

TOWN OF DEWEY BEACH

Audit Committee Meeting Minutes November 6, 2018

On Tuesday, November 6, 2018 the Audit Committee met with Roy Geiser of TGM Group (by phone) beginning at 1:30 p.m.

Attendees were Chair Larry Silver, Committee members Steve Huse and Diane Hanson, Mayor Redefer, Commissioner Dale Cooke, and Town Manager Scott Koenig. Also attending were members of the public: Gary Talley, Bill Evans, and members of the press (Ellen Driscoll of the Cape Gazette and Shannon Marvel of the Dover Post).

Larry began the meeting by saying that we would deal with items on the agenda relevant to Roy Geiser of TGM first and would get to approval of the agenda and minutes later.

Meeting with Town Hall in September:

Larry had a long list of items reviewed during his meeting with the Town Manager, George Luff of George Luff & Associates, and Roy Geiser of TGM in reference to the management letter but did not have copies for committee members or attendees. This included Below the Line items being eliminated, payroll/pension rules, investment policies, and grant proceeds and how they are recorded. Follow up on the Agreed Upon Procedures Report such as LESO equipment and handling of cash in the police department safe were discussed.

Cyber security:

Larry stated that cyber security is an Audit Committee function. Some in the audience disagreed, including Commissioner Cooke. Larry emphasized that it is part of Audit Committee's responsibility under the area of internal controls. Roy agreed it falls under the committee's purview. Larry continued that most insurance policies don't cover cyber security and Dewey Beach should check to see the status of our policies. Larry suggested that this should be a goal for next year's committee.

Investment policy:

Larry stated that the Investment policy of the town was brought up in the management letter. The beach replenishment fund has nearly \$5 million invested in stocks and mutual funds. Other funds are in fixed income investments. What if our investment is lost? Are current commissioners ok with this? This was brought.

Gary Talley spoke as a member of the public: This is an important issue and you are right to bring it up. The money has to be there if the town needs it. In any given 5 year time there will be tremendous losses. So it's just a matter of time. We should be more conservative than the current policy.

Commissioner Dale Cooke stated that the Town commissioners approve investment policies and asked why this has not been referred to the investment committee. Larry responded that this was not on any of our agendas to vote to refer so could not make a motion. Dale suggested it should be discussed by commissioners. Larry insisted it's within purview of audit committee and was brought up by TGM and Luff.

Scott stated that preservation of funds should be the top priority. It's up to the investment committee to rewrite the policy.

Approval of minutes:

Secretary Diane Hanson presented copies of the minutes from August 3 and 17 for distribution to committee members and the public. Larry intervened to say he had a new version of minutes that he had edited and gave his only copy to Diane to review. But it was impossible to determine what had been changed as there were no redline markings or tracked changes. Larry said they were minor changes in spelling of a name, removal of bold face in subtitles, etc. Larry said Diane should compare the two documents line by line to determine the changes. After beginning to do so, Diane realized that to review 9 pages would take a long time and was unrealistic while people were waiting.

When questioned further, Larry stated that he added that he had asked for people to return copies of the audit report at the meeting on August 3. Diane stated that she did not hear Larry say that and that she records the minutes as the meeting progresses. If he had made such a statement, she would have included it in the minutes, but did not. She then asked Commissioner Cooke, who attended the August 3 meeting, if he remembers Larry saying that. He said, "No." Diane then asked Ellen Driscoll, who attended the August 3 meeting, and she also said, "No." Steve Huse was asked the same question and he replied, "I don't remember if he said it or not, but I don't remember what I had for breakfast either." Steve then motioned to approve the minutes and he and Larry voted to approve. Diane voted no. Motion to approve the minutes passed 2-1. It was unclear which minutes were actually approved—Aug 3 or Aug 17 or both.

Larry then motioned to adjourn the meeting and Steve seconded the motion. Motion passed unanimously.

Post Note: After the meeting, it was discovered that the minutes from the August 17 audit meeting had also been edited to remove the approval of the August 3 minutes by unanimous vote (including Larry) toward the end of the August 17, 2018 meeting.

Diane Hanson would also like to formally request that her name be removed from both sets of minutes presented by Larry Silver as he included that the minutes were submitted with Diane Hanson and Larry Silver. They were not. Diane did not agree or vote to approve the second set of edited minutes.