

**Audit Review Committee
Meeting Minutes
September 6, 2007**

The Bethany Beach Audit Review Committee held a meeting on Thursday, September 6, 2007, in the Town Meeting Room.

Members present: Don Doyle, Chairman, who presided; Lew Killmer, and Chuck Peterson.

Also present: Janet Connery, Finance Department; Jerry Dorfman, Town Council Member; Joe Healy, JoAnna Nichols, Administrative Secretary; and interested members of the public.

Call to Order

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

Approval of the Agenda

Mr. Killmer made a motion to approve the agenda. Seconded by Mr. Peterson, the motion was unanimously approved.

Approval of Minutes of meeting held on July 26, 2007

A motion was made by Mr. Killmer to approve the minutes. Seconded by Mr. Peterson, the motion was unanimously approved.

Review and discussion of the “Internal Control: A tool for the Audit Committee” date from the firm of Trice, Geary & Myers, LLC

Today’s meeting was intended to discuss the town’s internal controls as well as the internal auditor’s work. Any additional improvements made will help the auditors with the “change to risk” based auditing.

At the last meeting, committee members were given an internal controls tool kit, which included better clarification of internal controls plus three sample questionnaires. A questionnaire like that is used for evaluating strengths and weaknesses of who, where, or what is being audited. It was also recommended by the auditors to create a checklist in order of improving the town’s controls for the internal auditor, which could be used throughout the year.

Committee members agreed that would be beneficial.

Since Mr. Geary suggested focusing on the first section of questions, the majority of the meeting time surrounded around the first nine pages. Any questions answered with “not sure” or “no”, Mr. Geary recommended discussing and comparing.

The following questions/items were discussed:

Page 7: Code of Ethics/Conduct

Although satisfactory, there is no proof that the employee manual is distributed to all employees. In the future, something like this could lead to problems. For example, if an employee has been fired over a personnel issue, there is a possibility that individual could claim he/she never saw or heard anything about the manual when they were first hired.

The committee agreed that a possible solution to this would be for the Human Resource Department to show ample record of this in each employees file. Upon hiring an individual, they should sign a statement indicating they were given a copy of the manual and that they are responsible for following all policies. Annually, or every other year this should be updated and at any time there has been a policy change, all employees should be notified.

Ms. Connery added that in 2005 she recommended this be updated in the Fraud Risk Assessment, however, it was not done.

Page 9 & 10: Audit Committee

The Committee agreed that the meetings they hold are adequate and members are given all necessary information (reports, etc.) in a timely fashion.

Although it was mentioned the Budget Committee might be changing formats along with receiving the council report from monthly to quarterly, this committee agreed they would like to keep things the way they are.

Page 10, question 6: Internal Audit Plan:

Since a checklist sketch is needed for the internal auditor to use, Ms. Connery gave a copy of the draft she prepared. Committee members agreed to review this and give their suggestions at a future meeting.

The committee requested Mr. Rossi prepare a one-page report for the Audit Committee, coming due in the spring, and being done on a quarterly basis. This report should include his activities, problems and or concerns he has found.

Page 12, question 2: Job Descriptions

A job description is needed for the internal auditor, therefore, the committee asked Mr. Rossi to create one and present it to committee members at the next meeting.

Page 15, question 6: Report of a Suspected Wrongdoing

If at any time an employee has a concern about a possible wrongdoing, done by the town or another employee, that individual should know that he or she has the right to report it to the Mayor, Town Manager, or Audit Committee with the assurance of no retaliation.

The committee agreed they would like to see a proposed policy of this and exactly who the employee is to report such an incident to before it is added it to the manual.

Discussion: The handling of cash by parking department

The question was raised by Mr. Rossi as to what this cash is for and why it's being counted in such an open area as the Building Department's office. Mr. Rossi feels this would best be handled behind closed doors or at a secure location.

Ms. Connery explained that her understanding for this money was cash being counted so it could be taken to the bank and then traded in for coins to restock the change machines. She also noted this previously had been done in the police department but Mr. Dowdell desk has since been relocated to the Building Inspectors office.

Committee members agreed that all cash should be counted behind locked doors whether it is behind the closed window-blind in the finance department area or back in the police department. So long it is not visible to the public.

Ms. Connery said she would handle discussion and any explanation to Mr. Dowdell.

There was no set date for the next Audit Committee meeting. The meeting was adjourned at 11:10 a.m.

Respectfully submitted:

JoAnna Nichols
Administrative Secretary