



Meeting with Management and Those Charged with Governance  
Communications Related to the audit of Delphi Salaried Retirees  
Association Benefit Trust (the "Plan") as of and for the year  
ended December 31, 2010.

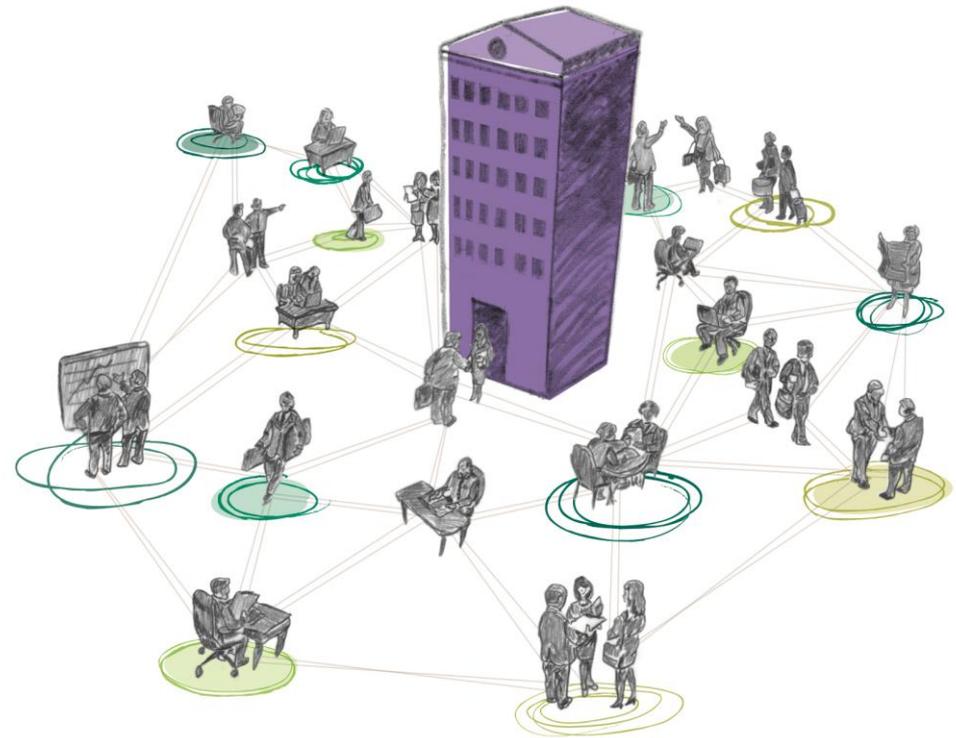


# Our values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and ensure that our people make correct and appropriate choices.



# Responsibilities



# Our responsibilities

We are responsible for:

- **performing a full scope audit**
- **express opinion, by auditing form and content of the information included in Plan's Form 5500 filings that the financial statements and supplemental schedules are presented in compliance with DOL rules and regulations under ERISA**
- **form and express an opinion about whether internal control over financial reporting is effective**
- **communicate specific matters to you**

An audit does not relieve you or management of your responsibilities.

# Those Charged with Governance and Management responsibilities

## Those Charged with Governance

Those charged with governance are responsible for:

- overseeing the financial reporting process
- setting a positive tone at the top
- discussing significant accounting and internal control matters with management
- informing us about fraud or suspected fraud, including its views about fraud risks
- informing us about other matters that are relevant to our audit

## Management

Management is responsible for:

- preparing and fairly presenting the financial statements in conformity with US GAAP
- designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- communicating significant accounting and internal control matters to those charged with governance
- providing us with unrestricted access to all persons and all information relevant to our audit
- informing us about fraud, illegal acts, significant deficiencies and material weaknesses
- adjusting the financial statements, including disclosures, to correct material misstatements
- informing us of subsequent events
- providing us with certain written representations

