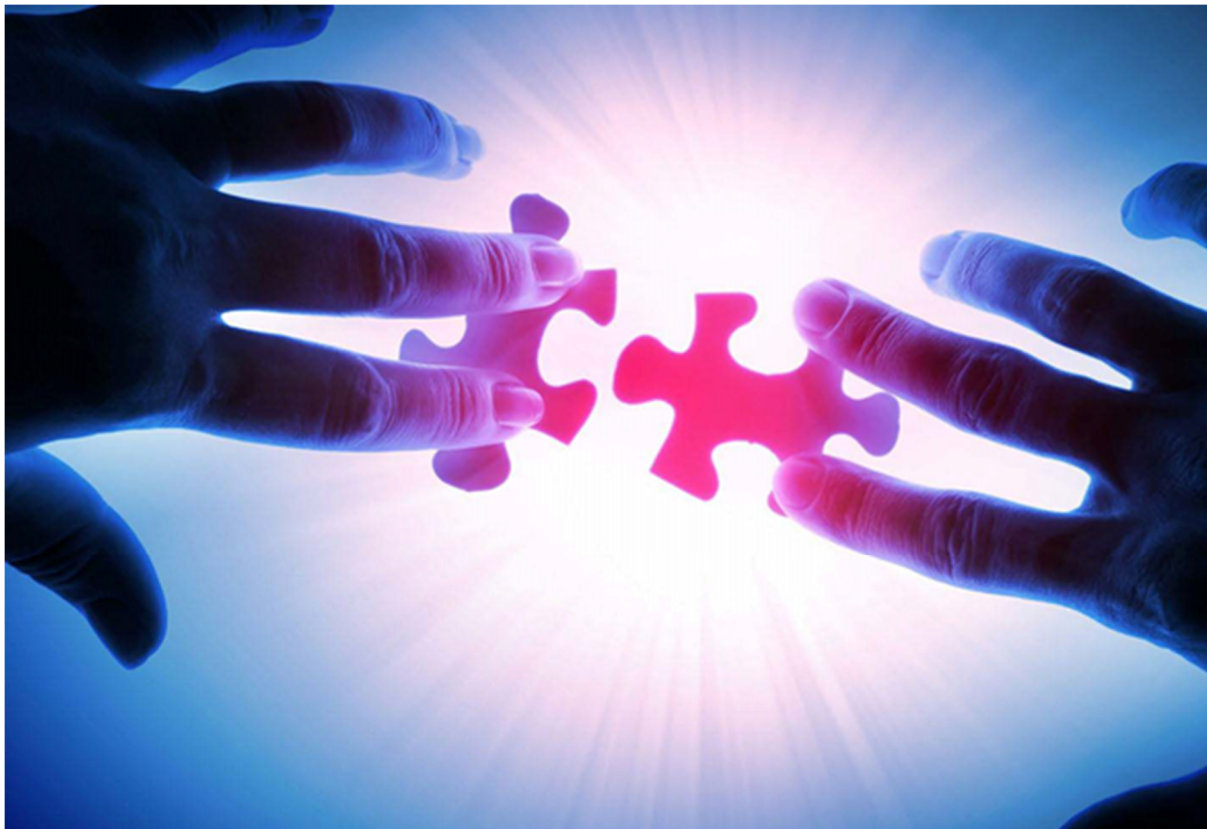


Traverse City Downtown Development Authority | December 16, 2025

Specialized Internal Control Review:
Downtown Traverse City Association



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December 16, 2025

Scott W. Howard, Esq.
Olson & Howard, P.C.
420 East Front Street
Traverse City, MI 49686

Re: Traverse City Downtown Development Authority – Downtown Traverse City Association

Dear Mr. Howard:

As requested, we performed a specialized internal control review in connection with the management services the Traverse City Downtown Development Authority ("TC DDA") provided to the Downtown Traverse City Association ("DTCA"). Our scope was focused on the following areas for the period of January 1, 2022 through February 25, 2024:

- Disbursements from the DTCA bank accounts; and
- DTCA-related expense reimbursements paid to the former TC DDA Executive Director, Jean Derenzy ("Derenzy" or "the Former CEO").

