
Tecumseh District Library  
West Bloomfield Library  
Ypsilanti District Library

### Courts

16<sup>th</sup> District Court  
17<sup>th</sup> District Court  
18<sup>th</sup> District Court  
19<sup>th</sup> District Court  
20<sup>th</sup> District Court  
21<sup>st</sup> District Court  
23<sup>rd</sup> District Court  
25<sup>th</sup> District Court  
26<sup>th</sup> District Court  
27-1 District Court  
27-2 District Court  
28<sup>th</sup> District Court  
32A District Court  
34<sup>th</sup> District Court  
35<sup>th</sup> District Court  
39<sup>th</sup> District Court  
40<sup>th</sup> District Court  
41A District Court  
41B District Court  
47<sup>th</sup> District Court  
48<sup>th</sup> District Court  
51<sup>st</sup> District Court

## MICHIGAN GOVERNMENTAL CLIENTS OF PLANTE & MORAN

### Other

Alpena Power  
Battle Creek Downtown Development Authority  
Battle Creek Investment Growth Corp.  
Battle Creek Tax Increment Finance Authority  
Battle Creek Unlimited, Inc.  
Benton Harbor-St. Joseph Joint Sewage Disposal Board  
Berrien Springs/Oronoko Police Department  
Brandon-Groveland-Ortonville Joint Recreation Authority  
Buchanan Dial-A-Ride  
Capital Regional Airport Authority  
Central Wayne County Sanitation Authority  
Coloma Joint Fire Board  
Conference-Western Wayne  
Detroit Police and Fire Pension System  
Downriver Community Conference  
Downriver Mutual Aid  
Downriver (Algonac) Recreation Commission  
East Lansing-Meridian Water and Sewer Authority  
Elderly Housing Corporation of Westland  
Flint Area Narcotics Group  
Flint Retirement Systems  
Genesee County Drain Commission  
Grand Haven-Spring Lake Sewer Authority  
Grosse Pointes-Clinton Refuse Disposal Authority  
Hartford Fire Board  
Huron-Clinton Metropolitan Authority  
Lakeview Downtown Development Authority  
Livingston County  
Livingston, Jackson and Washtenaw Counties Narcotics Enforcement Team (LAWNET)  
Michigan Association of Public Employees Retirement Systems (MAPERS)  
Michigan Legislature  
Michigan State Building Authority  
Midland City and County Joint Building Authority  
Nankin Transit Commission  
Northville Community Recreation Commission  
Northwest Ottawa Water Treatment Plant  
Oakland County  
Oakland County Local Development Company  
Pontiac Retirement Systems  
Resource Recovery and Recycling Authority of Southwest Oakland County  
Romeo-Washington-Bruce Tri-Community Cable Communication Commission  
Saline Area Fire Department  
Southeast B C Landfill  
South Haven Area Emergency  
South Haven Memorial Library  
South Huron Valley Utility Authority  
South Macomb Disposal Authority  
Southeast Macomb Sanitary District  
Southwest Oakland Cable Commission  
City of Warren Retirement System  
Washington & Bruce Township Parks & Recreation  
Washington & Bruce Township Star Transportation  
West Bloomfield Parks and Recreation Commission  
Western Townships Utilities Authority  
Western Wayne County Narcotics Unit  
Western Washtenaw Recycling Authority  
Wexford County  
Wyandotte Municipal Service Commission

## DISTRICT COURT CLIENTS OF PLANTE & MORAN

District Court Funds of District No. 35  
Townships of Canton, Northville, Plymouth  
and Cities of Northville and Plymouth,  
Michigan

District Court Funds of District No. 41B  
Charter Township of Clinton, Michigan

District Court Funds of District No. 20  
City of Dearborn Heights, Michigan

District Court Funds of District No. 47  
City of Farmington, Michigan

District Court Funds of District No. 21  
City of Garden City, Michigan

District Court Funds of District No. 32A  
City of Harper Woods, Michigan

District Court Funds of District No. 16  
City of Livonia, Michigan

District Court Funds of District No. 17  
Charter Township of Redford, Michigan

District Court Funds of District No. 25  
City of Lincoln Park, Michigan

District Court Funds of District No. 19  
City of Dearborn, Michigan

District Court Funds of District No. 26  
City of River Rouge, Michigan

District Court Funds of District No. 34  
City of Romulus, Michigan

District Court Funds of District No. 27,  
Division No. 2  
City of Riverview, Michigan

District Court Funds of District No. 39  
City of Roseville, Michigan

District Court Funds of District No. 40  
City of St. Clair Shores, Michigan

District Court Funds of District No. 28  
City of Southgate, Michigan

District Court Funds of District No. 41A  
City of Sterling Heights, Michigan

District Court Funds of District No. 23  
City of Taylor, Michigan

District Court Funds of District No. 18  
City of Westland, Michigan

District Court Funds of District No. 27,  
Division No. 1  
City of Wyandotte, Michigan

District Court Funds of District No. 48  
Cities of Bloomfield Hills and Birmingham  
Townships of West Bloomfield and  
Bloomfield, Michigan

District Court Funds of District No. 51  
Township of Waterford, Michigan

## SPECIFIC AUDIT APPROACH

Our examination would be made in accordance with generally accepted auditing standards and would accordingly, include such tests of the accounting records and such other auditing procedures we consider necessary to enable us to render an opinion on the fairness of your financial statements. This audit would meet the requirements of Michigan Act No. 2 of the Public Acts of 1968, audit standards prescribed by the Treasurer of the State of Michigan for local units of government in the *Bulletin for the Audits of Local Units of Government of Michigan* and pronouncements published by the American Institute of Certified Public Accountants and the Governmental Accounting Standards Board.

