

## **Audit Committee**

### **Meeting Minutes**

**March 18, 2016**

The Town of Bethany Beach Audit Committee held a meeting on Friday, March 18, 2016 at 10:00 a.m. in the Bethany Beach Town Meeting Room, 214 Garfield Parkway, Bethany Beach, DE.

Members present: Patrick Sheplee, Chairman, who presided; Thomas Defibaugh and William Baxter (For recording purposes: The Town Council will vote on his appointment this afternoon)

Also present: Finance Director, Janet Connery; Internal Auditor, Philip Rossi; Administrative Assistant, Molly Daisey; and interested members of the public.

Mr. Sheplee called the meeting to order at 10:02 a.m.

#### Approval of the Agenda

Mr. Defibaugh made a motion to approve the agenda. Mr. Sheplee seconded the motion and it was unanimously approved.

#### Approval of Minutes from the July 10, 2015 Meeting

Mr. Sheplee made a motion to approve the minutes as amended. The motion was seconded by Mr. Defibaugh and unanimously approved.

#### Report from the Internal Auditor

Mr. Rossi gave his report on his internal audit activities for calendar year 2015. He followed the International Standards for internal auditing. Monthly, he opens and reviews all Town bank accounts and check summary reports. He verifies that Mr. Gordon's name is on all the checks. He also checks for transfers between departments. He goes through the General Account, all the checks that are cleared by the bank, to see if the checks that were written are on the check history summary report.

Mr. Defibaugh questioned if there is a similar process for debit/credit cards. Mr. Rossi responded no. They come in the form a credit card statement, which just tells you how much was spent on each card.

Mr. Sheplee question how many credit card accounts does the Town have. Mrs. Connery stated that what the Town has is a Town purchasing card that is paid by check, which appears on Mr. Rossi's monthly check list. There is a stack of receipts that are turned in with the statements each month. Mrs. Connery clarified; these are not debit cards, but credit cards, which about a dozen Town employees have. The accounts are paid once a month through the regular check process.

Mr. Sheplee asked Mr. Rossi if the check history summary report included payroll checks. He said there are very few. Most checks are direct deposited. There are more payroll checks written in the summer. Mrs. Connery provides him with an updated list of all employees.

Mr. Rossi verifies that all checks written for over \$25,000 are approved by the Town Council and when they were approved.

Mr. Sheplee confirmed with Mr. Rossi that when he gets the check history report monthly, if, for example, it shows 150 checks, he will scan down the list, and for various reasons, identify ones he has questions about, he would go to finance department and question it. And from time to time, he will select a smaller number of checks and trace them back. Mr. Rossi agreed.

Mr. Sheplee asked Mr. Rossi, other than checks for over \$25,000 is there any item that would trigger an automatic review. Mr. Rossi said if he sees a check for \$20,000 he will review it. But anything over \$25,000 is an automatic review.

Mr. Sheplee brought up that at the beginning of the year, there were eleven different bank accounts, now there are only ten accounts. Mr. Rossi responded that last year, the Cultural and Historical Affairs Committee had their own account. The Committee was informed that they are part of the town and should not have a separate account.

Last year Mr. Rossi was asked to check payroll against time sheets, which he has been doing. However he cannot verify the hours worked, that is up to the manager. Mr. Sheplee asked how often the Town pays, Mrs. Connery responded every other week.

Mr. Sheplee had a question on page three, item six of Mr. Rossi's Report, "I reviewed the recent terminated employees personnel files. I will continue this review when the final paperwork is completed." Mr. Rossi responded that when he finds an employee has left paperwork must be done, for seasonal or full time employees. He verifies that their name is not on the payroll report after they have been terminated. Mr. Sheplee confirmed that the final paperwork is the paperwork that is necessary in their personnel file after they have been terminated.

Mr. Sheplee confirmed that the Cultural and Historical affairs committee is operating under the Town's procedures and is not writing their own checks.

Regarding property taxes and water accounts Mr. Sheplee asked how many adjustments does the Town do. It seems like an area to him that could potentially be a problem. Mr. Rossi responded that there are not many adjustments. He does reviews all adjustments that are done, which are only about three or four. The property taxes are a bit different, sometimes homeowners overpay. Mrs. Connery added that in a year, there are only maybe a dozen refunds for property taxes.

Regarding the water bills, when the bills are sent out, if they have had a water leak, which was documented and the leak was fixed, homeowners may ask to have the bill written down. It's a one-time service the Town offers to take the bill down to what they paid last year that.

Mr. Sheplee questioned the 1307 voided parking tickets on Mr. Rossi's report and asked why so many tickets were voided. Over a third of the voids are from tickets that started to be written then determined that they had a valid payment in the Park Mobile phone app. Other reasons for voids included that the driver walked up while the ticket was written and that the Judge decided to void the ticket after the person appeared in court. The Committee asked for a report from the parking department on number of tickets written and number voided with the reason for voiding.

Mr. Sheplee asked Mr. Rossi what he thought of the internal controls that are in place for the Town. He thinks everything is great, which you can see in his reports. If/when he does find something, it is usually minor, and is followed by a discussion.

At Mr. Healy's suggestion the Committee asked that Mr. Rossi sign and date his annual report.

#### Review and Discuss the Internal Audit plan for calendar year 2016

Mr. Defibaugh asked about the status of the new financial system being used by the Town; possibly have the internal auditor take a look at the new system. Mr. Sheplee agreed, and was going to make the same suggestion. Mr. Rossi commented that all the work he does is from actual paperwork, he sees everything before it goes into the computer. Mr. Gordon commented that both himself and the Town Manager sign off on a list of check every month.

Mrs. Connery added that this software has been brought on in 'phases' with the first phase being the core financial (general ledger, accounts payable and payroll) this went 'live' in December and has been working great. Building Permits, Business/Rental Licensing and Parking Permits are about to go 'live'. Mrs. Connery is estimating that about 25% of the new software is running it is about to be half way there, it will be October/November before system is 75% up and running.

Mr. Sheplee and Mr. Defibaugh both agree that new software is a huge change, and that this is the proper year to put in focus for a review and evaluation of the new system, to include the reports and procedures that may need to be modified. Mr. Defibaugh asked Mrs. Connery if she is the only person who knows/understands the system. Mrs. Connery has two people who work in her department. One does billing and one does the payables. However, Mrs. Connery is the one deepest involved with this.

Mr. Sheplee would like to propose that we add the specific focus of the current year internal audit activity shall be review, evaluation and verification of the new management information system.

Discuss the external auditing firm for the FY2016 Audit

Mr. Sheplee made a motion that the Audit Committee recommend to the Council that they approve the hiring of TGM Group LLC for the 2016 year. Mr. Defibaugh seconded this.

The next meeting is scheduled for Friday, May 13, 2016 at 10:00 a.m., pending confirmation of the External Auditor's schedule.

Adjourn

Mr. Sheplee made a motion to adjourn the meeting at 11:16 a.m. Seconded by Mr. Defibaugh, the motion was unanimously approved.