AUDIT FINDINGS SUBCOMMITTEE MEETING
August 31, 2017
Draft Minutes

Members Present: Anthony, Grebner, and Naeyaert

Members Absent: McGrain

Others Present: Treasurer Eric Schertzing, Beth LeBlanc, Dawn VanHalst, Tim Dolehanty, Maggie Fenger and others

The meeting was called to order by Chairperson Grebner at 4:30 p.m. in the Personnel Conference Room “D & E” of the Human Services Building, 5303 S. Cedar Street, Lansing, Michigan.

Approval of the August 3, 2017 Minutes

WITHOUT OBJECTION, CHAIRPERSON GREBNER RECOGNIZED THAT THE MINUTES OF THE AUGUST 3, 2017 MEETING WERE APPROVED AS PRESENTED. Absent: Commissioner McGrain

Additions to the Agenda

None.

Limited Public Comment

None.

1. Discussion of the 2016 Audit Findings

Tim Dolehanty, Controller/Administrator, provided an overview of the revised report he originally prepared on August 3rd regarding the audit findings. He detailed the changes made to the original recommendations, as suggested by Treasurer Eric Schertzing.

Mr. Dolehanty stated that he thought the ideas suggested by the Treasurer were great and provided an overview of the suggestions to be implemented.

Chairperson Grebner asked if the pre-audit contractor would be paid out of the Treasurer’s pot of money on the side or the general fund.

Treasurer Eric Schertzing, Treasurer’s Office, stated that it could go either way but one of the challenges was some of the curveballs on the exit process of the current chief deputy and how that would open up available personnel dollars.
Chairperson Grebner stated that the contract with an auditing firm to do pre-audit preparation as a contractor sounded like a line item.

Treasurer Schertzing stated that could be germane to the delinquent tax revolving fund, which is the biggest single item in his office, but it was all the same pot of money ultimately.

Chairperson Grebner asked how much the audit contractor would cost.

Mr. Dolehanty stated the cost depended on what they were asked to do, but it likely would not be under $10,000 and probably not be more than $50,000, which he would hope not because that was the whole cost of the audit. He further stated that those figures were a wild guess without actually spelling out exactly what they wanted.

Chairperson Grebner stated that Mr. Dolehanty had mentioned hiring, on a temporary basis, a former employee, and he wanted to point out that there was a specific former employee involved, not just some former employee.

Treasurer Schertzing stated that the employee in mind was Mary Ruttan, who was the chief deputy for Don Moore as well as himself for the first six years, who built all these systems for the evolution of county government from 1980 on.

Commissioner Naeyaert asked if Mary Ruttan was the one they were referencing.

Treasurer Schertzing stated that Mary Ruttan was willing to come in two days a week.

Commissioner Anthony asked if they would need to go through a competitive RFP process to have that type of consulting done in this situation. She further stated that she knew Mary Ruttan was uniquely qualified due to her relationship with the Treasurer’s Office, but was there anything further that needed to be done.

Chairperson Grebner stated that she would be an employee.

Commissioner Anthony asked if she would be hired in as an employee of the county.

Chairperson Grebner stated that there were two different things being talked about, Mary Ruttan coming back as a temporary employee and separately having an audit firm or somebody serve as a consultant.

Commissioner Anthony asked if they had to go through an open process to hire a temporary employee.

Mr. Dolehanty stated that there was a pool in Human Resources to choose from to hire a temporary employee and he suspected this would follow the same framework.

Commissioner Anthony asked if Mary Ruttan would be in that pool.
Mr. Dolehanty stated she would probably be in her own specific pool. Chairperson Grebner stated that there were typically lots of temporary employees that came in during busy seasons for multiple departments. He further stated that temporary employees were limited to a certain number of hours per year, as well as other limits, but they were a well understood employee category.

Commissioner Anthony stated she was clear about what a temporary employee was, but she wanted to be sure the process of hiring folks was an open process, not just picking very specific individuals.

Chairperson Grebner stated that for temporary employees, a specific person was usually hired, and temporary positions were not competitive because somebody came in for a limited number of hours.

Treasurer Schertzing stated that sometimes the same temporary employee was hired year after year.

Chairperson Grebner stated they were very often former employees.

Discussion.

Mr. Dolehanty stated that pages eight through ten of the report enumerated the justification for making the suggested changes. He further stated that the bottom line was to start with the general ledger, which was the foundation of everything, and build from there.

Mr. Dolehanty stated that the tasks listed were tasks they envisioned would help, along with the employee being transferred, to get ready by the time the auditors came again. He further stated that these were the reports that would be done and the processes that would be followed.

