

**AUDIT COMMITTEE MEETING**  
**Kiawah Island Municipal Center**  
**Council Meeting Room**  
**July 7, 2025, 1:00 pm**

**Minutes**

**I. Call to Order: Chairman Farrell called the meeting to order at 1:00 pm.**

**II. Roll Call:**

**Present:** Luke Farrell, Chairman  
Paul Curth

**Present via Zoom:** Peter Ashton  
William Donovan

**Absent:** John Wilson

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

**III. Approval of Minutes:**

**A. Minutes of the May 5, 2025 Audit Committee Meeting**

Mr. Ashton noted one minor correction to the May 5, 2025 Audit Committee Meeting minutes, stating that the meeting was adjourned at 1:49 PM, not 12:49 PM as recorded. Chairman Farrell commended this attention to detail, noting it showed committee members were reading the minutes carefully. With this correction noted, the minutes were approved.

**IV. Old Business:**

None

**V. New Business:**

**A. Discussion of the Upcoming Fiscal Year 2024-2025 Audit**

Ms. Szubert introduced the auditor, Mr. Trey Scott from Mauldin & Jenkins. Mr. Scott announced that he would be relocating to Texas, explaining that he would remain with Mauldin & Jenkins and continue as a quality control review partner, leveraging his institutional knowledge. However, Mr. Grant Davis was introduced as the new engagement partner, with the engagement manager remaining the same. Mr. Scott emphasized this provided the Town with "another fresh set of eyes," as the committee had originally switched to him two years ago for the same reason.

Regarding new accounting standards, Mr. Scott mentioned two that would be effective this year: compensated absences and certain risk disclosures under GASB 102. However, he didn't anticipate that these would have a significant impact on the Town.

Mr. Scott detailed the audit timeline, noting field work would begin the Tuesday after Labor Day (approximately September 4th or 5th), which was about a week later than the previous year. He

explained that the Town typically provides 75-80% of the required information before field work begins, allowing on-site work to be completed in 2-3 days.

Mr. Scott reported that last year's audit report was dated September 20th, which he described as "the earliest report date for an audit of a local government outside of maybe a utility-type authority." Ms. Subert stated that the plan was to present the final audit report at the November Town Council meeting. She suggested meeting with the Audit Committee beforehand in early to mid-October so they could review the draft report and make any necessary edits.

Chairman Farrell raised questions about the process and the exact start date. Mr. Scott clarified that while they could begin some work as early as August 1st, the official start would be when they receive the trial balance, typically in late August, after the Town receives State Accommodation Tax information, which is usually around August 20th. Ms. Szubert confirmed this timeline, with Mr. Scott noting that they had only five client entries and no auditor proposed adjustments last year. Ms. Szubert also proudly reported that for the first time, they received no comments from GFOA (Government Finance Officers Association) on their ACFR (Annual Comprehensive Financial Report) submission, which Mr. Scott confirmed was "not very common."

Mr. Ashton stated that an Audit Committee meeting was scheduled for October 6<sup>th</sup> and verified that the draft audit report would be sent prior to that meeting. Ms. Szubert confirmed that this was the goal, but any unforeseen delays would postpone the meeting.

## **B. Discussion of the Upcoming Internal Controls Assessment**

Ms. Szubert introduced Ms. Kate Russell from Mauldin & Jenkins' Advisory Governmental Group, who discussed the proposal for an internal controls assessment at the last Audit Committee meeting. Today, she will be providing a presentation on the details of the assessment process.

At Chairman Farrell's request, Ms. Russell provided extensive background on her qualifications, including a Master's in Public Administration from the University of Georgia, focused on policy analysis and program evaluation, over 10 years with the State of Georgia as CFO/Director of Administration, managing \$100 million in federal funds, and over 2 years with Explore Georgia, which is the state of Georgia's tourism agency, as Director of Administration. After joining Maulden & Jenkins, we established the advisory practice and worked with numerous state and local governments, as well as K-12 school districts, examining not only internal controls but also effectiveness and efficiency.

Mr. Russell looked forward to working with the Town, learning how it operated, and identifying any risks or frailties in its internal controls, while also considering operational effectiveness and efficiency. Chairman Farrell pointed out that Ms. Russell may also be helpful in assessing not only the efficiency but also the effectiveness of the SATAX (State Accommodations Tax) process.

Ms. Russell provided an overview of the four key activities that will be conducted over the next few months, including a timeline that outlined a four-phase approach for the assessment:

### ➤ **Scope and Objectives:**

- Optimize the finance function
- Review internal controls
- Ensure compliance and transparency
- Implement leading practices appropriate for the town's size

### ➤ **Assessment Approach**

- Review accounting manual, codes, ordinances, and other governing documents
- Conduct staff interviews
- Shadow selected duties
- Perform sample testing on high-risk areas

➤ **Timeline:**

**Phase 1:** Initiation and Planning (Current week) - Included the kickoff meeting to introduce the team, confirm scope, objectives, timeline, scheduling of interviews and meetings, and establish communication protocols. Ms. Russell indicated that an information request would be sent out at the end of the week.

**Phase 2:** Information Review and Analysis (Through August) - This phase would involve reviewing governance documents, ordinances, process manuals, and other relevant materials. Ms. Russell emphasized that they would provide biweekly status reports throughout the process to ensure transparency.

