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DOEREN MAYHEW
Certified Public Accountants and Consultants

April 13, 2005

Troy City Council
500 W. Big Beaver Road
Troy, MI 48084

Dear City Council Members:

Several weeks ago, on March 21, 2005, we had attended a Troy City Council meeting for the purpose of seeking a renewal of our contract to provide audit services to the City of Troy. At the meeting, the City's Finance Department had indicated that Doeren Mayhew was being recommended to City Council as the "preferred bidder" based on a comprehensive bidding and evaluation process. Furthermore, during the course of the council meeting, we had been asked to answer several questions as posed by council members. In particular, we were asked the following two questions:

1. Are there any term limit requirements for auditors?
2. Explanation of Doeren Mayhew's administrative proceeding with the Securities and Exchange Commission.

Please permit us to further answer and clarify the questions posed during the meeting.

First, as mentioned during the council meeting, local units of government, state government, privately held companies and school districts are not required to rotate auditors. To our knowledge, the State of Michigan has never required any type of term limitations for auditors of municipalities.

In our opinion, there are benefits to maintaining the same auditor for the city year after year. Doeren Mayhew has been auditing the City of Troy for the past 14 years. Many other municipalities such as the City of Novi, City of Farmington Hills, City of Sterling Heights and many others have been represented by the same auditing firm for over 20 years. Due to the complexities of the financial structure of most municipalities, in particular, the City of Troy, it becomes beneficial to utilize the same auditor for extended periods. The longevity of the auditor provides the continued familiarity and experience with the city's accounting records, which aides in the identification of potential problem areas. Our experience in auditing the City of Troy provides us with the ability to make proper inquiries and to ease the burden on the city's finance department throughout the six-week audit process. In addition, our professional staffs are required to annually attend professional education courses in governmental auditing.

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Second, we were asked by a member of Troy City Council as to Doeren Mayhew's administrative proceeding with the Securities and Exchange Commission. In order to clearly answer the question, it is pertinent to identify the following facts:

1. Doeren Mayhew assisted Grant Thornton, a national accounting firm, to conduct an audit of a mortgage bank which had publicly traded corporate debentures.

2. The mortgage bank filed for bankruptcy protection under the Federal Bankruptcy Code in 1999.

3. Because of the failure of the mortgage bank, the Securities and Exchange Commission investigated and initiated certain allegations against Grant Thornton. The allegations also included Doeren Mayhew since our firm assisted Grant Thornton in the financial audit process.

4. There was a settlement with the Securities and Exchange Commission by Grant Thornton and Doeren Mayhew. Grant Thornton was imposed a fine of $1.5 Million. **Doeren Mayhew was <u>not</u> <u>imposed</u> <u>any</u> <u>fine</u>.**

Doeren Mayhew had a made a reasoned business decision to reach a settlement with the Securities and Exchange since our firm had made the decision years ago not to audit companies with publicly traded stock. As mentioned above, Doeren Mayhew was not the lead auditor, but rather, our firm assisted Grant Thornton in the financial audit. Furthermore, it should be noted that the Doeren Mayhew auditors that were involved in the mortgage bank audit do not participate as part of the auditing group which performs audits for municipalities.

It was evident from the bidding process conducted by the City that Doeren Mayhew's fee proposal was $8,125 less than the Rehmann Robson proposal. In a time when cities are cutting costs, this annual savings of $8,125 over a three-year contract amounts to $24,375.

Doeren Mayhew has been ranked by *"Inside Public Accounting"* as one of America's top 25 public accounting firms. We take much pride in the audit service that we have provided to the City of Troy over the past 14 years. We truly look forward to continuing our long term relationship. As many of you know, Doeren Mayhew which has been headquartered in the City of Troy since 1978, and many of our personnel take an active role in community events. We view our role as not only your auditors, but as citizens and business owners taking pride in the Troy community. We look forward to our continuing relationship as your auditors.

Very truly yours,

DOEREN MAYHEW

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Director

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LASFABPJTlms
cc John Szerlag, City Manager
John M. Lamerato, Assistant City Manager