Mr. Dolehanty stated that Financial Services had volunteered themselves to make sure they took a more active role in helping educate anybody, in this case particularly the Treasurer’s Office, in how Munis worked and how the uniform chart of accounts was put together so everyone had a broad understanding of the big picture and was not think about just what they were doing in their daily tasks.

Mr. Dolehanty stated that there were good conversations between the employees and he was confident this would work. He further stated that the environment for the employee would be good because they would be surrounded by people who think about accounting all day.

Discussion.

Commissioner Anthony asked for a quick breakdown of the Treasurer’s Office staff.

Treasurer Schertzing stated that there was a single clerk in Lansing that was cross trained with the County Clerk’s staff, which allowed the Lansing office to remain open, even though it was a
struggle. He further stated that in the Treasurer’s Office in the delinquent foreclosures efforts, Karen was there with one full time assistant and a part time assistant for part of the year, and across the hall in the Mason Courthouse there were two accountants, the assistant to the Treasurer and the Treasurer.

Chairperson Grebner asked where the chief deputy was.

Treasurer Schertzing stated that the chief deputy was in the Mason office with the Treasurer.

Discussion.

Commissioner Naeyaert stated that by moving the accountant to Financial Services to learn all the points listed in the report, the accountant would remain in Financial Services, not return to the Treasurer’s Office.

Commissioner Grebner stated that the position allocation list would need to be changed.

Commissioner Naeyaert stated that the accountant would then also become responsible for making sure that all the things needed for the audit would be learned and done correctly. She asked Mr. Dolehanty if that was correct.

Mr. Dolehanty stated that the individual ultimately responsible would be the department head. He further stated that Financial Services went through audits frequently for grant programs and other functions where the state government and in some cases the federal government would come in and audit.

Mr. Dolehanty stated that there were multiple audits that might be going on and these points applied to those audits as well. He further stated that audits were sort of a daily thing in that office and was their priority.

Commissioner Naeyaert asked if the Treasurer felt this would leave him shorthanded in any way. She further stated that she was concerned that he would be shorthanded between the transition of the chief deputy and the loss of an accountant.

Treasurer Schertzing stated that two years ago the assistant to the Treasurer position was restored, which made the problems with having one person in Lansing work. He further stated that he was less concerned about the person moving than achieving all the vision that they were trying to realize for that person to be able to do.

Treasurer Schertzing stated that there were functions in the Treasury that could go with that person, and there were training issues that could streamline how they do things with Munis.

Treasurer Schertzing stated that this had been a tough situation and he apologized to the commissioners for having come to this, and to the staff for the stress of going through this. He further stated that ultimately the examination and the conversations provided the opportunity for the County to come out better.
Commissioner Naeyaert stated that she was so hopeful for that, and she was hopeful for the staff as well. She further stated that as the Treasurer had said, this had been a stressful situation for everyone.

Commissioner Naeyaert stated that this issue was not just a Treasurer issue, although he was the responsible one, because this had affected everyone on the Board of Commissioners. She further stated that the Treasurer was the face of the county tax dollars but the commissioners were the face of the county to the constituents.

Commissioner Naeyaert stated that they were in the background, and the commissioners probably did not know all of what they did, but the commissioners expected those functions to work like they expect the functions to work in every department. She further stated that while this was encouraging to the Controller, Jill Rhode and to the Treasurer, she did not want to leave the Treasurer shorthanded.

Discussion.

Commissioner Anthony asked if Chairperson Grebner had gotten a copy of the list of adjustments he had asked for during the last meeting.

Chairperson Grebner stated that he had been told that it was too difficult, or that the audit firm did not disgorge the list accurately and he was just assured that he should just live without it. He asked Mr. Dolehanty if that was a good way to put it.

Mr. Dolehanty stated that was a good way to put it.

Commissioner Anthony asked if Chairperson Grebner was ok with that.

Chairperson Grebner stated he was but perhaps in the future they should stipulate that those adjusting entries needed to be preserved. He further stated that he did not think the real problem was that the errors were made or people did not know how to do the things that needed to be done because more or less everything was done.

Chairperson Grebner stated that the real problem was that the mistakes were not caught. He further stated that mistakes were made, but the Treasurer’s Office was not catching discrepancies.

Treasurer Schertzing stated that the chief deputy who he had selected and who was going to be departing from the office soon was not up to the task.

Chairperson Grebner stated that none of the responsibilities listed were new, and there had to be various and redundant mechanisms for cross checking.

Discussion.
Commissioner Anthony thanked the Treasurer and the Controller for putting together the recommendations. She further stated that she was really encouraged by the process and the progress that had been made.

Commissioner Anthony stated that she would like to see an oversight plan detailing the oversight measures and who was responsible for each task on a monthly basis built into the recommendation. She further stated that having a two month, six month or nine month check in to ensure everything was working might be a good idea.

