



TOWN OF DEWEY

BEACH

www.townofdeweybeach.com

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Dewey Beach, DE 19971
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To: Town Commissioners

From: Mr. Scott Koenig, P.E. *SK*
Town Manager

Date: January 8, 2019

Attached is an engagement letter from Luff & Associates, P.A. for monthly accounting services and core accounting services for the balance of FY-2019 and all FY-2020. Mr. George Luff will attend Saturday's meeting to give an overview of the services and answer any questions with respect to the proposed engagement. The core accounting services will be performed for a one-time fee of \$30,000 and the monthly accounting fees will be \$2,500 per month.

sdk/SDK

George E. Luff, II, CPA
CFE, MAFF, CFF, CVA
Tyler W. Luff, CPA
Ron Reed, CPA, MST



223 S. Rehoboth Boulevard
Milford, Delaware 19963
(302) 422-9699

157 Rehoboth Avenue
Rehoboth Beach, Delaware 19971
(302) 727-5450

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Council and Mayor
Town of Dewey Beach
Dewey Beach, Delaware

We are pleased to confirm our understanding of the services we are to provide for the Town of Dewey Beach for the fiscal years ended March 31, 2019 and 2020.

We will prepare the workpapers for the Town of Dewey Beach, which comprise reconciliations and supporting schedules for select trial balance accounts for the fiscal years ended March 31, 2019 and 2020. *We are not Independent based on the internal accounting services we will provide.*

Our Responsibilities

The Objective of our engagement is to:

- a. prepare workpapers for the Town's Independent Audit Firm, that will expedite the audit process.
- b. apply accounting and financial reporting expertise to assist you in the preparation of the workpapers without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the workpapers in order for them to be in accordance with accounting principles generally accepted in the United States of America.
- c. We will assist in the development of an accrual basis accounting system, including upgrading and maintenance.
- d. We will assist your accounting staff in adjusting journal entries.
- e. We will work with the audit firm to help expedite your annual audit.
- f. Monthly Accounting Proposal - See Exhibit "A"
- g. Core Accounting Proposal - See Exhibit "B"

We will conduct our preparation of the workpapers in accordance with generally accepted accounting principles and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the workpapers.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is the preparation of the workpapers in accordance with accounting principles generally accepted in the United States of America and to assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking of our engagement:

- a. The preparation and fair presentation of the workpapers in accordance with accounting principle generally accepted in the United States of America.
- b. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the workpapers.
- c. The prevention and detection of fraud.
- d. To ensure that the entity complies with the laws and regulations applicable to its activities.
- e. To make all financial records and related information available to us.
- f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.

You are also responsible for all management decisions and responsibilities, and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your workpapers. You are responsible for evaluating the adequacy and results of services performed and accepting responsibility for such services.

Other Relevant Information

George E. Luff II, CPA is the engagement partner and is responsible for supervising the engagement.

To ensure that Luff and Associates, P.A.'s independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

We subscribe to a program of peer review for maintenance of quality control in our firm. As part of this program, this engagement may be selected for review by other accountants under strict rules of confidentiality. Your acceptance below constitutes your agreement for disclosure under the program.

The firm may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, the firm will remain responsible for the work provided by any such third-party service providers.

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

It is agreed that all disputes that arise in connection with our engagement that cannot be mutually resolved by us shall be binding arbitration under the rules and procedures of the American Arbitration Association.

You agree that our liability hereunder for damages, regardless of the form of action shall not exceed the total amount paid for the services described herein. This shall be your exclusive remedy.

No action, regardless of form, arising out of the services under this agreement may be brought by either party more than three years after the date of the last services provided under this agreement.

Monthly Fees:

Our fees for these services will be at our standard rates for the time spent, or by the project or by the bid plus out-of-pocket expenses. Our bills are due upon presentation. We may bill you on an interim basis prior to completion of this engagement. A finance charge of 1.5% per month will be assessed on any unpaid balance after deduction of current payments, credits and allowances made within 30 days of date of billing. This is an Annual Percentage Rate of 18%. If fees are not paid as agreed or exceed our maximum credit limit, we reserve the right to discontinue work. Currently we project our monthly fee for this service will be \$2,500 but if our cost start to exceed this amount we will advise you.

