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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Dewey Beach, Delaware
105 Rodney Avenue
Dewey Beach, Delaware 19971

TGM Group LLC ("TGM") has performed the procedures enumerated below, which were agreed to by the Audit Committee and Town Commissioners (the "Committees") for the Town of Dewey Beach, Delaware (the "Town"), as defined later in this letter. The Committees are responsible for the records. The sufficiency of these procedures is solely the responsibility of those Committees. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

AGREED-UPON-PROCEDURES

(As outlined in our engagement letter dated April 2, 2018)

Our focus will be on the last 5 years (beginning April 1, 2012 through the date of this letter) and the procedures will include:

1. Ensure compliance with SALLE and EIDE grant bank accounts.
2. Examine the cash receipts and disbursement log obtained from the Police Department for the monies held in the safe.
3. Gain an understanding of the need and use of the Police Department safe for financial purposes.
4. Obtain account reconciliations and examine a sample of cash receipts and disbursements from the Dewey Beach Patrol Competition Team – off-balance sheet EIN #16-0538020.
5. Perform a physical count of the DEMIL Code A LESO property on hand to ensure completeness of the capital asset listing and consider capitalizing property consistent with the \$5,000 capitalization threshold policy currently in place by the Town.

6. Perform a physical count of the Lifeguard property on hand to ensure completeness of the capital asset listing and consider capitalizing property consistent with the \$5,000 capitalization threshold policy currently in place by the Town.
7. To ensure completeness of the capital asset listing, attempt to reconcile Lyons Companies summary listing of the auto and in-land marine policies to capital asset records of the Town.
8. Perform procedures to determine fair market value and useful life of DEMIL Code A LESO property and/or donated property received.
9. Confirm with the auction company, a comprehensive listing of disbursements from the sale of Town assets and reconcile with Town records.

FINDINGS AND RESULTS

1. As per the Emergency Illegal Drug Enforcement (“EIDE”) program and the State and Local Law Enforcement (“SALLE”) program manuals, when grant funds are received they must be deposited in separate grant accounts.

Currently funds are deposited into the Town’s general operating account and transferred into the respective grant bank account. The operating fund pays for grant related expenses and then the grant monies are transferred back into the operating account from the respective grant bank accounts. Although this is not exactly how monies are intended to flow, we feel that it captures the intent of the program requirements and minimizes any administrative burdens of the grant requirements noted above. The SALLE grant bank accounts has had the necessary transfers of funds to “reimburse” the operating account, however the EIDE account has not. It appears that the EIDE transfer of funds has been overlooked. Upon review by a state agency this could be perceived as a non-compliance of the grant requirements.

2. The following summarizes the January 12, 2018 cash receipts and disbursement log obtained from the Police Department for the monies held in the safe.

Vendor / Customer	Description	Amount
Wilson's Auction Sales, Inc.	Sale of equipment	\$ 3,859.50
Individual	Sale of 2005 Chevy Van	2,300.00
Unknown	Miscellaneous	207.20
Ad-Art Sign Company	Graphics of police vehicle	(360.00)
Walmart	24" LED TV for dispatch	(128.00)
Glock Professional, Inc.	Training class; partial payment	(100.00)
Grotto Pizza	Food for officers (Memorial day 2017)	(57.00)
Jimmy's Grill	Food for officers (Memorial day 2017)	(97.50)
Delmarva Communications, Inc.	Equipment for police vehicle	(3,269.15)
Net Cash		\$ 2,355.05

Net cash balance of \$2,355.05 was deposited into the Town's operating account on January 16, 2018. The \$207.20 of miscellaneous cash receipts, as noted above, was not included on the January 12, 2018 cash receipts and disbursement log but was also given by the Police Department to the finance office.

3. A summary of the discussion with Chief Mackert on May 15, 2018 regarding the need and use of the Police Department Safe is summarized below:
- a. To hold valuable "lost and found" items. The example the Chief used was jewelry.
 - b. It was noted that the cash held in the safe, as noted in #2 above, was an isolated incident.

In addition a surprise safe examination was performed on 4/27/18. Several handguns and some other miscellaneous items were noted. Upon further inquiry regarding the handguns, one of the handguns was found by a hotel after someone left it behind. The Police Department contacted the owner of the gun and it was donated to the Police Department. The other guns had been there a very long time (as long as he could remember) and he was unsure as to the reason for the guns.

4. The following summarizes the activity found in the Dewey Beach Patrol Competition Team – off-balance sheet account, for the period April 1, 2012 through March 31, 2018.

Note: The schedule below was accumulated directly from the bank statements.

Description	Amount
Bank balance, April 1, 2012	\$ 17,768.73
Interest income	135.61
Deposits	45,565.54
Customer Withdrawals	(41,205.45)
Deposit total error-no tape included	130.00
Checks received totaled incorrectly	850.00
Deposit item returned	(100.00)
Service charge	(98.00)
Bank Balance, March 31, 2018	\$ 23,046.43

Per inquiry, deposits are mostly made up of donations received from individuals and businesses and the customer withdrawals were mostly used for cost incurred for the annual national beach patrol competition.