For this engagement, we performed the following:

- Conducted interviews with select TC DDA personnel;
- Analyzed bank account activity;
- Obtained and analyzed data from the DTCA accounting system;
- Reviewed supporting documentation for select transactions; and
- Identified recommendations for improving internal controls related to cash.

Our report is to provide you with the results of our analysis. It is not intended to express an opinion on the DTCA or TC DDA's internal controls or financial statements in accordance with standards issued by the American Institute of Certified Public Accountants.

EXECUTIVE SUMMARY

Our analysis included interviews, tracing of bank transactions, and a review of supporting documentation. While we did not confirm that the DTCA incurred financial losses, we identified multiple disbursements from DTCA bank accounts that lacked sufficient supporting documentation to determine their business purpose or appropriateness.

As a result, some or all of these transactions may represent potential losses to the DTCA. A summary of these transactions is provided below, and detailed descriptions are provided throughout the report. We encourage the DTCA to further research these transactions for reasonableness.

<u>Description</u>	<u>Unsupported Amount</u>
Derenzy expense reimbursements	\$ 20,120.82
Cash withdrawal	10,000.00
Total	\$ 30,120.82

In addition, we have provided several recommendations for the TC DDA to consider implementing in order to enhance its internal control environment. These are summarized in the section titled *Internal Control Recommendations*.

We also observed that the DTCA has implemented improvements that have strengthened its internal controls.

INTERVIEWS

To complete our objectives, we conducted interviews with the individuals listed below.

- Harry Burkholder, Executive Director
- Liz Petrella, Chief of Staff

INFORMATION ANALYZED

To perform our analysis, we obtained the following information for the scope period:

- Bank statements for the DTCA general account (x2566) at Fifth Third Bank
- Bank statements for the DTCA gift certificate account (x7659) at Independent Bank
- Supporting documentation for select transactions
- Documentation submitted for expense reimbursements
- Reports extracted from the DTCA's accounting system (QuickBooks), including the Check Register and Vendor Master File ("VMF")

BACKGROUND

The DTCA is an association for businesses in downtown Traverse City, Michigan. The TC DDA provides management services to the DTCA, including promoting the downtown district, hosting

events, and administering a gift certificate program for participating businesses. Distinct DTCA bank accounts exist for the gift certificate program and its general bank account.

In December 2023, the Board identified that the Former CEO issued a check payable to “Cash” from the DTCA gift certificate bank account on November 7, 2023 and subsequently deposited the cash into the general DTCA bank account on December 1, 2023. While no funds were missing from this transaction, the Former CEO did not follow the proper procedures for transferring funds between bank accounts, which raised concerns by the TC DDA Finance Committee. The DTCA standard process for transferring funds between accounts involves an electronic transaction, without the use of a check written to “Cash.”

At the time, segregation of duties was limited, as the Former CEO could issue checks, withdraw funds, and make transfers between DTCA bank accounts. The Former CEO resigned in January 2024, and Harry Burkholder became TC DDA Executive Director in June 2024.

Due to these control weaknesses, we were engaged to analyze bank account disbursements for irregularities and recommend improvements to strengthen the internal control environment.

ANALYSIS

The results of our review and analysis are summarized below.

1. Bank Account Disbursements

We analyzed the bank account activity of the DTCA general account (x2566) and the DTCA gift certificate account (x7659), focusing specifically on outflows from the accounts to identify potentially problematic disbursements. The gift certificate account is intended for the purchase and redemption of gift certificates for participating downtown businesses, so we analyzed the account for activity that did not appear related to the gift certificates, including cash withdrawals. We also performed analytical tests on transactions to identify anomalies.