Our examination of the federal programs will be made in accordance with generally accepted auditing standards (including AICPA Interpretation 501.3), the standards for financial and compliance audits contained in the *Government Auditing Standards* (issued by the U.S. General Accounting Office), the Single Audit Act of 1984 (P.L. 98-502) and the Single Audit Amendments of 1996 (P.L. 104-156) and the provisions of the Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and non-profit organizations*, and, accordingly, will include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances. As part of our examination, we will issue any federal financial assistance programs supplemental information as required by the above provisions.

At Plante & Moran, we believe that advanced planning and identification of audit and reporting issues are key ingredients in performing an effective and efficient audit. Our planning involves meeting with your personnel prior to year-end to review a list of schedules that will be helpful in completing the audit. Preparation of these schedules would help ensure that interruptions to your financial staff are minimized and that appropriate deadlines are met. We also review budgets, organization charts, manuals, programs, minutes and information systems. Typically, our exit conference will include discussions on how we can make the audit more efficient and effective in future years. This approach allows us to Build in Quality rather than Inspect in Quality regarding our audit process.

Another key element of our audit approach is the amount of partner involvement in the audit process. Partners will be involved in the planning, performance, supervision and review stages of the audit. Our partners are committed to performing real-time review of workpapers and reports. In addition, our partners and staff hold frequent quality circle meetings to identify and resolve issues on a timely basis while obtaining the valuable input of the entire team. These quality circle meetings will often include key members of your staff.

We often make use of wall charts to help chart our progress in performing the audit and in achieving milestones that we have set during the planning process. We challenge each and every staff member to make the most efficient use of their time and the client's time, but still request that each staff member form recommendations that they feel would have a meaningful impact on the client's operations. In this way we are constantly striving to offer you ways to improve the efficiency and effectiveness of your systems and procedures and/or save valuable resources.

Before the audit report is typed and printed, our Professional Standards Department reviews the audit report and all significant accounting conclusions for conformity to generally accepted accounting principles and industry practices.

Plante & Moran's audit approach for the City of Novi would include the following segments:

Audit Program	Estimated hours				
	Total	A	B	C	D
Planning stage: Review of the City's internal controls, preliminary assessment of inherent risk and control risk related to the City's significant financial transactions and account balances, susceptibility to fraud, and planning the audit approach	60	5	5	20	30
Test a sample of the City's financial transactions (cash receipts, disbursements, payroll, billing; generally 25 transactions are tested nonstatistically)	35	-	-	-	35
Tests of susceptibility to management override (SAS 99 test; general journal entries, etc.)	50	-	-	15	35
Substantive tests of each fund type's balance sheet account balances	170	-	-	30	140
Substantive tests of each fund type's operating statement account balances; including analytical testing of water and sewer revenue, interest income, current operating expenditures	190	-	-	40	150
Supervision of staff and quality control review of audit workpapers	90	15	50	25	-
Reports (review financial statements and management letter)	20	5	5	10	-
Single audit (procedures and report preparation)					-
Administrative and clerical	32	-	-	-	32
Other procedures	3	-	-	-	3
<b>Totals</b>	<b>650</b>	<b>25</b>	<b>60</b>	<b>140</b>	<b>425</b>

A - Partner  
 B - Senior Manager  
 C - Audit Supervisor  
 D - Staff

We typically use sample sizes of 25 items and generally do not apply statistical sampling methodologies. We typically do not use EDP software, but have the capability should we determine it to be a more effective approach (we are currently using on some of our larger engagements, such as Oakland County and most of our colleges and universities). We use audit software (IDEA) for manipulating significant downloads of your general ledger system, such as general journal testing (for override of management controls), matching payroll and payables files to master employee and vendor files for potential double payment, potential false employees or false vendors, and other areas for city follow-up.

Our analytic procedures include ratio analysis and fluctuation analysis. We compare current year results to budget, and prior year to what we know about the governmental environment based on our thorough understanding of the industry. We utilize this type of analysis extensively in our review of the current operating expenditures of the various funds.

Our approach to the study and evaluation of internal control is to obtain your documentation of control policies and procedures, and to evaluate the extent to which procedures have been placed in operation by comparing to the results of samples selected solely for the purpose of walking through the documented procedures, as well as to samples of transactions selected primarily for substantive purposes.

Our approach to determining compliance with laws and regulations relies significantly on our audit staff's expertise in the municipal area. As part of our audit, we look for noncompliance with laws and regulations that would have a direct and material effect on the financial statements. As you are aware, laws and regulations governing municipalities in Michigan are significantly different than in the private sector. Our audit staff has a deep expertise in laws and regulations that affect municipalities in Michigan.

Our approach to drawing audit samples for tests of compliance can be either random selection or judgmental depending on the population being tested. Our audit programs are constantly reviewed and updated to take into account new laws, regulations and technical pronouncements. We have a series of checklists that we use in combination with face-to-face interviews and observations to document our understanding of the internal control structure and in determining if laws and regulations have been complied with.

**IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS**

We do not foresee any potential audit problems. Our experience with the City is that the City's excellent finance staff is able to anticipate any problems and resolve them with us prior to beginning the audit.

**REPORT FORMAT**

Plante and Moran is well versed in the various report formats that are allowable for governmental units to take advantage of under generally accepted accounting principles. Rather than including a few sample formats (the typical comprehensive annual financial report is 75 to 100 pages), we would invite you to ask us to see any specific financial reports from our client list. We would be happy to provide you with copies of any reports you would like to see.