

TOWN OF KIAWAH ISLAND



ACCOUNTING POLICIES and PROCEDURES

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TABLE OF CONTENTS

INTRODUCTION AND PURPOSE	3
GENERAL GOVERNMENT ORGANIZATIONAL STRUCTURE	4
FINANCIAL MANAGEMENT SYSTEM	5
General Principles	5
Basis of Accounting	5
Fund Accounting.....	5
FUNDS AND ACCOUNT GROUPS	6
Chart of Accounts	7
BUDGETING AND BUDGETARY CONTROLS	8
Requirements.....	8
Budget Process	8
FINANCIAL REPORTING.....	10
Monthly Reporting	10
Quarterly Reporting	10
Annual Audit.....	10
Annual Reporting	11
Outside Financial Reporting.....	11
FUND BALANCE AND RESERVE POLICIES	13
Monitoring and Reporting.....	13
Replenishment of Unreserved, Designated for Fiscal Stability Fund Balance	13
Reserve Policies in Other Funds.....	13
INTERNAL CONTROLS	15
Review and Evaluation	15
Deficiencies	15
Duties and Responsibilities	15
CASH MANAGEMENT.....	17

Banking.....	17
Cash Handling and Deposits.....	17
Change Funds.....	18
Cash Disbursements	19
Invoice Review	19
Reconciliation of Credit Accounts	19
Processing of Checks	19
Manual Checks	20
Credit Cards	20
PURCHASING AND PROCUREMENT	22
Informal Purchasing Procedures.....	22
Formal Purchasing Procedures.....	22
Contracts Administration	23
HUMAN RESOURCES AND PAYROLL	25
Personnel.....	25
Processing of Payroll and Distribution of the Payroll.....	25
DEBT MANAGEMENT	27
PROPERTY MANAGEMENT AND INSURANCE	28
FRAUD POLICY AND FRAUD RISK MANAGEMENT	29
Zero Tolerance Policy	29
Prohibited Acts	29
Reporting of Fraud.....	30
False Allegations.....	30
Corrective Actions	30
Ethical Conduct and Conflict of Interest	32
APPENDIXES	33

INTRODUCTION AND PURPOSE

This Accounting Manual provides a means for formalized, systematic documentation and communication of accounting policies and procedures established by the Town of Kiawah Island Finance Office. This manual provides guidance on how to record, maintain, monitor, and report on Town's assets and liabilities, as well as revenue collection, and disbursements. This manual also demonstrates the Town's commitment to strong financial operations and to maintain controls providing for efficient and secure financial management of the Town in accordance with State Law, the Town of Kiawah Island Code of Ordinances Generally Accepted Accounting Principles (GAAP), and the standards set by the Governmental Accounting Standards Board (GASB).

This manual has been divided into multiple sections representing the key financial processes/classes of transactions, with specific policies and procedures developed for each.

The purpose of this manual is to provide comprehensive and understandable direction to all Town employees in their day-to-day duties. It should be used to ensure employee understanding and compliance with the Town's finance policies and procedures. The Town's employees shall:

- 1) Perform their duties in accordance with the appropriate recognized ethical and legal standards and comply with the Town's Code of Ethics;
- 2) Practice honesty and integrity in all aspects of their work;
- 3) Exhibit professionalism in the workplace and conduct themselves in a way that will continue to promote the public's confidence in the integrity of the Town;
- 4) Fulfill their assigned responsibilities and be proactive in developing the skills necessary to provide high job performance;
- 5) Exercise fiduciary responsibility with respect to safeguarding the Town's assets;
- 6) Exercise custodial responsibility with respect to the use of the Town's property and resources;
- 7) Comply with Federal and State laws and regulations and the Town's policies and procedures.

GENERAL GOVERNMENT ORGANIZATIONAL STRUCTURE

The Town of Kiawah Island operates under the Mayor-Council form of government pursuant to S.C. Code 5-5-10.

Town Council, comprised of five members, including the Mayor, is responsible for enacting ordinances, establishing departments and prescribing functions, appointing the Treasurer, Town Clerk, Town Attorney, and Municipal Judge, adopting a balanced budget, and exercising all other powers conferred by state law. Town Council may appoint a Town Administrator to assist the Mayor.

Mayor, in addition to serving as a member of the Town Council, is the chief administrative officer of the Town responsible for supervising departments, appointing and removing employees pursuant to personnel policies adopted by the Town Council, preparing and submitting a budget to the Town Council, making an annual financial report to the public and Town Council, and ensuring the faithful execution of laws.

Town Administrator, appointed by the Town Council, is responsible for assisting the Mayor with the overall administration and affairs of the Town of Kiawah Island and exercising such duties and functions as may be delegated by the Mayor or Town Council.

Town Treasurer, appointed by the Town Council, directs all aspects, activities, and functions on matters related to the management of the Town funds.