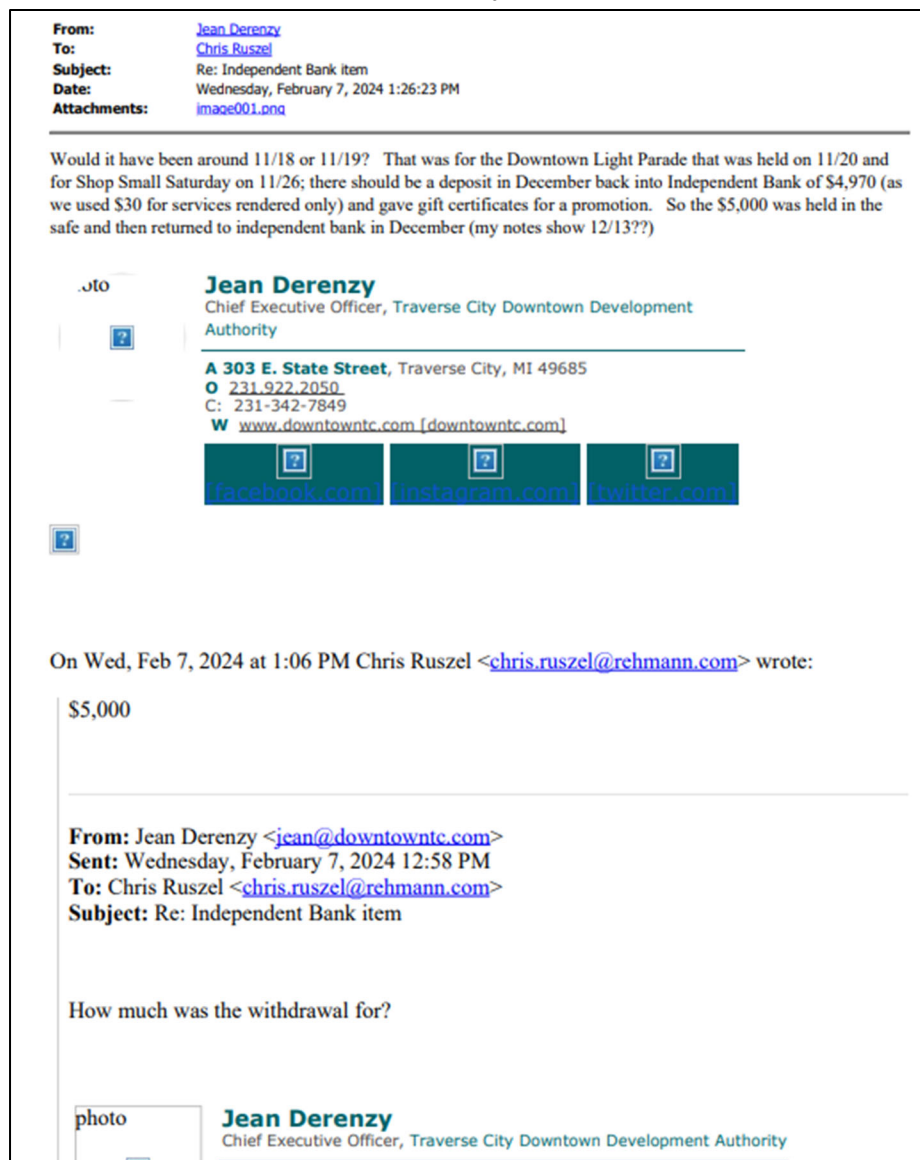
a. Cash Withdrawals

We identified three cash withdrawals from the gift certificate account totaling \$25,000, as outlined below.

Date	Amount	Description	Use of Funds
11/19/21	\$ 5,000.00	Cash withdrawal	\$30 used for a community event, \$4,970 re-deposited into the bank account.
03/30/23	10,000.00	Cash withdrawal	Unknown use of funds.
11/07/23	10,000.00	Check written to "Cash"	Transferred to general account.
Total	\$25,000.00		

Cash withdrawals are not typically associated with DTCA operations. Accordingly, we examined these transactions to understand how the funds were used. We traced two (2) of the withdrawals to deposits into the DTCA general bank account. However, we were unable to trace the \$10,000 withdrawal made in March 2023. This transaction is discussed in further detail in the ensuing section.

- November 2021: \$5,000 was withdrawn from the gift certificate account on November 19, 2021. Emails exchanged between Rehmann¹ and the Former CEO indicate that these funds were withdrawn for cash needs at a community event, as shown below.



¹ It is our understanding that Rehmann has performed accounting assistance services for the TC DDA/DTCA.

The remaining \$4,970 of cash was deposited back into the gift certificate account on December 14, 2021, as shown.

