

**Audit Committee
Meeting Minutes
January 13, 2012**

The Bethany Beach Audit Committee held a meeting on Friday, January 13, 2012 at 10:00 a.m. in the Town Meeting Room.

Members present: Patrick Sheplee, Chairman, who presided; Monte Wisbrock, and Thomas Defibaugh.

Also present: Finance Director, Janet Connery; Internal Auditor, Philip Rossi; Council persons, Mayor Tony McClenny, Joseph Healy, and Jack Gordon; Administrative Secretary, Lindsey Good.

Mr. Sheplee introduced himself to the Committee and explained his background in Accounting. He obtained a Bachelors degree in Accounting from the University of Maryland. He then obtained his CPA (Certified Public Accountant) and was employed at ADP for twelve (12) years. After that career, he worked in the printing field and he has been a part-time resident for the past ten (10) years.

The Committee welcomed Mr. Sheplee as the new Chairman.

Approval of Agenda

Mr. Wisbrock made a motion to approve the agenda. Seconded by Mr. Defibaugh, the motion was unanimously approved.

Approval of Minutes from the July 14, 2011 Meeting

After two changes, Mr. Wisbrock made a motion to approve the minutes dated July 14, 2011 as amended. Mr. Defibaugh seconded the motion and it was unanimously approved.

Report from Internal Auditor

Mr. Rossi gave the following report:

All bank statements for the Town are reviewed by him monthly and he also keeps track of the General Checking Account. He added that Ms. Connery gives him a monthly list of the checks that are written each month, and if he has a question about any particular check statement (s), he gathers the necessary information on it and identifies what it is.

Mr. Rossi explained that when Mr. Donald Doyle became Chairman of the Committee in 2006, he asked Mr. Rossi to create an Internal Audit Report, and to notify him if he found any questionable charges.

Mr. Rossi questioned if he should also notify the Town Manager if he finds any questionable activity in the check statements.

Ms. Connery replied that it is typical to report it to the Chairman of the Audit Committee.

Mr. Sheplee asked Mr. Rossi if he has ever discovered anything wrong while reviewing check statements.

Mr. Rossi replied that he has never come across any wrongdoing while reviewing the check statements. He mentioned that he occasionally does audits that are operational, and he also audited the security system one year.

Mayor McClenny stated that Bethany Beach is one of the few towns that has an Internal Auditor and it is a great benefit having one.

Mr. Sheplee noted that if people are aware that there is an Internal Auditor, then there will be fewer issues.

Mr. Sheplee asked how many bank accounts the Town has.

Mr. Rossi replied that he believes the Town has seven (7) bank accounts. Ms. Connery added that the Town has a main checking account, a money market account for earning interest, separate accounts specific to the Cultural and Historic Affairs Committee (CHAC), Alderman Court, the Municipal Street Aid grant, other grants, and transfer tax funds.

Mr. Sheplee asked Mr. Rossi if he observes all of the Town's accounts.

Mr. Rossi explained that he does check all of the accounts. He stated that he often reviews the grant funds, and the funds for the paving project was covered by grant money, but some projects costs exceed the amount of grant funds.

Mr. Wisbrock asked Mr. Rossi if he is involved with auditing any non-finance areas of the Town.

Mr. Rossi said that he checks personnel records and he reviewed the Town Hall security system several years ago.

Mayor McClenny noted that the checks are also reviewed weekly by the Town Manager, the Mayor and Vice-Mayor, and they may ask the finance office to see the invoice and other supporting information.

Mr. Sheplee questioned who the authorized signers of the accounts are.

Ms. Connery explained that the Mayor, Vice-Mayor and Treasurer are signers on our accounts. The checking account only requires the signature of the Mayor, which the Town Manager has a stamp of Mayor McClenny's signature that is placed on the checks by the Town Manager. Only one signature is used to guarantee timely payments.