**Phase 3:** Fieldwork and Data Analysis (September) - This phase would include on-site work concurrent with the audit team during the first week of September, involving interviews, shadowing processes, and testing controls. Ms. Russell explained that they would use haphazard rather than pure random sampling, typically testing 20-30 items initially and expanding the sample if issues were found.

**Phase 4:** Validation and Reporting (October-November) - This phase would involve sharing preliminary observations, providing a draft report for review, and finalizing it based on feedback.

➤ **Reporting:**

- Biweekly status reports during the process
- The final report would be written in a narrative style, including a summary of current state operations, the testing approach, and results. It would feature two types of notes: "observations" for minor enhancement opportunities and "findings" for actual risks or non-compliance issues. Each would include recommendations for improvement for each observation and finding.

A detailed escalation plan was presented, outlining three levels of issues:

- 1) Department-level problems would be reported to Ms. Szubert
- 2) Town-wide material impacts would be directed to the Finance Director and Mayor
- 3) Potential fraud/waste/abuse would be referred to the entire Audit Committee within 24 hours.

Ms. Szubert noted several important contextual items: the Town had made numerous policy updates in the past year, including changes to the Accounting Manual, Procurement Policy, and HR Manual; one accountant was leaving on July 31st with a new person starting that day; and she would be on vacation from July 18th through August 4th. Ms. Russell assured the committee that they would coordinate around these timing issues and would map testing to the policies in effect at the time of transactions.

Committee Members, along with Mayor Belt and Ms. Tillerson, engaged in an extensive discussion about the scope and approach of the assessment, including:

- The need to test not only the Finance Department's controls but also those of other departments handling financial transactions, such as those related to building permits and cash collection.
- Inquiries about the three-year look-back and sampling sizes
- Review of the procurement policy and processes
- Coordination of the results of the assessment and the financial audit
- Whether the results would be presented in a matrix format, showing the controls tested and corresponding risk levels
- The addition of the Audit Committee Chairman to Escalation issues (1) and (2), and the addition of the Town Administrator to all three issues.

- The Committee emphasized the importance of focusing on key controls rather than minor issues.

Chairman Farrell inquired about specific areas, such as investment management, including risks and accounting of returns, as well as the allocation of SATAX funds and Charitable Contributions disbursements. Ms. Russell indicated some items might be outside the current scope but could potentially be incorporated or addressed in future assessments.

### **C. Review of Budget Report**

Ms. Szubert presented the 11-month budget report through May 2025. Total revenues reached \$16.1 million, approximately \$1.4 million more than the same period last year, achieving 104% of the total budgeted for the year. She noted all revenues were performing in line with budget, with building permits, business licenses, waste management fees, and interest income exceeding budget projections.

Total expenditures were \$11.3 million, 9% higher than the same period last year, representing approximately 80% of the total budgeted amount. Most categories were in line with budget except for deputies (approximately \$21,000 over budget through May, expected to reach \$50,000 over by year-end) and capital outlay (80% over budget due to higher-than-expected costs for audio/visual equipment upgrades in the Council Chambers and final payments for prior year electric vehicle charging stations).

Chairman Farrell provided context on the Deputy Services Overage, explaining that their contracted rate had increased from approximately \$65 per hour to \$81 per hour, despite the mayor's negotiations for the same rate as the previous year. He noted they hadn't received answers about whether this was the same rate charged to other communities and suspected they were paying a "Kiawah premium." The increased rate was also being passed on to the Kiawah Island Community Association. Ms. Szubert added that they had reduced coverage in June as a trial due to the high rates.

Chairman Farrell summarized that "revenues are really good and expenses are marginally bad," noting that the Town is still accruing positive net savings and increasing reserves, although vigilance with costs remains important.

Ms. Szubert also reported on the *Reserve Study* RFQ results. The Town received three responses ranging from \$45,000 to \$8,600. They selected the \$8,600 proposal based on appropriate scope sizing for the Town's limited assets. The selected firm's partner had previously worked on the Kiawah Island Community Association's reserve study and was familiar with the area. The study is expected to take approximately 90 days to complete, with results anticipated in October. She planned to share existing documents, such as the recent bridge inspection report and building appraisal, to save time and costs.

Chairman Farrell explained the *Reserve Study* would establish current asset valuations to validate insurance coverage and inform future capital spending and damage mitigation planning. He emphasized that they didn't select the low-cost firm solely on price, but rather because their proposed scope was appropriately sized for the Town's needs. He also noted that a Kiawah Island Community Association Board member had contacted them, expressing interest in conducting a similar internal controls assessment after learning about the Town's initiative.

## **VI. Chairman's Comments:**

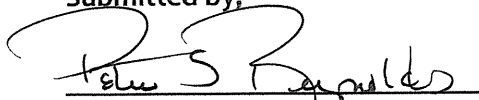
Chairman Farrell thanked committee members Mr. Donovan and Mr. Ashton for joining via Zoom from Pittsburgh and Maine, respectively, joking about the weather being hotter in Maine than on Kiawah Island. He had no additional comments beyond expressing appreciation for their participation.

VII. Citizens' Comments:  
None

VIII. Adjournment:

*Chairman Farrell adjourned the meeting at 2:19 pm.*

Submitted by,

  
Petra S. Reynolds, Town Clerk

11-18-2025  
Date