The image is a screenshot of an Independent Bank statement. At the top left is the Independent Bank logo and address: 230 W Main St, Ionia, MI 48846. To the right, it says "Statement Ending 12/31/2021", "DOWNTOWN TRAVERSE CITY", "Page 1 of 376", and "Account Number: XXXXXXXX7659". Below this is a blue box titled "Managing Your Accounts" with icons for a branch, a phone, and a website, listing "Traverse City Downtown", "800.355.0641", and "IndependentBank.com". The main body of the statement includes a welcome message and a "Summary of Accounts" table. The table has three columns: "Account Type", "Account Number", and "Ending Balance". It lists "EagleAdvantage Checking" with account number "XXXXXXX7659" and an ending balance of "\$57,196.62". Below this is a section titled "EagleAdvantage Checking-XXXXXXX7659" with an "Account Summary" table. This table has columns for "Date", "Description", and "Amount". It shows a beginning balance of \$138,606.62, a credit of \$11,505.00, a debit of \$92,915.00, and an ending balance of \$57,196.62. Below the summary is an "Other Credits" table with columns for "Date", "Description", and "Amount". It lists several deposits, including a deposit of \$4,970.00 on 12/14/2021 described as "Return of \$5,000 draw from Nov less \$30.00 - See Jean' email". This row is highlighted with a red box.

Account Type	Account Number	Ending Balance
EagleAdvantage Checking	XXXXXXX7659	\$57,196.62

Date	Description	Amount
12/01/2021	Beginning Balance	\$138,606.62 ✓
	20 Credit(s) This Period	\$11,505.00 ✓
	4045 Debit(s) This Period	\$92,915.00 ✓
12/31/2021	Ending Balance	\$57,196.62 ✓

Date	Description	Amount
12/01/2021	Deposit	\$850.00
12/01/2021	Deposit	\$500.00
12/02/2021	Descriptive Deposit Helen buying two downtown gift certificates	\$50.00
12/10/2021	Descriptive Deposit DT Gift Cards (120,120, 50)	\$290.00
12/10/2021	Descriptive Deposit Donna Simonton-cash-12/10/2021	\$150.00
12/10/2021	Descriptive Deposit DT Gift Card	\$20.00
12/10/2021	Deposit	\$100.00
12/10/2021	Deposit	\$100.00
12/14/2021	Deposit Return of \$5,000 draw from Nov less \$30.00 - See Jean' email	\$4,970.00
12/15/2021	Deposit	\$25.00
12/16/2021	Deposit	\$500.00
12/20/2021	Descriptive Deposit Caleb H buying downtown gift certificates	\$450.00

While this transaction did not result in a loss to the DTCA, it did not adhere to standard processes for the DTCA.

- March 2023: On March 30, 2023, \$10,000 was withdrawn from the gift certificate account. We did not identify a corresponding deposit into the DTCA bank accounts for this amount. It is our understanding that the Former CEO represented that these funds were used for Comedy Fest expenses. However, we did not receive supporting documentation for this withdrawal to substantiate the purpose these funds were withdrawn. The use and recipient

of the \$10,000 is unknown. Therefore, it is undetermined if this withdrawal represents a loss to the DTCA.

- November 2023: On November 7, 2023, a check was written to “Cash” for \$10,000 from the gift certificate bank account. A check written to “Cash” is effectively the same as a cash withdrawal from the account. On December 1, 2023, \$10,000 of cash, presumably from the previously written check, was deposited into the general bank account. No loss was incurred from this transaction because the funds merely moved from the gift certificate bank account to the general bank account; however, this was not the standard process for transferring funds and no explanation was provided for the nearly one-month delay between the issuance of the check and the deposit.

b. Disbursement Analytics

We performed red-flag analytics on the general bank account activity to identify potentially problematic transactions. We performed the following tests: 1) rounded amount payments, 2) payments to vendors not listed on the VMF, and 3) review of total amount paid by vendor.