Mr. Dolehanty stated that many of the points on the last few pages of the report detailed the oversight. He further stated that there were checks built in already.

Chairperson Grebner stated that it would be more appropriate to ask the Controller to come back in three months and provide an update.

Commissioner Naeyaert stated that if Jill Rhode was overseeing this person, she personally would like to hear from Jill Rhode, no more than 90 days into the situation, regarding how things were going. She further stated that she felt this was important, because before they had heard that the implemented changes were going well when it was not, but Jill Rhode would know if the changes were not working.

Commissioner Anthony thanked Commissioner Naeyaert for the suggestion and stated that was exactly the spirit of her previous statement because she wanted a person the Board of Commissioners could look in the eye and hold accountable to say things were okay or things were clunky but they were working on it.

Commissioner Anthony stated that way they could hold folks accountable so that they could report to their constituents that things were taken care of. She further stated that they could iron out the details at a later date.

Discussion.

Mr. Dolehanty stated that to keep the process pure, a resolution to change the position allocation list would go to the County Services committee and the Finance committee back to back. He further stated that he did not believe they needed to do anything else as they had the background for the changes here, so the resolution only needed to change the one position.

Mr. Dolehanty stated that the items such as the temporary employee budget would come before the committees like those kinds of requests normally would.

Discussion.

Treasurer Schertzing stated that he believed the personnel transfer would happen immediately after the September 25 Board of Commissioners meeting. He further stated that he would need to bring the hiring of Mary Ruttan for a temporary employee position before the committees because it needed to be funded.
Chairperson Grebner asked if the Treasurer’s Office did not have enough temporary employee funds to pay for Mary Ruttan’s position.

Discussion.

Commissioner Anthony asked what the estimated cost would be to hire Mary Ruttan.

Treasurer Schertzing stated that would be $20,000 or less for a six month period.

Chairperson Grebner stated that it was all the same pot, but it did not require much budget work if it was proper for the delinquent tax fund to pay for the position.

Treasurer Schertzing stated that was certainly a huge part of what they did and what the systems were about.

Chairperson Grebner stated that they would probably have to amend their budget because they did not have a large enough temporary item to cover it.

Treasurer Schertzing stated he would have to look but he did not believe they had a large enough temporary budget to cover it.

Discussion.

Chairperson Grebner stated that he would bring the report from the Audit Findings subcommittee to the finance meeting following the finance budget meeting.

Chairperson Grebner asked if anyone wanted to meet again or if they had met enough.

Commissioner Naeyaert stated that she felt they had met enough.

Chairperson Grebner stated that the Treasurer was supposed to provide a report to the Board of Commissioners tomorrow.

Treasurer Schertzing stated that he had provided that report to the Controller yesterday. He further stated that after the meeting he had prior to the final submission, he went in the direction of being shorter rather than longer, but there were plenty of back up materials if needed.

Discussion.

Chairperson Grebner asked if the Treasurer wanted to tell the commissioners about the report.

Treasurer Schertzing provided an overview of the report he had submitted.

Discussion.
Commissioner Anthony thanked the Treasurer for providing the report and cooperating with staff to come up with a comprehensive plan. She further stated that the commissioners had literally blown a gasket during the conversations at the time of the audit findings because they were taken by surprise.

Commissioner Anthony stated from that time to this day, the Treasurer and his office had been cooperative in trying to find solutions and move these things forward. She further stated that she was looking forward to digging into the report he had provided.

Commissioner Anthony stated she was encouraged by the plan and processes detailed that would make sure things were shored up well before the next audit so that they were not caught off-guard again.

Commissioner Naeyaert stated that she commended the Treasurer for his contrition, and his public apology to the Board of Commissioners, staff, and constituents. She further stated that this had not been easy for the Treasurer or the staff involved, but she hoped it was a wakeup call for every other department.

Treasurer Schertzing stated there had been a lot of calls lately.

Commissioner Naeyaert stated this was a wakeup call to remind everyone to dot their I’s and cross their T’s. She further stated that when talking about their rankings and an audit, it put the county in a drastic financial predicament, which was no small thing if the county should need to bond for anything.

Announcements

None.

Public Comment

Elisabeth Richardson, Treasurer’s Office, stated that the audit findings did not affect bond rating. She further asked if that was correct, that the audit findings did not affect the bond rating.

Chairperson Grebner stated that if the audit findings were besmirching enough they could alarm the rating agencies but there was no mechanical link.

Commissioner Naeyaert stated that repeated material weaknesses had a direct effect on the credit rating should the county need to bond for anything.

Discussion.

Adjournment

The meeting was adjourned at 5:11 p.m.