Mr. Sheplee asked if it is required that there be two (2) signatures if the check is above a certain amount.

Ms. Connery said that it does not require two (2) signatures, since so many others review the list of checks, which compensates for the single signature. Other accounts such as Citizen's Bank and CD's require two (2) signatures.

Mr. Sheplee asked if checks are cut on certain days.

Ms. Connery responded that checks are typically cut on Thursdays.

Mr. Rossi mentioned that he occasionally checks vehicle assets to ensure that they are still there. He will also be reviewing the Petty Cash Fund next month and he reviews the parking permit funds in the summer.

Mr. Sheplee asked if receipts are required and maintained when money is spent from the Petty Cash Fund.

Mr. Rossi said that maintaining receipts is required.

Mr. Wisbrock made a motion to approve the Internal Auditor's Report. Mr. Defibaugh seconded the motion and it was unanimously approved.

Review and Discuss the Internal Audit Plan for Calendar Year 2012

Mr. Sheplee reported that Mr. Rossi developed the Internal Audit Plan for calendar year 2012.

Mr. Sheplee asked Mr. Rossi if he completes or reviews the reconciliation. Mr. Rossi stated Ms. Connery creates them and he reviews them. Mr. Sheplee commented that this is a good system.

Mr. Sheplee questioned how many transfers occur in the various accounts.

Ms. Connery explained that there are approximately six (6) transfers each month, and about \$200,000 is maintained in the checking account.

Mr. Defibaugh asked Mr. Rossi if he reviews the Town assets, noting that he recently read a story in the newspaper regarding weapons missing from Fort Lewis.

Mr. Rossi explained that he has not checked the weapons and he typically does not involve himself in the Police Department.

Mr. Sheplee noted that this could be a possible item to focus on in the future.

Mr. Rossi emphasized that in the past he was asked not to focus on the Police Department. Ms. Connery expanded that the police maintain their own records and it is

held to a very high standard through its membership in the Commission for Accreditation for Law Enforcement Agencies (CALEA). This agency gives directions on how firearms are handled and kept secure. The Police Department is inspected regularly by CALEA in order to maintain their accreditation, and it would be unnecessary for Mr. Rossi to spend much time auditing the Police Department.

Mr. Defibaugh asked how small equipment such as drills are managed to ensure that they stay with the Town.

Ms. Connery explained that she tracks capital assets that cost more than \$5,000 in a fixed asset program which calculates depreciation. However, assets costing under \$5,000 are the responsibility of the department managers.

Mr. Sheplee suggested that the specific goal for this year should be to review capitalized assets to ensure that assets above \$5,000 still exist in the Town.

Mr. Sheplee asked Mr. Rossi what the status of the Garfield Parkway Streetscape Project is, since he reviewed it last year.

Mr. Rossi explained that he continues to review invoices as they are paid.

Ms. Connery elaborated that Mr. Rossi did a complete review of the project, including approved by the Council and contracts early in the project.

Mayor McClenny noted that all of the wires are in place and they will be installing new poles soon.

After some discussion, the Committee had no changes to the Internal Audit Plan.

Mr. Sheplee made a motion to approve the following stated focus of auditing for the upcoming calendar year. Mr. Wisbrock seconded the motion and it was unanimously approved.

1.) Examine a sample of capital assets and verify that they are still there.

Mr. Wisbrock expressed concern regarding who would be eligible to become the Town's Internal Auditor if something happened so that Mr. Rossi was no longer able to hold the position.

Mr. Sheplee noted that one of the purposes of the Audit Committee is to recommend the external auditor to the Council for approval.

Mr. Sheplee made a motion that the Audit Committee recommend to the Council that the TGM Group LLC be the external auditor. Mr. Wisbrock seconded the motion and it was unanimously approved.

Adjourn

Mr. Defibaugh made a motion to adjourn the meeting at 11:15 a.m. Seconded by Mr. Wisbrock, the motion was unanimously approved.