1) Rounded amount payments

While legitimate disbursements may occasionally be rounded to whole dollar amounts, many are not, as they typically involve varying quantities, sales tax, and other factors. Payments made in round dollar amounts can sometimes indicate problematic invoices, such as inflated invoices, kickback schemes, or fictitious purchases. To assess this risk, we extracted the payments from the check register that were rounded to the nearest thousand dollars. This analysis identified 20 vendors who received such payments, as shown in the ensuing table.

	Vendor	Amount
1	Downtown Development Authority	\$ (25,000.00)
2	Traverse City Horse Shows	(20,000.00)
3	Jean Derenzy	(14,000.00)
4	Traverse City Track Club	(10,000.00)
5	Ann Zawislak	(10,000.00)
6	Slowburn Productions Inc.	(10,000.00)
7	Lake Effect Digital	(5,000.00)
8	Heritage Broadcasting Co. of MI	(5,000.00)
9	Foresman Productions	(5,000.00)
10	ISMO LLC	(5,000.00)
11	Mike Geeter	(5,000.00)
12	Traverse City Area Public Schools	(5,000.00)
13	Encore 201	(5,000.00)
14	Traverse City Comedy Club	(5,000.00)
15	Paintball and Ladiez Productions	(2,000.00)
16	Jabwow Productions	(2,000.00)
17	Matt Zerilli	(1,000.00)
18	Go Blue Go Green	(1,000.00)
19	Traverse City Record Eagle	(1,000.00)
20	Alana Gonzalez	(1,000.00)
	Total	\$ (137,000.00)

We conducted additional research on a sample of the vendors mentioned above who received rounded-dollar payments, in order to assess their legitimacy. This included reviewing disbursement details and performing public record and online research. For example, the \$25,000 paid to the Downtown Development Authority consisted of four monthly administrative fee payments of \$6,250 each. Payments made to the Former CEO were identified as expense reimbursements and are addressed separately in *Section 2: Expense Reimbursements*.

While our sample research did not identify any findings, we encourage the DTCA to further review the full listing of transactions for reasonableness.

2) Payments to vendors not listed on the VMF

A potential characteristic of an unauthorized disbursement is that the payment was issued to a vendor not on the VMF. We compared payments on the check register to the VMF and identified six (6) paid vendors that were not included on the VMF. These vendors were paid \$4,296.21 during the scope period.

	Vendor	Amount	No. of transactions
1	Jazz North	\$ 1,500.00	2
2	Brandon VanDerKolk	1,305.00	1
3	1st National Payment Solutions	891.21	1
4	Traverse City Spice & Tea Merchants	400.00	1
5	Elara Coleman Jewelry and Enamel	100.00	1
6	Lady Barkleys	100.00	1
	Total	\$ 4,296.21	7

Based on the vendors listed, these payments appear reasonable. It is unknown why these vendors are not included on the VMF when they received payment. As a best practice, all paid vendors should be added to the VMF. We did not identify any problematic disbursements from this analysis, but we encourage the DTCA to further review this listing for reasonableness.

3) Total amount paid, by vendor

We summarized the amounts paid to each vendor during the scope period. The ten highest-paid vendors are listed in the table below, with notes from our research provided afterward.

	Payee	2022	2023	2024	Total
1	Independent Bank - v	\$ 557,116.65	\$ -	\$ -	\$ 557,116.65
2	Downtown Development Authority	116,324.11	82,318.64	-	198,642.75
3	Eye's Only Media, LLC	22,319.00	26,745.00	4,799.00	53,863.00
4	Jean Derenzy	10,470.73	13,365.09	-	23,835.82
5	Ann Zawislak	-	17,861.86	5,500.00	23,361.86
6	My North Media	5,811.00	17,177.14	-	22,988.14
7	Slowburn Productions Inc.	10,000.00	10,600.00	-	20,600.00
8	Traverse City Horse Shows	10,000.00	10,000.00	-	20,000.00
9	Midwestern Broadcasting	7,097.00	12,544.00	-	19,641.00
10	Mike Geeter	5,000.00	8,250.00	5,750.00	19,000.00

- Independent Bank: We traced the payments to Independent Bank to deposits into the gift certificate bank account.
- Downtown Development Authority: These payments represent monthly administrative fees and expense reimbursements.
- Jean Derenzy: Payments to Derenzy were represented as expense reimbursements (see *Section 2. Expense Reimbursements*).

