

## **Audit Committee**

### **Meeting Minutes**

**May 3, 2019**

The Town of Bethany Beach Audit Committee held a meeting on Friday, May 3, 2019 at 10:00 a.m. in the Bethany Beach Town Meeting Room, 214 Garfield Parkway, Bethany Beach, DE.

Members present: Chuck Peterson, Chairman, who presided; Richard Slavkin, and Philip Rossi.

Excused Members: Stephen Michelson and William Baxter

Also present: Finance Director, Janet Connery; Roy Geiser & Miranda Todd of TGM Group; Administrative Assistant, Molly Daisey; and interested members of the public.

Mr. Peterson called the meeting to order at 10:00 a.m.

#### Approval of the Agenda

Mr. Slavkin made a motion to approve the agenda. Mr. Peterson seconded the motion and it was unanimously approved.

#### Approval of Minutes from the January 25, 2019 Meeting

Mr. Slavkin made a motion to approve the minutes. The motion was seconded by Mr. Peterson and unanimously approved.

#### Report by accounting firm TGM Group LLC as to this year's audit

Mr. Geiser introduced himself and Ms. Todd. This is Ms. Todd's second year on the account and she was assisted by Natalie Hurley who is in her first year with TGM. Fieldwork started on Monday and they are wrapping up today.

Mr. Geiser said the Town's Internal Audit work is pretty comprehensive. The only suggestion he has is that our Internal Auditor could ask questions of random employees like those that TGM staff asks for fraud detection.

Mr. Peterson asked that they send a list of questions he could give Mr. Rossi to use and if they have found instances of fraud from these questions.

Mr. Geiser asked Ms. Todd to send us a list then gave several examples; Are you aware of any fraud? Do you know of any town employees having financial problems? If you found out about a fraud what would you do and who would you speak to?

He said that this sort of question rarely points directly to significant fraud but more often can point to someone abusing a policy. This can give an indication of where there may be bigger problems worth looking into.

He said they have reviewed our Internal Controls and found them to be consistent and working, adding that the Town segregates duties as much as possible.

He described a change coming to the TGM firm in the next few years, the use of artificial intelligence in audits. Basically, they would feed our General Ledger into the system, set some parameters and let the software develop a list of high-risk transactions for further review. There may be an additional fee for an audit using this, and it is not likely to be a time-saver, but may result in a better audit.

He mentioned a new standard affecting us this year, GASB 75 on Other Post-Employment Benefits (OPEB). This will require increasing our OPEB disclosures from two pages to around seven pages. His firm had considered if it would be an option for us to not implement this standard since only two people are qualified for the benefit, but they decided it would be best to get the required actuarial information and follow the standard on required disclosure.

He mentioned that this year they will try to bring our pension related note disclosures to just one year behind the State rather than two years. The first few years that standard was in affect the State's report was not ready in time for our financial statements, now the State's report is available early enough in the year that we can change to using the most recent information.

He mentioned that TGM Group will be planning a Government and Non-Profit Conference in Salisbury next May. Subjects are expected to include insurance, property valuation, and cyber liability. He encourages the town to send a few people and will provide us more information when available.

The timing of next meeting to review the draft financials was discussed. Typically, this meeting in early July with the statements finalized by the end of the month. Several conflicts were noted for the second week of July and later so Monday July 1 was tentatively selected with Tuesday as another option.

#### Adjourn

Mr. Slavkin made a motion to adjourn the meeting. Mr. Peterson seconded the motion and it was unanimously approved. The meeting was adjourned at 10:23 a.m.