

**SUBURBAN MOBILITY AUTHORITY FOR REGIONAL
TRANSPORTATION – AUDIT COMMITTEE**

PROPOSED MINUTES – October 25, 2018

An Audit Committee Meeting of the Suburban Mobility Authority for Regional Transportation (SMART) was held on Thursday, October 25, 2018 at 1:00 PM. The meeting was held at the Buhl Building, 535 Griswold, Suite 600, Detroit, MI 48226.

ATTENDANCE

SMART Board of Directors:	Chairman	Mr. Robert Daddow Mr. John Paul Rea Mr. Royce Maniko
SMART Board Secretary:		Ms. Tiffany Martin-Patterson
SMART General Manager:		Absent
SMART Staff Present:		Mr. Fred Barbret Mr. Ron Beier Mr. Austin Colson Mr. Robert Cramer Ms. Beverly Crockett Mr. Steve Dobbins Mr. Melvin Evans Mr. Dustin Hagfors Ms. Anita Parker Mr. David Sabuda Ms. Leeya Sutter Mr. Keith Taylor Mr. Andrew Thorner
Public Registered:	Plante Moran Plante Moran Plante Moran	Ms. Kimberly Deyak Ms. Pam Hill Mr. Keith Szymanski
	Passenger	Mr. Eugene Conway

1. Call to Order

Mr. Robert Daddow called the meeting to order at 1:00 PM.

2. Roll Call

Present: Mr. Robert Daddow, Mr. John Paul Rea and Mr. Royce Maniko

Absent: None

A quorum was present.

3. Adoption of the Agenda

MOTION: Moved by Mr. Royce Maniko, seconded by Mr. John Paul Rea, to approve the agenda for the October 25, 2018 meeting.

DISCUSSION:

None

Vote: All in attendance voted in the affirmative. **THE MOTION CARRIED.**

4. Certification of Public Notice

The Secretary read the Public Notice into the record.

5. Public Participation

None

6. New Business

A. Auditor Presentation – Draft Financial Reports

MOTION: Moved by Mr. John Paul Rea, seconded by Mr. Royce Maniko, that the Audit Committee recommend the audit be presented to the SMART Board of Directors on Thursday, December 6, 2018 contingent upon these open five items being completed:

1. Financial Statement – Opinion Letter
2. Federal Awards Supplemental Information – Opinion Letter
3. Financial Statement – Other Supplemental Information
4. Financial Statement – Management Discussion and Analysis
5. Signed Representation Letter from SMART

DISCUSSION:

Ms. Pam Hill provided an overview of the audit. She informed the Committee that the basic Financial Statement Audit and the Federal Awards Audit were performed. However, they were also hired through their contract to perform additional agreed upon procedures. All the agreed upon procedures have been performed to date with the exception of the National Transit Database (NTD) procedure. This will be prepared by SMART's staff after the audit is complete. Mr. David Sabuda explained that agreed upon procedures are utilized for the Connector, Sub-Recipient and Community programs.

The Opinion Letter was not included in the Committee package, but it was submitted to Plante Moran's engagement quality review section. Ms. Hill stated that she does not anticipate any changes to the Opinion Letter. However, they anticipate an unqualified opinion.

Mr. Keith Szymanski informed the Committee that SMART's Pension Plan is 78 percent funded and the OPEB Plan is currently 30 percent funded. The state guideline (PA202 of 2017) requires all OPEB plans to be funded at a minimum of 40 percent and all pension plans to be funded at a minimum of 60 percent. SMART is already 30 percent funded in its OPEB plan which is a credit to SMART making significant contributions into the OPEB account. SMART exceeds the 60 percent requirement for pension funding.

Mr. Robert Daddow asked why SMART had a large loss for the sale of asset number. Mr. Sabuda stated that SMART's staff expensed a large portion of the construction-in-process (CIP) asset number. Mr. Daddow stated that the CIP asset number was carried over for a long period of time and why it wasn't noticed in the prior years. Mr. Sabuda stated there was a timing litigation issue with the Lake Erie Transit Commission (LETC) building, which was resolved in 2016. There were also expenditures that were part of CIP that went back to 2004, 2005, and 2006. The CIP included the Troy Transit Center and Richmond-Lenox maintenance garage, which had to be removed from the construction process number after it was determined that these were not SMART assets. Mr. Daddow asked if the CIP was clean. Mr. Sabuda confirmed, stating that SMART is down to approximately \$570,000 and there are two vendors, Hubbell Roth and Clark, which accounts for the oil pit lane construction work for approximately \$560,000, and WW Williams, which will cost \$11,000 for the replacement of engines.

Mr. Daddow asked why there was a change in pension assumptions that resulted in a \$2.6 million deferred outflow on the balance sheet. Mr. Szymanski explained the amount is an amortization of a FY2016 pension assumption change value. The total value being amortized is \$10.3 million spread over four years. The \$10.3 million was caused by a change in the rate of return from 8.25 percent to 8 percent. Mr. Sabuda explained that the mortality changed recognizing longer life expectancy for retirees. The remaining \$2.5 million will be expensed in FY2019.

Mr. Royce Maniko stated this was the first year that LETC participated in the NTD. There were hundreds of extra hours in manpower utilized to complete the process. He wanted to know if it would be continued in the future. Mr. Sabuda stated that he is working closely with LETC staff to make sure they are reporting correctly.

Ms. Hill stated that there was one finding for material weakness under bank reconciliation for \$930,000. SMART Management made the bank reconciliation adjustment. She also stated the Federal Transit Authority (FTA) requested a Financial Data Review be performed every ten years and the auditors will help SMART with the first report of FY2018. Mr. Sabuda stated that an adjusting journal entry was made to correct the situation and procedures are now in place to ensure this does not happen again.

B. Open Items

DISCUSSION:

The five open items were not available for the meeting. The Committee made a Motion to complete and present to the SMART Board of Directors at the Board meeting on December 6, 2018.

VOTE: All in attendance voted in the affirmative. **THE MOTION CARRIED.**

7. Adjournment

There being no further business to come before the Audit Committee, upon motion duly made by Mr. John Paul Rea, seconded by Mr. Royce Maniko, and unanimously carried, the meeting adjourned at 1:36 p.m.

Respectfully submitted,

Tiffany C. Martin-Patterson
Secretary to the Board of Directors