The remaining vendors appear reasonable based on our understanding of the DTCA's operations. However, we recommend that the DTCA conduct a further review of the full vendor listing to assess overall reasonableness.


2. Expense Reimbursements

We analyzed the expense reimbursements paid to the Former CEO. The Former CEO received 14 checks totaling \$23,835.82 for expense reimbursements, as summarized below.

	<u>Check Date</u>	<u>Amount</u>
1	02/27/22	\$ 529.98
2	05/19/22	1,220.00
3	07/25/22	400.00
4	08/19/22	500.00
5	09/26/22	1,320.75
6	10/25/22	1,500.00
7	11/27/22	5,000.00
8	02/20/23	3,000.00
9	02/24/23	1,000.00
10	04/29/23	2,000.00
11	05/30/23	2,000.00
12	07/30/23	1,000.00
13	08/25/23	3,715.00
14	11/10/23	650.09
	Total	\$23,835.82

Based on our understanding, it was common practice for the Former CEO to occasionally pay business-related expenses using her personal credit card. Our understanding is that, to obtain reimbursement from the DTCA, the Former CEO submitted a memorandum to the Board Chair, detailing the expenses incurred, along with documentation that allegedly supported the purchases. It was conveyed to us that the Board received and approved the expense reimbursements submitted by the Former CEO.² A reimbursement check from the DTCA general account was issued. An example of the reimbursement request memorandum is shown below.


² We did not receive documentation to confirm approval by the DTCA board.

	Downtown Development Authority 303 E. State Street Traverse City, MI 49684 jean@downtowntc.com 231-922-2050
MEMORANDUM	
<hr/>	
To:	Dawn Gildersleeve, Chair DTCA
From:	Jean Derenzy, CEO
Date:	October 1, 2022
Re:	Reimbursement
<p>Attached is my receipt for reimbursement of \$1,500. This reimbursement reflects a 2020 expense (November 12, 2020) for promotional gift certificates that were made available to the public during the holidays.</p>	

As discussed in the ensuing sections, 13 of the 14 expense reimbursements, totaling \$20,120.82, either lacked supporting documentation or contained insufficient documentation.

a. No Supporting Documentation

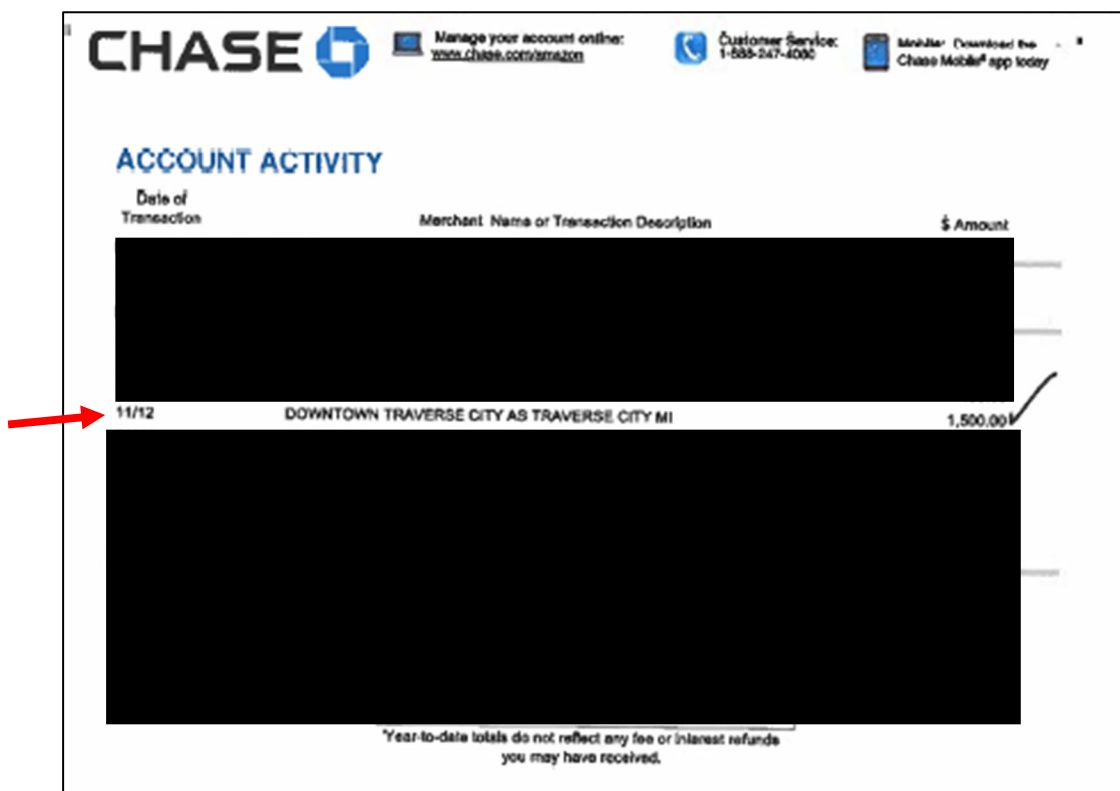
One (1) reimbursement request lacked supporting documentation. The Former CEO requested a reimbursement of \$3,000 on February 1, 2023, but did not attach supporting documentation despite indicating it included an attached receipt. Because no supporting documentation exists, we cannot assess the appropriateness of the reimbursement.

