plante moran

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

December 22, 2016

To the Board of Directors
Rochester Hills-Oakland-Rochester
Older Persons' Commission

We have audited the financial statements of Rochester Hills-Oakland-Rochester Older Persons' Commission (the "Commission") as of and for the nine months ended September 30, 2016 and have issued our report thereon dated December 22, 2016. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section I includes any deficiencies we observed in the Commission's accounting principles or internal control that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the Commission's accounting policies and internal control.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the governing board members of the Commission.

We would like to take this opportunity to thank the Commission's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the governing board and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

Lisa C Manetta

Lisa Manetta

Amanda Konstandas

Amanda Konstandas

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the Commission as of and for the nine months ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Commission's internal control to be a material weakness:

> **Segregation of Duties and Control Procedures** - In reviewing the Commission's internal controls, we noted that one individual has the ability to perform multiple key financial functions. In an ideal control environment, the following duties would be segregated: bank reconciliation functions, cash receipting, cash disbursements, and journal entry functions. We understand that in a small office setting, it can be difficult to fully segregate these duties. However, we recommend that the Commission seek to limit the access rights provided to staff and implement control and review procedures to mitigate the risk of inaccurate or inappropriate activity as a result of the lack of segregation of duties. The Commission should consider whether there is one employee who can be fully or close to fully excluded from performing bank reconciliations, cash receipting, cash disbursement, and journal entry functions. This individual could then perform reviews of various items such as bank reconciliations, cash receipting, cash disbursement, and journal entry functions. This individual could also perform reviews of various items such as bank reconciliations, journal entries, and overall general ledger activity. Without the appropriate segregation of duties or mitigating controls, there is greater risk of inaccurate or inappropriate activity.
>
> In addition, proper segregation of duties as it relates to information technology controls is critical to ensure the security and accuracy of data produced by the system. As it relates to administrative access to the financial system, this should be limited to users without the ability to post journal entries into the system. This eliminates the risk of false users being created to post journal entries. During review of Financial Edge user access, it was noted that the segregation between those with administrative access to the financial system and those with the ability to post journal entries and access cash was not in place.

Section I - Internal Control Related Matters Identified in an Audit (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Commission's internal control to be a significant deficiency:

> **Capital Asset Donation** - During our audit, we identified an adjusting journal entry necessary to correct the recording of the land donation that was received during 2016. There was no impact to the General Fund; however, the adjustment affected the beginning net position and revenue of governmental activities on the government-wide basis. The adjustment was corrected by management. We recommend that a second review of journal entries be performed to ensure that transactions are being properly recorded.

Section II - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 6, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated November 21, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Commission are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2016, except for the implementation of GASB Statement No. 77.

We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

Section II - Required Communications with Those Charged with Governance (Continued)

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Commission, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.