

FINANCE AND AUDIT COMMITTEE
McHenry County Government Center – Administration Building
667 Ware Road
Woodstock IL 60098

MINUTES OF TUESDAY, JULY 10, 2007

Committee Chairman Marc Munaretto called the meeting to order at 9:30 a.m. The following Committee Members were present: Marc Munaretto; Marie Chmiel; John Hammerand; Tina Hill; Daniel Ryan; Barbara Wheeler. Lyn Orphal was absent. Also in attendance: Ralph Sarbaugh, Associate County Administrator – Finance; Cindy Kozlowski, Financial Analyst; John Labaj, Deputy County Administrator; Bill Kays, Circuit Clerk; Mark Cook, Public Defender; Tom Carroll, Assistant State’s Attorney; Tom Sullivan, Information Technology; Bob Ivetic, Human Resources; Nick Carroccia, Integration Project Manager; Judge Michael Sullivan; Pam Palmer, Auditor; Jim Bernier and Cheryl Walsh, Auditor’s Office; Peter Austin, County Administrator; interested public; and the press.

Marc Munaretto, Chairman	
Marie M. Chmiel	John Hammerand
Tina Hill	Lyn Orphal
Daniel P. Ryan	Barbara Wheeler

MINUTES

Ms. Wheeler made a motion, seconded by Mr. Ryan to approve the June 26, 2007 minutes of the Finance and Audit Committee. Mr. Hammerand requested some re-wording on page three of the minutes. The minutes were approved as corrected with a unanimous voice vote.

PUBLIC PARTICIPATION: None

PRESENTATION: None

NEW BUSINESS

Resolution authorizing an emergency appropriation to the Document Storage Fund FY 06-07 budget and a Resolution authorizing an emergency appropriation to the Court Automation Fund FY 06-07 budget:
Chairman Munaretto asked that Mr. Austin, Mr. Sarbaugh, Mr. Kays and Mr. Carroccia join the Committee and provide background information along with the magnitude of the proposed Integrated Court Information project. Mr. Carroccia introduced himself and explained that he was serving as the Manager of the project which will impact several departments including the Circuit Clerk, Public Defender, State’s Attorney and ultimately the Sheriff’s Department. Mr. Carroccia reported that the proposed Integrated Court Information System would replace the current Sustain system which has failed to meet the County expectations. The proposed system would provide automated functionality and the technology to make all components of the system work together. Departments would be able to share information, allowing for the elimination of redundancy. He noted that the Sustain system has never been completed nor is the vendor close to completion. The contract with Sustain was reviewed by the State’s Attorney and it has been determined that this contract should be terminated since Sustain did not deliver on their commitments. As a result, it was determined that a change in approach was required. After considering several options, a decision was made to embrace the Integrated Software Specialist, Inc.’s (ISS) proposal, which would yield the desired results. The project would be done in Phases, with Phase I to be the replacement of the case management system and to commence implementation of automation in three agencies, Phase I has a target completion date of April 30, 2008. The estimated completion date for Phase 2 is October 30, 2008. The cost for Phase 1 and Phase 2 is estimated to be in the 3 million dollar range. Standard methodology for the development and implementation of this initiative would be used. Mr. Carroccia stated that the firm has been operating for 20 years and has approximately 30 staff members. He noted that other counties have spent 15 million dollars to get such a system in place. Chairman Munaretto asked how long before estimated costs for Phase 3 and Phase 4 would be available. Mr. Sullivan stated that Phase 1 and 2 would need to be completed before good estimates for Phases 3 and 4 would be available. Mr. Austin asked that the Committee keep in mind this is a court project initially which will ultimately bridge beyond the courts. Mr. Sullivan stated that there may be future grant funds available to help defray some of the costs. Judge Sullivan stated that the Sustain system did not work and the courts need this case management software as soon as possible and are offering funds from the Document Storage Fund and their Automation Fund to cover some of the costs of the project. It was noted that fees collected from people using the judicial system are deposited into the Document Storage Fund and the Automation Fund.

Ms. Wheeler made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing an emergency appropriation to the Document Storage Fund FY 06-07 budget and a Resolution authorizing an emergency appropriation to the Court Automation Fund FY 06-07 budget. Ms. Chmiel asked if

the County would own the coding. Mr. Carroccia responded that those usually remain with the consulting firm, but such details would need to be worked out. He stated the system would eventually be marketable to other counties, noting that the current technology is outdated. After discussion, a roll call vote was called. The motion carried with all members present voting aye on a roll call vote (Ryan, Hammerand, Wheeler, Chmiel, Hill and Munaretto).

Resolution authorizing a one-time payout of vacation hours in excess of the County's Personnel Policy requirements: Ms. Hill made a motion, seconded by Ms. Wheeler, to recommend the County Board approve a Resolution authorizing a one-time payout of vacation hours in excess of the County's Personnel Policy requirements. Mr. Ivetic reported that there are approximately 18 employees that have excess hours. With the approval of the proposed resolution the excessive vacation hours will be eliminated. On a roll call vote, the motion carried with all members present voting aye (Ryan, Hammerand, Wheeler, Chmiel, Hill and Munaretto).

