

AUDIT COMMITTEE MEETING

Kiawah Island Municipal Center

Council Conference Room

May 5, 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
Peter Ashton
Paul Curth
John Wilson

Absent: William Donovan

Also Present: Dorota Szubert, *Finance Director*
Stephanie Tillerson, *Town Administrator*
Brad Belt, *Mayor*

Present Via Zoom: David Roberts, *Mauldin & Jenkins Governmental Advisory Group*
Kate Russell, *Mauldin & Jenkins Governmental Advisory Group*

III. **Approval of Minutes:**

A. Minutes of the Audit Committee meeting of April 7, 2025

Chairman Farrell asked if there were any changes to the minutes of the March 17, 2025, Audit Committee meeting.

Mr. Ashton inquired about adding his name to the minutes as the volunteer whistleblower contact person. Ms. Reynolds confirmed that she would be happy to add this information.

Chairman Farrell asked if there were any other changes to the minutes. With no further changes proposed, the minutes were considered approved with the one edit.

IV. **Presentation:**

A. M&J Governmental Advisory Group

Ms. Szubert introduced Ms. Russell and Mr. Roberts from Mauldin & Jenkins Governmental Advisory Group. She explained that the group had been invited based on a suggestion from the previous meeting to discuss ways to enhance internal controls.

Chairman Farrell provided background on the committee's concerns, highlighting the need to examine internal controls surrounding purchasing, the newly approved procurement policy, investment performance, and compliance with investment guidelines, as well as various legal, ethical, regulatory, and human resources matters, including a whistleblower policy and contact person. He emphasized the importance of developing standard processes for auditing these areas.

Mr. Roberts, a partner at Mauldin & Jenkins and leader of their government advisory practice, introduced himself and his colleague, Ms. Russell, the Director of their government advisory practice. They presented an overview of their backgrounds and their government advisory practice, which focuses on risk and compliance, operational efficiency, transformation, and performance measurement, as well as assessing, testing, and implementing internal controls.

Ms. Russell outlined their understanding of the Town's needs based on their conversation with Ms. Szubert, explaining their approach would include:

- Establishing a baseline understanding of current controls
- Access current controls
- Identifying gaps in guidance and documentation
- Assessing the governance environment
- Reviewing compliance with state, federal, and local regulatory expectations
- Developing meaningful observations and recommendations
- Key Approach Activities
 - Review the accounting manual and other governing documentation
 - Conduct interviews with staff to understand their perception of roles and responsibilities
 - Perform shadowing of select duties as performed
 - Perform sample testing to verify adequate documentation to support the controls implementation

The Committee Members engaged in a discussion about various aspects of the proposed assessment, including:

- The need to develop a process to evaluate project or service milestones before approving invoices for payment
- The importance of balancing effective controls with operational efficiency
- The potential inclusion of HR policies, ethical standards, and value systems in the assessment
- The possibility of conducting a technology audit and security assessment
- The inclusion of benchmarking data in the written report
- Controls against high-level collusion among the staff

Mr. Roberts and Ms. Russell addressed these concerns and confirmed that their firm could provide a comprehensive assessment covering these areas. They also mentioned that they have separate teams for technology services that could assist with cybersecurity assessments if needed.

The Committee discussed the scope and timing of the engagement. It was agreed that Mauldin & Jenkins would prepare a proposal with options for different levels of service, with a primary focus on financial controls to align with the upcoming financial audit. The proposal would include potential timelines and cost estimates.

Chairman Farrell requested that the proposal be sent to Committee Members for review and comment before the next Ways and Means Committee meeting in early June. The goal would be to present the proposal at the meeting for approval and subsequently present it to the Town Council.

Committee Members engaged in an in-depth discussion of the HR assessment being done by an HR consultant rather than external auditors, the recently revised employee handbook that was reviewed by the Town's HR consultant, and the importance of having an employee sign that they have had access to and read the handbook, and know their job responsibilities. Ms. Szubert also noted that a meeting was held with employees to highlight the changes to the employee handbook. Charmain Farrell emphasized the importance of memorializing verbal policies and procedures to ensure there is written documentation.

V. Old Business:

None

VI. New Business:

A. Internal Controls Assessment Discussion

This item was covered during the presentation by Mauldin & Jenkins.

B. Budget Report for the First Nine Months Ended 03/31/2025

Ms. Szubert presented the Town's Balance Sheet as of March 31, 2025, and Budget to Actual Report for the first nine months. The Budget-to-Actual Report is compiled on a cash basis, with all funds consolidated.

As of March 31, 2025, the Town's governmental funds combined have an ending fund balance of approximately \$43.5 million, an increase of approximately \$2.9 million from June 30, 2024. The total fund balance consists of:

- Unassigned Fund Balance (available for discretionary spending): \$24.4 million (56%)
- Capital and Emergency Reserves: \$9.7 million (23%)
- Restricted for Tourism-Related Funding: \$9.4 million (21%)

Overall, for the first six months, the Town's consolidated revenues of \$12.1 million are 8%, or \$910K, higher than those of the same period last fiscal year, FY2024. This amount represents 78% of the total budgeted revenues for the current year. Overall, the revenues are within budget, with Building Permits, Waste Management Fees, and Interest Income exceeding the originally budgeted amounts.

With 75% of the year elapsed, the expenditures of \$9.3 million are 16% or \$1.3 million higher than for fiscal year FY2024 and account for 66% of the current year's budget. The expenditures are reasonable and in line with the budget.

The Committee Members discussed the sustainability of building permit revenue, with s. Szubert explained that the increase was partly due to higher permit fees implemented the previous year. Mayor Belt noted that while new residential construction might slow down, there was still potential for development on Resort-owned property and an increase in renovation and teardown projects.

Ms. Szubert mentioned that the first reading of next year's budget would take place the following day, with minor changes from the draft previously shared with the Committee. Additionally, she informed the Committee about an ongoing Request for Qualifications (RFQ) for a replacement cost and reserves study, which would help assess the replacement costs of Town assets and establish appropriate reserve levels.

Chairman Farrell reported on his progress in researching bond underwriters for potential future projects. He had contacted the Charleston Finance Director, was awaiting a response from state finance officials, and was expecting information from his former trading desk about South Carolina underwriters.

Mayor Belt provided an update on the Town Hall project, mentioning that the current design calls for a 12,000-square-foot building with an estimated cost of around \$12 million.

VII. Chairman's Comments:

None

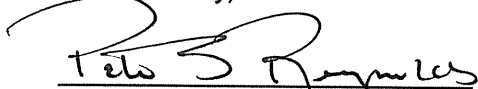
VIII. Citizens' Comments:

None

IX. Adjournment:

Chairman Farrell adjourned the meeting at 2:09 pm.

Submitted by,


Petra S. Reynolds, Town Clerk

7/14/2025
Date