A sample of twelve deposits and eleven customer withdrawals were selected for examination. Support documentation was supplied however it was not in a form that could be reconciled back to the bank statement.

5. On April 26, 2018, with the help of Town employees, LESO equipment at the “bull pen” in Lewes, DE was observed. Items with fair market value (“FMV”) / cost greater than the Town’s \$5,000 capitalization policy were examined. *See number 8 below for further discussion of the Towns FMV / cost policy.* The following is a listing of the LESO equipment capitalized by the Town.

Description	(1) In Service Date	FMV / Cost
Forklift, Rough Terrain (3930-01-478-3519)	3/26/18	\$ 8,650.00
Tractor, Full Track (2410-01-254-1667)	5/05/17	16,046.66
Tractor, Full Track (2410-01-254-1667)	5/05/17	16,046.66
Truck, Wrecker (2320-01-230-0304)	3/18/16	33,792.00
Truck, Dump (2320-01-230-0305)	3/26/16	14,485.00
Truck, Cargo (2320-01-230-0307)	3/26/16	13,427.80
Truck, Dump (2320-01-230-0308)	4/01/16	18,497.80
Truck, Cargo (2320-01-230-0308)	7/01/16	14,408.00
Trucks & Truck Tractors (2320-DS-TRU-CK00)	10/22/16	11,297.44
Tractor, Wheeled (2420-01-160-2754)	11/02/16	22,000.00
Truck, Forklift (3930-01-054-3833)	2/12/17	20,002.00
Van (2310-DS-VAN-0000)	* 3/24/17	5,000.00
Truck, Cargo (2320-01-206-4088)	4/28/15	17,189.20
		\$ 210,842.56

(1) - In service date is approximately one year from Department of Defense's ship date.

* - item identified during insurance policy review. See 7 below for more detail

6. On April 26, 2018, with the help of Town employees, equipment at the Lifeguard Station was observed. Items with values greater that the Town’s \$5,000 capitalization policy were examined. The following is a listing of donated items capitalized by the Town.

Description	In Service Date	Cost
Kawasaki Mule Pro-FX (Donated)	4/1/2017	\$ 11,999.00
		\$ 11,999.00

7. A detailed listing of the items covered by both the auto and in-land marine policies were obtained from Lyons Insurance.

A summary of the total 24 vehicles on the auto policy is as follows:

- 15 had been previously identified by the Town and recorded within the Town’s accounting records.
- 2 vehicles were identified during the insurance records review and capitalized by the Town; 1 being LESO equipment with cost of \$5,000 (see 5 above). The other vehicle had cost of \$7,322.
- 3 vehicles were identified during our inventory observation performed on April 26, 2018 (see number 5 above) and capitalized by the Town.

- 4 vehicles are LESO DEMIL code “C” property. DEMIL code “C” property ownership never transfers to the Town. These items will NOT be capitalized by the Town.

The inland marine policy detail was reviewed for additional items which appeared to be LESO equipment. Items with unit cost insured amounts greater than the Town’s \$5,000 capitalization policy and perceived significant equipment were focused on. No additional LESO equipment was identified through this process.

8. Per discussion with the Town Manager and the Audit Committee Chair, 20% of the Department of Defense’s acquisition price will be used as the FMV/cost of the LESO equipment obtained. It was also decided that the LESO equipment useful life will be evaluated on an individual basis, generally considered to be five years for depreciation purposes.
9. The Police Department used Wilson’s Auction Sales, Inc. (“Wilson”) to sell some of the LESO equipment obtained. It was noted that smaller equipment (items of lesser value) is auctioned at the Lincoln, DE location and larger equipment (items of greater value) is taken to Mid-Atlantic Equipment Auction in Harrington, DE.

For sales from the Lincoln, DE location, Wilson disburses cash as a result of a sale. Wilson’s is unable to summarize disbursement from the Lincoln, DE location to the Town. Per inquiry, sale of equipment from the Lincoln, DE location were included in the cash receipts and disbursement log obtained from the Police Department (see 2 above).

For sales from the Harrington, DE location, Wilson disburses a check as a result of a sale and that check is recorded within Wilson’s accounting software. With the help of the accounting staff at Wilson, searches were performed within in the accounting software in an attempt to capture all disbursements made from the Harrington, DE location sales to/on behalf of the Town. The timeframe covered by the accounting software was said to cover “at least” back to April 1, 2012 timeframe as outlined in the AUP Phase 2 engagement letter. Only two disbursements were noted, which had previously been identified and properly recorded by the Town within its records.

This agreed-upon procedures report was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we preformed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Committees and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "TGM Group LLC". The letters are cursive and somewhat stylized, with the "T" and "G" being particularly prominent.

TGM Group LLC
Salisbury, MD
August 3, 2018