TOWN OF DEWEY BEACH

DRAFT

Audit Committee Meeting Minutes

April 20, 2018

On Friday, April 20, 2018 the Audit Committee met with Roy Geiser CPA, partner in TGM Group (who participated by phone as he was on vacation and could not attend in person). The meeting began at 3:30 p.m. with an agenda to provide an update on the agreed upon procedures (phase 2) and to plan the March 31, 2018 audit of the Town’s financial statements.

Attendees were Larry Silver, Diane TenHoopen, Steve Huse and Diane Hanson and Dennis Trencher. Town Manager, Scott Koenig, Commissioners Dale Cooke and Paul Bauer and Sheena Gossett from town hall and Chris Flood, reporter from the *Cape Gazette*.

A motion was made by Steve Huse, seconded by Diane Ten Hoopen, to approve the minutes from the March 9, 2018 meeting. The vote was unanimous to approve.

Roy reviewed progress. He had contacted the Defense Logistics Agency to provide assistance but has had trouble connecting with them. That has held up progress on Phase 2 but hopefully they can make quick progress soon and may need to look at other approaches due the lack of responsiveness. It was later suggested by a committee member that perhaps Pete Schwartzkopf or Ernie Lopez could provide assistance in getting a response.

Roy and Larry discussed the deadline for the town’s audit and plan for another meeting to be sure to get the committee to review the audit within the designated time. It was decided that a Monday a.m. would be most convenient for Roy. He and Larry will arrange a date and advise committee members.

Inventory, depreciation lists etc. need to be to gathered and interviews with town departments must be scheduled. Larry asked if anyone on the committee or town staff could be helpful but Roy was not sure. He’s tried to gather insurance records and there are challenges there.

Wilson Auction would have to review receipts for small items paid for with cash, which would be a long process and not worth the fee Wilson would charge us. Roy stated that we won’t be able to evaluate how much cash was collected as there are few receipts anyway. Police had cancelled checks for large equipment sales at Harrington Auction.

It was determined that one can spend a lot of cash trying to follow the money trail but we do not want spend more money than it’s worth. This is also true for the bartering exchanges which includes town property transferred to John Brady, Esq. The auction company did a search for Town of Dewey, Sam Mackert (one check for $23) and no checks were issued in other policemen’s names. There is no list of the smaller items. It is strongly recommended by the audit committee members there be no more bartering and the commissioners have agreed with this recommendation. It was strongly recommended that we review the list of equipment and get a record of what happened to each piece of equipment during the second phase of the audit.

The committee emphasized that we don’t have a problem with the LESO program in concept. Our issue is that the police “knowingly, consciously kept these transactions off the books, conducted transactions and handled cash without disclosure to the Town, even having a safe for cash.” The committee expressed concern that police saying they will do better is not sufficient accountability.

Steve asked if we are going to get an appraisal of the equipment and Roy stated that was still up in the air how this would be handled. We could for example use a model of 20% of the value of equipment valued over $100,000. Scott Koenig asked about the need for evaluating the equipment. Larry stated that without this the town may be under evaluating its assets. Once Roy gets a handle on the value of what we have, he will be able to determine how to proceed. Paul asked how other towns deal with this and Roy commented we are the only town that participates in this program to this extent.

Larry and Diane H both asked about the issues with the lifeguards including the undocumented 501(c)(3) and the EIN number that does not agree to any tax exempt entity on the IRS files. Dennis stated that people made donations with the assumption it was deductible and asked if we have an obligation to notify those who gave. Roy said this was a good question but would be up to the commissioners. The check book balance for the lifeguard account as of March 31.2017 was about $23,000 but no one really knows how much was collected or spent. Roy will evaluate the bank statements. There is also a need to inventory various assets that have been given to the lifeguards and to coordinate with insurance records and depreciation for bigger items.

The lifeguard account has no new deposits this year. The Town Manager stated that he has two statements from 2017 with a monthly fee and little interest. Diane T asked if the lifeguards have been told to bring any further donations through the town. This is not likely to be a major concern for the IRS due to the relatively small amount of money involved. Dennis was concerned for the businesses who were likely the major donors. Steve volunteered to talk to the Dewey Business Partnership to advise them of the situation.

Diane T emphasized the importance of each department head signing a statement that everything was accurate to the best of their knowledge. Larry said that’s between the town and the auditors. A major discussion ensued about basic judgment and authority of the police to acquire and sell such large volumes of equipment.

Diane T asked how we are progressing on developing internal controls. Since lack of controls led to the police and beach patrol fund problems. It’s critical that the Town find the resources to devote to building a governance program ASAP. Sheena and the CPA the town has hired to assist in this process will be reviewing every step of the process. Scott stated that this project could take years. Basic policies will be reviewed or developed before this year’s audit. After that they will review every policy or develop a policy where needed. Sheena and George will be starting a project plan this coming week.

The committee reviewed a list of their own recommendations for the commissioners from the previous Audit Committee meetings as follows, emphasizing the need to evaluate personnel:

1. Accept the draft of TGM’s Agreed Upon Procedures Report (AUPR) as modified on March 9, 2018.

2. The town should immediately engage TGM to undertake items 3 and 4 in the recommendations and comments section of the modified draft AUPR as phase 2 with a completion date no later than May 15, 2018 to ensure the timeliness of the completion of the March 31, 2018 audit.

3. In accordance with the audit committee charter, in part to assess the Town’s accounting and reporting practices and its internal control systems, it is the committee’s opinion that the Town ensure it is doing all that is necessary including ensuring the appropriate Town personnel are employed in the proper positions.

A motion was made by Steve Huse, seconded by Dennis Trencher, was unanimously approved to adjourn the meeting at approximately 5:00 p.m.