Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Charles M. Meenehan
Craig A. Walter
Mark A. Welsh

TGM GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tgmgroupllc.com

December 19, 2017

Town of Dewey Beach, Delaware
105 Rodney Avenue
Dewey Beach, Delaware 19971

We are pleased to confirm our understanding of the terms of our engagement and the nature and limitations of the services we are to provide for the Town of Dewey Beach, Delaware (the "Town").

We will apply the agreed-upon-procedures ("Phase 1"), as listed in the attached schedule, which were specified and agreed to by the Audit Committee and Town Council. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures performed or to be performed is solely the responsibility of the Audit Committee and Town Council, and we will require an acknowledgement in writing of that responsibility. Consequently, we make no representation regarding the sufficiency of the Phase 1 procedures either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

Because the Phase 1 agreed-upon procedures do not constitute an examination or review, we will not express an opinion or conclusion on the subject matter. In addition, we have no obligation to perform any procedures beyond those as listed in the attached schedule.

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. Our report will be addressed to the Audit Committee and Town Council. If, for any reason, we are unable to complete the procedures, we will describe in our report any restrictions on the performance of the procedures, or not issue a report and withdraw from this engagement. You understand that the report is intended solely for the information and use of the Audit Committee and Town Council, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, we will communicate to you any known and suspected fraud and noncompliance with laws or regulations affecting the selected criteria that come to our attention. In addition, if, in connection with this engagement, matters come to our

attention that contradict the selected criteria, we will disclose those matters in our report. Such disclosures, if any, may not necessarily include all matters that might have come to our attention had we performed additional procedures or an examination or review.

You are responsible for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes. You are also responsible for, and agree to provide us with, a written assertion about the Phase 1 agreed upon procedures. In addition, you are responsible for providing us with (1) access to all information of which you are aware that is relevant to the performance of the agreed-upon procedures on the subject matter, (2) additional information that we may request for the purpose of performing the agreed-upon procedures, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence relating to performing those procedures.

Roy J. Geiser, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

At the conclusion of our engagement, we will require certain written representations in the form of a representation letter from management that, among other things, will confirm management's responsibility for the agreed upon procedures, as listed in the attached schedule.

Our fees will be billed at our standard hourly rates (Member $275, Manager $150 - $175, Supervisor $90 - $125) and is estimated to range between 75-90 hours. We estimate our fees for the Phase 1 services to range from $11,250 to $13,750. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Upon completion of the Phase 1 services, it is anticipated that the Audit Committee and Town Council will meet and at such time agree to additional procedures ("Phase 2"). At such time, we will discuss it with you and arrive at a new fee estimate for Phase 2 before we incur the additional costs.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-or-pocket expenditures through the date of termination.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, or the procedures need to be

modified, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their agreement with the procedures performed or to be performed and their responsibility for the sufficiency of procedures.

Very truly yours,

TGM Group LLC

TGM Group LLC
Salisbury, MD

RESPONSE:

This letter correctly sets forth the understanding of the Town of Dewey Beach, Delaware.

Signature: _____

Title: Mayor

Signature: _____ 12/20/17

Title: Audit Committee Chair

AGREED-UPON-PROCEDURES
Phase 1

Our focus will be on the last 5 years (beginning April 1, 2012 through the date of this letter) and the procedures will include:

1. We will examine documented internal controls, policies and procedures in relation to procurement within each department (administration, billing and finance, building official, parking/code enforcement, beach patrol, and police) in particular each department's use of programs like the Federal Surplus Property Program (FSPP) to acquire assets and any other activity that generates revenue for which the finance department does not maintain control.

2. An interview will be made of appropriate personnel. Those will include but are not limited to:

    a. Marc Appelbaum - Immediate past Town Manager
    b. Jim Dedes – Assistant Town Manager
    c. Ashleigh Hudson – Town Clerk/FOIA Coordinator
    d. Carolyn Elliott - Finance Director
    e. Amy Brandt - Accountant
    f. William Mears - Building Official
    g. Merle Leonard – Parking/Code Enforcement Supervisor
    h. Todd Fritchman – Lifeguard Captain
    i. Christopher Muscara – Lifeguard Lieutenant
    j. Michael Thompson – Lifeguard Lieutenant
    k. Ryan Nowakowski – Lifeguard Lieutenant
    l. John (Ben) ~~Thomas~~ – Lifeguard Lieutenant Thornes (TO be corrected by TGM Group)
    m. Brian Misciwojewski – Lifeguard Lieutenant
    n. Sam Mackert – Police Chief
    o. John Hocker – Police Lieutenant
    p. Clifford Dempsey – Police Sergeant

3. The interviews will include the following inquiries:

    Since April 1, 2012 through the date of this interview,

    a. Are you aware of the use of the Federal Surplus Property Program or donations (or other programs of the like)?
        - If "Yes" please describe, provide a summary schedule of items acquired and/or be ready to discuss in our follow-up interview.
    b. Are you aware of the use of "off" balance sheet items (i.e. departmental checking accounts and/or grants) in which the finance department does not maintain control (i.e. receive the bank statement and reconcile accounts).

c. Do you have any other items you believe we should consider?
d. Is there anyone else we should be talking to?

4. Other such evidence gathering procedures as deemed necessary under the circumstances.
   a. Obtain compliance requirements and/or contracts related to the FSPP.
   b. Obtain proof of ownership of property acquired / obtained under the FSPP.
   c. Insurance considerations related to property acquired / obtained under the FSPP.
   d. Obtain copies of "off" balance sheet bank statements, if any and signature cards.
   e. Valuation of assets sold.
   f. Who assumed the repairs and storage cost?