	Downtown Development Authority 303 E. State Street Traverse City, MI 49684 jean@downtowntc.com 231-922-2050
MEMORANDUM	
<hr/>	
To:	Dawn Gildersleeve, Chair DTCA
From:	Jean Derenzy, CEO
Date:	February 1, 2023
Re:	Reimbursement
<p>Attached is my receipt for reimbursement of \$3,000. This reimbursement was for dinner with Downtown Property owners holiday party. This expense will be a cost neutral expense as there was sponsorship for this event from one of our property owners.</p>	

b. Insufficient Supporting Documentation

We reviewed the documentation submitted by the Former CEO in support of her expense reimbursement requests and found that 12 of the 14 submissions did not include detailed receipts. Instead, they consisted solely of personal credit card statements. In total, \$17,120.82 in reimbursements lacked sufficient documentation to determine the appropriateness of the underlying transactions.

For example, the documentation provided for the \$1,500 reimbursement referenced in the previously shown memorandum (page 9) was a partial excerpt from the Former CEO's Chase credit card statement, as shown below.



CHASE Manage your account online: www.chase.com/amazon Customer Service: 1-888-247-4000 Monitor Download the Chase Mobile® app today

ACCOUNT ACTIVITY

Date of Transaction	Merchant Name or Transaction Description	\$ Amount
11/12	DOWNTOWN TRAVERSE CITY AS TRAVERSE CITY MI	1,500.00

*Year-to-date totals do not reflect any fee or interest refunds you may have received.

No itemized receipts or additional documentation were provided to clarify what was purchased in the \$1,500 transaction dated November 12, 2020. Additionally, we noted that the charge occurred on November 12, 2020, while the reimbursement request was submitted nearly two (2) years later, on October 1, 2022. The reason for the delay is unknown.

In another example, the Former CEO submitted a reimbursement request for \$5,000 on November 1, 2022, as shown.



Downtown Development Authority
303 E. State Street
Traverse City, MI 49684
jean@downtowntc.com
231-922-2050

MEMORANDUM

To: Dawn Gildersleeve, Chair DTCA
From: Jean Derenzy, CEO
Date: November 1, 2022
Re: Reimbursement

Attached are my credit card statements requesting reimbursement of \$5,000 which reflects:

City Opera House \$4,292 which represents donation supporting Opera House during COVID

Downtown Traverse City: \$190 for gift certificates for promotional activities downtown (bill was \$200 however \$10 was not gifted and returned back)

Parallel 45: \$423.82 promotional support for downtown.

Amical: \$94.18 for dinner with downtown property owners (bill was \$165.54), however I am not requesting my dinner and my husband's dinner to be reimbursed, only guests.

The largest expense included in this request was a \$4,292 payment to the Opera House, which the Former CEO described as a "donation." The only documentation provided to support this expense was a page from her personal credit card statement showing the transaction dated June 22, 2022, more than four months prior to the reimbursement request.