GASB 45 – Accounting and Financial Reporting by Employers for Other Post Employment Benefits (OPED) Other than Pensions (Discussion): Ms. Palmer, Mr. Bernier and Mr. Sarbaugh joined the Committee to provide an update to GASB 45. Mr. Bernier stated that GASB 45 changes the standards relative to retirees' health insurance plan and the recording methodology. The retirees' health insurance plan will be handled the same as the IMRF program for accounting purposes. The County's current practice has been "pay as you go" and if this is to be continued there would be a liability to the County. GASB 45 requires governments to set monies aside on all current employees to cover future costs of retirees' health insurance. GASB 45 would allow the County to set up a trust for these funds with zero liability. The County is required to offer health insurance to retired employees under IMRF. GASB 45 will provide more accurate information on the true costs of this program and will bring focus to the details of the County's health insurance plan. The GASB 45 will begin 12/1/08. Prior to the start of the program an actuarial evaluation will need to be completed. An implementation team has been formed to conduct an RFP to hire an actuarial firm. Mr. Sarbaugh noted that private industry is fighting GASB 45 requirements and a positive outcome could impact government. Chairman Munaretto thanked staff for their update and asked that they keep the Committee updated as necessary. He also stated that the Human Resources Committee should also be informed of these changes in reporting.

Auditor's Report: Ms. Walsh provided a summary to an internal audit of petty cash that was recently completed. This audit was performed to determine (1) if policies and procedures were being followed; (2) if petty cash boxes were balanced; and (3) if petty cash boxes were at appropriate levels. It was found that some cash boxes were not segregated from the petty cash boxes in the general ledge, that reimbursement on one petty cash box had not been requested in a timely manner and one petty cash box was no longer being used. These issues are being addressed with the implementation of procedures to segregate the account on the General Ledger, to keep departments informed through an e-mail at the end of the fiscal year of reimbursement requests and the unused petty cash box will be closed. Ms. Palmer reported that the department's newsletter will soon be out, the newsletter will be done quarterly and has been named "The Audit Trail." It will contain informational articles, updates on GASB and various interesting items. Chairman Munaretto stated he had recently met with Ms. Palmer to discuss the potential of extending the County's agreement with Virchow Krause, our outside audit firm. Mr. Hammerand stated the County had previously approved a policy to change the audit firm every three years to provide for a fresh look on a regular basis. Chairman Munaretto noted with the decreasing number of firms providing such services it may be necessary to re-think the current policy.

Mr. Sarbaugh introduced Cindy Kozlowski to the Committee. He stated Cindy has been hired as the new Financial Analyst. He noted that Cindy transferred from the Treasurer's Department when she had worked as an accountant for the past eight years. Members welcomed Cindy and introduced themselves to her.

Preliminary review of a loan fund request from Phezer Enterprises, Inc.: Mr. Labaj reported that a loan application from Phezer Enterprises, Inc. was submitted to Harris Bank in June and a preliminary review was conducted. Concerns were raised regarding the strength of personal financials, financial projections and the current month-to-month lease. Phezer Enterprises was established in April of this year and is leasing the existing Eisenmann Corporation facility in Crystal Lake. Eisenmann Corporation is no longer using the Crystal Lake facility. Chairman Munaretto stated that based on the current information it would be unlikely that a Loan request would be granted. Mr. Labaj will keep the committee updated as to any additional information relative to this request.

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Animal Control Facility – Review of decision making process: Mr. Austin provided an preliminary summary to significant activity regarding the purchase of the new Animal Control facility, said summary goes back to 2005. He noted that a review of these activities will provide a positive opportunity to improve procedures for the future.

Chairman Munaretto stated that the Committee would continue their discussion of the proposed real estate policy at the next regular meeting scheduled for July 24, 2007. Ms. Hill reported that the Management Services Committee had a discussion on this policy during their meeting today and they were prepared to have a joint meeting with the Finance and Audit Committee to move this item forward. Chairman Munaretto stated he would like the Finance and Audit Committee to first discuss this separately after which a joint meeting could be scheduled.

OLD BUSINESS: None

REPORTS TO COMMITTEE

Auditor's Report- As reported earlier in the meeting.

Contingency Reports: The General Fund Contingency Account Statement of Activity as of 7/9/07 was distributed to members.

EXECUTIVE SESSION: None

ADJOURNMENT

Noting no further business, Mr. Hammerand made a motion, seconded by Ms. Chmiel, to adjourn the meeting at 11:18 a.m. The motion carried with a unanimous voice vote.

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RECOMMENDED FOR BOARD ACTION:

Resolution authorizing an emergency appropriation to the Document Storage Fund FY 06-07 budget

Resolution authorizing an emergency appropriation to the Court Automation Fund FY 06-07 budget

Resolution authorizing a one time payout of vacation hours in excess of the County's Personnel Policy requirements

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