

**Audit Committee  
Meeting Minutes  
December 08, 2009**

The Bethany Beach Audit Committee held a meeting on Tuesday, December 08, 2009, at 10:00 a.m. in the Town Meeting Room.

Members present: Don Doyle, Chairman, who presided; Thomas Defibaugh; and Monte Wisbrock.

Also present: Mayor, Tony McClenny; Town Council Members, Jerry Dorfman and Lew Killmer; Internal Auditor, Phil Rossi; Finance Director, Janet Connery; and Administrative Secretary, Lindsey Shallcross.

Approval of the Agenda

Mr. Wisbrock made a motion to approve the agenda. The motion was seconded by Mr. Defibaugh and was unanimously approved.

Approval of the Minutes from the July 16, 2009 meeting

Mr. Doyle made a motion to approve the minutes dated July 16, 2009 as amended. Mr. Defibaugh seconded the motion and it was unanimously approved.

Discuss the Role of the Audit Committee and the Internal Auditor

Mr. Doyle explained that the main purpose of the meeting was an orientation for the two new committee members, Mr. Thomas Defibaugh and Mr. Monte Wisbrock. He expressed his appreciation to the Council, Finance Director, and Town Manager for their hard work and dedication. He added that he was pleased with the work and expertise of the Town's external auditors, who have experience working for governments. Mr. Doyle stressed the importance of the Internal Auditor's work, and acknowledged his gratitude to Mr. Rossi.

Mr. Doyle noted that the Audit Committee currently consists of members who are not on the Town Council, so that it functions independently of management.

Ms. Connery stated to Mr. Defibaugh and Mr. Wisbrock that the Auditing Committee has existed in the Town of Bethany Beach for five years. Mr. Doyle added that most corporations have an Auditing Committee, and that it will most likely be required among all towns in the near future.

Mr. Dorfman asked Ms. Connery how the Town chose its current outside auditor. Ms. Connery responded that they did through bidding, and the other companies that responded to the bids were too expensive.

Regarding the Purpose Statement on the Town's website in the Audit Committee section, Mayor McClenny made a suggestion of adding that the Council members are not permitted on the Audit Committee in order that the Committee functions independently from management. Mr. Doyle and the other committee members agreed that this should be added.

Mr. Doyle asked Mayor McClenny if he was satisfied with how the Committee reports to the Council or if he should prepare a report in writing, as this was recommended in the materials provided to the Committee to review for this meeting.

Mayor McClenny responded that Mr. Doyle's verbal reporting was acceptable, but that a written report would be sufficient. Mr. Doyle proposed that the Committee also add to the Purpose Statement that the Committee will report to Council in writing.

Mr. Doyle commented that it is recommended that the Audit Committee have one member that is a "financial expert". He briefly reviewed his background in banking and auditing would qualify him as this expert for the Committee's purposes. The Committee members agreed that he is the right candidate to hold the financial expert position.

Mr. Doyle mentioned that governments do operate and report differently from for-profit businesses, so that may take time to adjust to.

Ms. Connery informed the Committee of her background with the State as a finance officer and that she is a CPA, although not currently licensed to practice.

She explained that the Audit Committee collaborates differently from many other committees because it has the freedom to decide what they want to work on without needing Council direction. The committee also has the right to go into executive sessions and hire consultants as needed.

The Internal Auditor can also speak with any employee at any time, and has the authority to speak with management.

Mr. Doyle stated that the Committee is able pursue issues that it sees as important. Mr. Rossi acknowledged that he feels his recommendations are implemented or given serious consideration.

Mr. Doyle continued that the external auditors have reported that the Town's internal controls and Internal Auditor are valuable and beneficial to the Town. He informed that the auditor has informed the Committee of frauds that they discovered in other governments that the Town's internal controls would have prevented.

Mr. Defibaugh questioned the estimate for health care, which was addressed in the minutes from the previous meeting. Ms. Connery explained that the Town used to provide a benefit of post employment health care insurance to retired employees and that the Town is now required to estimate and record this liability.

Ms. Connery continued to explain how she developed the estimate by using the ages and life expectancy of those involved. She said that the Town would be providing this information to an actuary to prepare a more formal estimate for reporting in the current year's financial statements. The current post-employment healthcare liability is estimated at \$400,000 to \$600,000.

#### Discuss Reports from the Internal Auditor

The Committee reviewed and briefly discussed the Internal Auditor's position description and his report. Mr. Doyle commented on a few items and praised the value of Mr. Rossi's spot checks.

Mr. Rossi asked the Committee if they had any suggestions for additional items to include on his checklist, which he refers to throughout the year. Mr. Wisbrock commented that it seemed like a comprehensive list.

Mr. Defibaugh asked if the Town uses credit cards for purchases. Ms. Connery responded that they use town credit cards, often for small purchases and internet orders. The Town uses the same authorization rules on these purchases as for others.

#### Any Other Matters

Mr. Doyle stated that he feels the Town is in excellent financial shape. He would like the Committee to meet again sometime in the first quarter of next year, possibly in February or March

Mayor McClenny expressed his appreciation to Mr. Defibaugh and Mr. Wisbrock for joining the Audit Committee.

#### Adjourn

Mr. Wisbrock made a motion to adjourn the meeting. Mr. Defibaugh seconded the motion and it was unanimously approved.

The meeting was adjourned at 11:10 a.m.