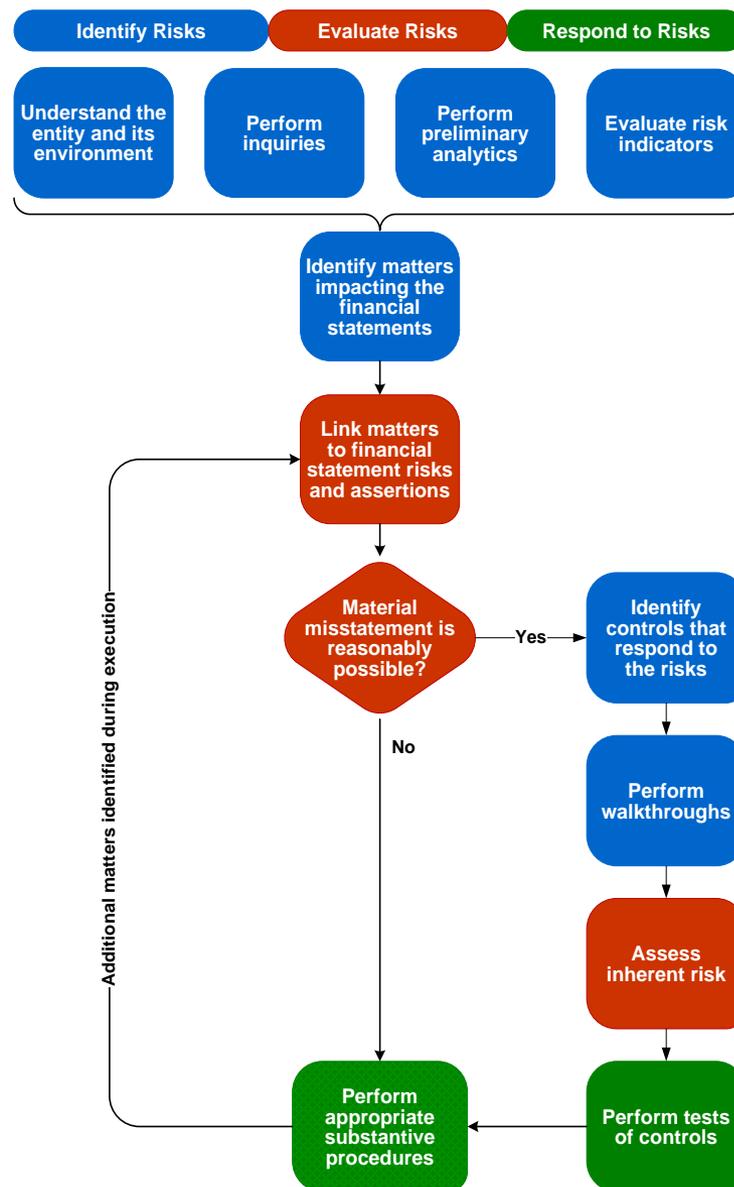
# Audit scope and results



# Horizon audit methodology

We approach our audit by:

- understanding your Plan, including the Plan's environment
- using that knowledge and understanding to analyze your financial statements
- determining materiality
- identifying areas more likely to be materially misstated
- focusing audit attention and effort on those areas



# Audit timeline

April/May 2011	Client acceptance	<ul style="list-style-type: none"> <li>• Performed initial client acceptance procedures.</li> <li>• Discussed with management the benefit plan that would be audited and any major changes in events in 2010.</li> </ul>
April/May 2011	Planning	<ul style="list-style-type: none"> <li>• Held planning meetings with management to further discuss the timing of fieldwork and considerations for the audit.</li> <li>• Developed PBC list, project timelines, etc.</li> </ul>
May 2011	Preliminary risk assessment procedures	<ul style="list-style-type: none"> <li>• Assessed financial reporting risk related to the plan</li> <li>• Made selections for participant testing</li> <li>• Sent confirmations to selected participants</li> </ul>
June 2011 – January 2012	Final fieldwork and deliverables	<ul style="list-style-type: none"> <li>• Perform participant testing</li> <li>• Review financial statements</li> <li>• Issue opinions and other communications</li> </ul>

# Materiality

Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark.

- **We believe that Insurance premiums is the appropriate benchmark for the Plan.**

Financial statement items greater than materiality are in scope. Other areas less than materiality may be in scope if qualitative factors are present (for example, compliance considerations, related party relationships or transactions and fraud risk).



# Significant risks

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Results
Participant data and eligibility	No significant issues identified
Contributions	No significant issues identified
Insurance premiums	No significant issues identified
Consideration of Plan's compliance with applicable IRC requirements for tax-exempt status	No significant issues identified



# Internal control matters

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.

## Significant Deficiency

Plan accounting records for contributions and premiums paid to insurance carriers by Marsh, the Plan record keeper, was not reconciled to the insurance premium carrier records during 2010.

A process was established in November of 2011 for an ongoing reconciliation on a monthly basis. We recommend that a control to monitor and review this process on a regular basis be established.

A deficiency in internal control (“control deficiency”) 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.

## Control Deficiency

During contributing testing, we identified a participant who was receiving subsidy payments but was still billed a 100% by Marsh. This resulted in an overpayment for \$400 that consisted of 10 months of subsidy payments. This was caught and corrected in January 2011.

We recommend that a process be established to review subsidy premiums on a monthly basis and review for proper posting to participants' accounts.



# Other required communications

## Disagreements with management

There were no disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the plan's financial statements or the auditor's report.

## Difficulties encountered during the audit

There were no significant difficulties encountered in dealing with management related to the audit.

# Quality of accounting practices



# Quality of accounting practices

## Accounting policies

- The significant accounting policies used by the plan are disclosed in the notes to the financial statements.
- We noted no significant unusual transactions, or other significant transactions in controversial or emerging areas of which there is a lack of authoritative accounting guidance or consensus.

## New accounting pronouncements

- In January 2010, the FASB further amended the guidance by adding new disclosure requirements for Level 1 and Level 2, separate disclosures of purchases, sales, issuances and settlements relating to Level 3 measurements, and clarification of existing fair value disclosures. This amendment is effective for periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The Plan does not currently hold any Level 3 assets and does not expect the Level 3 disclosure portion of the amendment to have an impact on the Plan financial statements.

# Other matters



# Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal Web site
- Can be accessed from our external Web site  
([https://secure.ethicspoint.com/domain/en/report\\_customer.asp?clientid=15191](https://secure.ethicspoint.com/domain/en/report_customer.asp?clientid=15191))

Disclaimer: EthicsPoint is not meant to act as a substitute for a company's "whistleblower" obligations.

This communication is intended solely for the information and use of Plan management and those charged with governance over the plan and is not intended to be and should not be used by anyone other than these specified parties.



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