Core Fees:

Our fees for these services will be at our standard rates for the time spent, or by the project or by the bid plus out-of-pocket expenses. Our bills are due upon presentation. We may bill you on an interim basis prior to completion of this engagement. A finance charge of 1.5% per month will be assessed on any unpaid balance after deduction of current payments, credits and allowances made within 30 days of date of billing. This is an Annual Percentage Rate of 18%. If fees are not paid as agreed or exceed our maximum credit limit, we reserve the right to discontinue work. Currently we project our fee for this ***One Time Service*** will be \$30,000 but if our cost start to exceed this amount we will advise you.

This letter comprises the complete and exclusive statement of the agreement between the parties, superseding all proposals oral or written and all other communications between the parties. If any provisions of this letter are determined to be unenforceable, all other provisions shall remain in force.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the workpapers and work with your audit firm.

Sincerely,

Luff & Associates PA

Acknowledged:
Town of Dewey Beach

Scott D. Koenig, P.E.
Town Manager

Date

**Town of Dewey Beach
Monthly Accounting Proposal**

We, at Luff & Associates, P.A., CPAs, are comfortable offering the following services:

1. Reviewing monthly deposits to bank accounts
2. Conferring with the Town Manager, department heads, and other employees on financial issues to help achieve the goals and objectives of the Town officials regarding quality of services to citizens.
3. Checking all electronic deposits to the General Fund bank account from the State of Delaware, the Federal government, credit card collection firms, etc., locate supporting documentation, and assign revenue account numbers for proper entry into the accounting records by journal entry.
4. Reconcile monthly the following bank accounts: General Fund, Payroll, Transfer Tax, Parking Meter Revenue, Beach Replenishment Tax, Municipal Street Aid, Restricted Equity, Street Repairs, Police SALLE Grant, Police EIDE Grant, Police Department, Dewey Beach Patrol, Rainy Day Fund, Technology Fund, Comp Plan.
5. Reconcile monthly investment account for the General Fund and Beach Replenishment: Brown Advisory. Record deposits and expenditures from the account. Make general journal entries for rest of activity.
6. Prepare monthly general journal entries and post them in the accounting information system for transactions in the above accounts (that are not processed in the financial reporting system through daily transactions), expenditure and revenue accruals, insurance expenses (reduction of prepaid insurance), depreciation, crediting of building permit fees to Street Repairs account, allocating parking permit fees to Below the Line accounts, allocating court fees to appropriate accounts.
7. Review overall financial data in the accounting information system for correctness and reasonableness, offsetting inter-fund receivables/payables, budget vs. actual, and accrual of legal fees.
8. Export reports to Excel spreadsheets on a regular basis for Town Manager's review throughout the month. Final reports prepared after all bank reconciliations are performed and all general journal entries made. Basic reports include: Financial Summary, Revenues and Expenditures – Budget vs. Actual, Previous Year Comparison, Balance Sheets for Town of Dewey Beach and Beach Replenishment Tax. We will not Compile, Review, or Audit such financial information. All reports will be labeled "DRAFT."
9. With accounting director, assist department heads in selecting the proper account number to apply to certain expenditures.
10. With financial spreads, analyze revenue and expense trends and gather financial data related to salaries & wages, employer benefit costs, employer taxes, etc. and other operating costs to prepare the Town Manager's annual operating budget request. Work with the Budget and Finance committee and the Town Council in approving the Annual Operating Budget.
11. With accounting director, coordinate annual audit by outside audit firm. Respond to any requests for back up during their on-site testing phase and for clarification on financial data.

12. Upon successful completion of the audit, prepare all audit general journal entries and reconcile end of year Town of Dewey Beach reports so they match audited financials.

**Town of Dewey Beach
Core Accounting Proposal
March 31, 2019 and 2020**

1. Design and implement a new general accounting system.
2. Design and implement accounting Policies and Required Documentation
3. Design a reconciliation system for Edmunds to Quickbooks
4. Design a reconciliation system for Building Permits
5. Design and Implement a system for payroll for approval and internal control
6. Design and Implement a system for Business Licenses reconciliation and documentation.
7. Segregation of Duties regarding Cash Accounts and actual cash handled.
8. Design and Implement a system for Grant Accounting.
9. Design and Implement a system for Investment Accounting.
10. Design and Implement a system for Life Saving Station
11. Design and Implement a system for LESSO Equipment.
12. Continue to update the Town's Policies and Procedures.