ACCOUNT ACTIVITY		
Date of Transaction	Merchant Name or Transaction Description	\$ Amount
PAYMENTS AND OTHER CREDITS		
[REDACTED]		
06/22	TST* Greenhouse Cafe Traverse City MI	25.00
06/22	CITY OPERA HOUSE 231-9418082 MI	4,292.00
06/24	TST* BREW TRAVERSE CITY MI	

At our request, the TC DDA contacted the Opera House to inquire about the nature of the payment. It is our understanding that the Opera House responded that, due to the time elapsed, they were unable to locate records related to the transaction. As a result of the limited documentation, we were unable to confirm whether the payment was a donation made on behalf of DTCA. If it was a donation, it is unclear why it was made using the Former CEO's personal credit card rather than a check issued directly from DTCA's bank account.


Due to the lack of detail, we cannot verify the appropriateness of the reimbursed expenses. As noted in the Recommendations section, we advise that itemized receipts be included with all reimbursement requests to ensure expenses are sufficiently supported.

c. Incorrect Reimbursement Amounts

We identified five instances in which the Former CEO received reimbursement amounts that differed from the amounts she requested, as summarized below.

Paid				
	Check Date	Amount	Support	Difference
1	05/19/22	\$ 1,220.00	\$1,004.44	\$ (215.56)
2	09/26/22	1,320.75	918.41	(402.34)
3	04/29/23	2,000.00	1,740.46	(259.54)
4	05/30/23	2,000.00	2,083.32	83.32
5	07/30/23	1,000.00	1,029.93	29.93
Total				\$ (764.19)

It is unclear why the Former CEO was reimbursed amounts that differed from the expenses listed in her requests. For example, on May 19, 2022, the Former CEO submitted a reimbursement request for \$1,220.00, as shown below.

	Downtown Development Authority 303 E. State Street Traverse City, MI 49684 jean@downtowntc.com 231-922-2050
Memorandum	
<hr/>	
To:	Dawn Gildersleeve, Chair DTCA
From:	Jean Derenzy, DDA, CEO
Date:	May 19, 2022
Subject:	Reimbursement
 Attached are my credit card statements requesting reimbursement of \$1,220.00 for the following:	
Amical \$104.20 for dinner with downtown business owners.	
Bahia Downtown for \$112.68 happy hour with 5 downtown businesses and Mayor Pro-Tem	
Amical for \$113.68 dinner with Jeff Schmidt	
Hotel Indigo \$400 event for Downtown	
Downtown Gift certificates for \$100 for event at hotel indigo	
Zonta Club \$20 for promotional activity for downtown	
Amical of \$153.88 dinner from December for 4 (Derenzy, Senator Schmidt, Mayor Pro Tem and Burkholder)	

However, the expenses listed in the request totaled \$1,004.44, resulting in a discrepancy of \$215.56. The supporting documentation consisted of personal credit card statements, without detailed receipts or invoices specifying the items purchased. It is unclear whether the Former CEO incurred an additional \$215.56 in expenses not documented, whether the discrepancy was due to a clerical error, or whether she received an excess reimbursement.

INTERNAL CONTROL RECOMMENDATIONS

Through analysis, review of supporting documentation, and interviews, we recommend the following steps to strengthen the DTCA's internal control environment.

1. Expense reimbursement requests should be submitted timely. The DTCA should implement a policy requiring expenses to be submitted within a certain period (e.g., 30 days, 60 days, etc.).
2. Itemized receipts or invoices should be required with expense reimbursement requests. Credit card statements should not be accepted as sufficient documentation.
3. The DTCA should have limited, if any, cash withdrawals. Cash is not routinely needed for the operations of the DTCA and holding cash creates a risk.
4. Transfers between bank accounts should be made electronically, without the involvement of cash.
5. The DTCA should ensure that all paid vendors are included in the VMF.

We noted that since the TC DDA learned of the issues described in the *Background*, the TC DDA has incorporated changes that have strengthened its internal controls. Specifically, the DTCA has established *written* policies and procedures for the accounting and finance processes that are consistent with our recommendations.

SIGNATURE

Plante & Moran, PLLC

PLANTE & MORAN, PLLC