

# AUDIT COMMITTEE MEETING

Kiawah Island Municipal Center

Council Conference Room

April 7, 2025; 1:00 pm

## Minutes

I. **Call to Order:** *Chairman Farrell called the meeting to order at 11:00 am.*

II. **Roll Call:**

**Present:** Luke Farrell, Chairman  
Peter Ashton  
Paul Curth  
William Donovan  
John Wilson

**Also Present:** Dorota Szubert, *Finance Director*  
Stephanie Tillerson, *Town Administrator*  
Brad Belt, *Mayor*  
Trey Scott, *Mauldin & Jenkins*

III. **Approval of Minutes:**

A. Minutes of the Audit Committee meeting of March 17, 2025

Chairman Farrell asked if there were any changes to the minutes of the March 17, 2025, Audit Committee meeting. No changes were noted, and the minutes were approved as presented.

IV. **Old Business:**

None

V. **New Business:**

A. Discussion of the Fiscal Year 2024 Audit Results

Ms. Szubert stated that she had shared last year's audit report and presentation made to the Audit Committee and the Town Council with the Committee Members and asked if there were any specific questions or if the group wanted to go through the entire presentation.

Mr. Curth and Mr. Scott discussed the lack of audit findings and management letter comments, indicating a clean financial statement audit.

Mr. Scott explained the audit process, focusing on risk assessments and key controls for significant classes of transactions, such as cash and disbursements.

B. Discussion of the Fiscal Year 2025 Extended Audit Scope

- **Quality of Work and Internal Controls**

Chairman Farrell suggested incorporating a quality of work document to ensure that all tasks are completed on time and to the required standard before payments are made.

Mr. Scott agreed to incorporate this into the audit process, emphasizing the need for proper authorization and documentation for disbursements.

The Committee Members discussed the need for better collaboration and documentation to avoid paying for incomplete work.

- **Contract Management and Internal Controls**

Mayor Belt and Committee Members discussed the ongoing issue of contract management and the need for better procedures to ensure milestones are met before payments are made.

Mr. Scott suggested incorporating additional testing for key controls and agreed-upon procedures to address these issues.

Mr. Curth and Mr. Ashton discussed the importance of clear documentation and the role of department heads in approving payments.

- **Review of Accounting Policies and Procedures**

Mr. Curth and Mr. Scott discussed the need for a review of the Town's accounting policies and procedures manual.

Mr. Scott mentioned the availability of governmental advisory services to provide operational assessments.

The Committee Members agreed to schedule a meeting with the governmental advisory team to discuss the scope of work of the internal controls assessment.

- **Cybersecurity and IT Management**

The Committee Members discussed the Town's current cybersecurity measures, including phishing tests and external IT support from IMS.

The Committee Member considered the need for additional cybersecurity assessments and penetration testing to ensure the security of the Town's IT systems.

Mr. Scott offers to provide more information on cybersecurity frameworks and potential next steps for the Town.

- **Human Resources and Ethics Policies**

Chairman Farrell suggests implementing an annual review of the Town's human resources policies, including a sign-off process for employees.

The Committee Members discussed the importance of clear policies and procedures to ensure compliance with legal and regulatory requirements.

Ms. Szubert and Ms. Tillerson discussed the need for a designated person to handle whistleblower reports and ensure confidentiality. Mr. Ashton agreed to be the point of contact for a new "whistleblower" process, to have a person responsible who is at arm's length from the town administration.

### C. Fiscal Year 2026 Budget Draft Presentation

- **Budget and Capital Expenditures**

The Committee Members transitioned into a discussion on the Town's budget, focusing on the allocation of capital expenditures.

Mayor Belt explained the Town's unique financial situation, with significant reserves and limited capital assets.

The Committee Members considered the pros and cons of maintaining a separate capital budget versus integrating capital expenditures into the operating budget.

- **Surplus Revenue**

Mayor Belt stated that the Town's revenue sources are unique and discussed the unusual situation of the Town running large surpluses and the lack of direct taxation, such as property tax, which goes to the county.

Mayor Belt mentions the need to repave Beachwalker Drive, a project never done before, and the Town's ability to finance it through restricted revenues.

- **State Accommodation Tax and Spending Challenges**

Chairman Farrell explains the complexity of spending the state accommodation tax, which totals \$3 million annually, and the need to spend it within two years.

The conversation touches on the local hospitality tax and the need to allocate funds for tourism and operating expenses.

Mayor Belt proposes establishing a Green Belt Fund and a redevelopment financing core to support conservation initiatives and low-cost financing for redevelopment projects.

- **Charitable Contributions and Budget Considerations**

Chairman Farrell mentioned the Town's practice of giving away \$200,000 annually to charitable organizations and the criteria used to select recipients.

Ms. Szubert provided an update on the budget, noting that the first reading will be in May.

Chairman Farrell suggested meeting in May to discuss the scope of the upcoming assessments and audits to ensure efficiency and alignment with the Town's needs.

- **Planning for Assessments and Audits**

Mr. Scott suggested creating a bulleted list of requirements for the operational assessment and cybersecurity teams to provide a clear proposal.

Mr. Curth and Chairman Farrell discussed the potential efficiencies of conducting internal controls and financial audits together.

Mr. Scott explained the typical timeline for audits and the need to decide on the scope of assessments before July to align with the audit process.

The Committee Members agreed to meet in May to finalize the scope and schedule for the assessments and audits, ensuring that all teams are aligned and prepared.

- **Operational Assessment and Cyber Security**

Mr. Scott and Ms. Szubert discussed the focus on operational assessments and the potential for cybersecurity assessments to be conducted separately.

Chairman Farrell emphasizes the importance of prioritizing the financial assessment and ensuring that the Town's needs are met.

The Committee Members agreed to share the Town's accounting policies manual and other relevant documents to facilitate a productive meeting in May.

Mr. Scott offers to provide the names and contact information of the operational assessment and cybersecurity teams to facilitate coordination.

#### **D. Budget Report for First Eight Months Ending 2.29.25**

Ms. Szubert provided the Town's Budget-to-Actual Report for the first eight months ending 2/28/2025. The Budget-to-Actual Report is compiled on a modified cash basis, and all the funds are consolidated.

Overall, for the first eight months, the Town's consolidated revenues of \$10.8 million are 4%, or \$424,000, higher than YTD for the last fiscal year, FY2024, and are 70% of the total budgeted revenues for the current year. Overall, the revenues are within the budget, with the *Building Permits* and *Interest Income* higher than originally budgeted.

With almost 70% of the year lapsing, the expenditures of \$7.9 million are 20% or \$1.3 million higher than for fiscal year FY2024 and 55% of the current year budget. The majority of the expenditures are reasonable and in line with the budget.

- **Finalizing Meeting Plans and Next Steps**

The Committee Members agreed to meet on May 5 at 1 PM to discuss the scope and schedule for the upcoming assessments and audits.

Mr. Scott will reach out to the operational assessment and cybersecurity teams to coordinate their participation and ensure alignment with the Town's needs.

The Committee Members discussed the importance of maintaining independence in the audit process and the potential for separate reports for different assessments.

The meeting concludes with expressions of gratitude and appreciation for the collaborative efforts of the committee members.

**I. Chairman's Comments:**

None

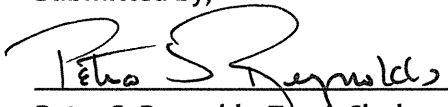
**II. Citizens' Comments:**

None

**III. Adjournment:**

*Chairman Farrell adjourned the meeting at 12:49 pm.*

Submitted by,

  
Petra S. Reynolds, Town Clerk

5/9/2025  
Date