Finance Department administers the financial affairs of the Town, including cash management, accounting, budget preparation and monitoring, investing Town funds, capital assets accounting, payroll, waste billing and collection, business license issuance, accounts payable and receivable, court, and providing financial customer service to other departments, employees, and vendors. The department comprises of four employees:

Accounting Business License Specialist performs complex and routine clerical, bookkeeping, and administrative work related to accounts receivable, payroll, and purchasing. It also performs a variety of duties involved in the issuing, processing, and collection of business licenses and permits.

Accounting Specialist Court Clerk /Clerk of Court performs complex and routine clerical, bookkeeping, administrative, and data processing work in the billing of Municipal Court, accounts payable, and utility operations.

Town Receptionist/Finance Assistant performs routine clerical and administrative work in answering phone calls, receiving the public, and providing customer assistance and information as necessary. Additionally, it provides support for additional functions for the finance department.

Short Term Rental Compliance Clerk performs a variety of complex clerical and administrative work in the compliance of short-term rental properties on Kiawah Island.

The complete structure of the Town is presented in the organizational chart in **Appendix A**

FINANCIAL MANAGEMENT SYSTEM

General Principles

In order to ensure consistent and uniform accountability and to maintain compliance with the laws and regulations which govern the Town's finances, the Town adheres to federal, state, and local principles and standards as they apply to its operations.

A governmental accounting system must make it possible to: present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental unit in conformity with generally accepted accounting principles, determine and demonstrate compliance with finance-related legal and contractual provisions, and maintain adequate internal controls to ensure proper accountability of public funds.

The Town's financial management system adheres to generally accepted accounting principles (GAAP) and the prescribed standards by recording transactions and preparing basic financial statements in conformity with GAAP and using supporting schedules to demonstrate compliance with other legal and contractual provisions. Uniform application of these standards is achieved by recording and reporting similar transactions in a consistent manner from period to period. Finally, per adopted and codified Town Ordinances and Finance Department implemented policies and procedures, the Town maintains accurate accountability and assures proper authorization in the use of public funds.

Basis of Accounting

All Town Governmental fund revenues and expenditures should be recognized on the modified accrual basis. Revenues should be recognized in the accounting period in which the Town becomes entitled and are measurable. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, with the exception of accrued interest on general long-term debt, which should be recognized when due.

Fund Accounting

Governmental accounting systems should be organized and operated on a fund basis. A *fund* is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and change therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The primary purpose of governmental fund accounting is to reflect revenues and expenditures relative to their sources and categorize their uses of financial resources and those designated assets, related liabilities, and net financial resources which are available for subsequent appropriation and expenditure.

The Town's resources are allocated to and accounted for in separate funds and account groups based upon the purposes for which they are to be spent and the means by which their activities are controlled. The types of funds and account groups discussed in this section are limited to those usually utilized by the Town.

FUNDS AND ACCOUNT GROUPS

All of the Town's accounts are identified in accordance with the Town's chart of accounts. The first three digits represent the fund, the next five digits represent the department and the next five represent the object or account name. The combination of all twelve digits provides a specific account name for a particular department in the particular fund. The following fund types and account groups are those primarily in use by the Town:

•**100 General Fund** is used to account for all financial resources and related expenditures applicable to Town's general operations. Funding basis is mostly business licenses, building permits, franchise fees and other receipts that are not allocated by law to other funds, or have not been restricted, committed or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement cost that are not paid through other funds are paid from General Fund. Accounting for this type of fund centers on control of resource flows rather than on matching revenues with expenditures. Actual inflows and outflows are compared with budgeted amounts in order to determine compliance with regulations and restrictions governing the use of the fund resources.

•**200 State Accommodation Tax Fund** is used to account for financial resources received and distributed related to the Town's portion of the 2% accommodation taxes levied by State of South Carolina and remitted to the Town that are legally restricted to tourism related expenditures, such as advertising and promotion.

•**230 County Accommodation Fund** is used to account for financial resources received and distributed related to the allocation of 2% of the Charleston County Accommodation Fees received that are legally restricted to tourism related expenditures, such as advertising and promotion.

•**240 Local Accommodation Fund** is used to account for financial resources received and distributed related to 1% fee imposed on the rental of any accommodation within the Town that are legally restricted to tourism related expenditures, such as advertising and promotion.

•**250 Beverage Tax Fund** is used to account for financial resources received and distributed related to fee imposed by the State of South Carolina on Sunday liquor sales that are legally restricted to tourism related expenditures, such as advertising and promotion.

•**300 Hospitality Tax Fund** is used to account for financial resources received and distributed related to 2% tax imposed on food and beverage sales within the Town that are legally restricted to tourism related expenditures, such as advertising and promotion.

•**310 Arts & Cultural Fund** is used to account for ticket sales and expenditures related to cultural performances throughout the year.

•**400 Victims' Assistance Fund** is used to account for financial resources received and distributed from the fees from court fines that are restricted for victims' assistance programs.

•**600 Capital Projects Fund** is used to account and report for the financial resources that are restricted for expenditures for certain capital outlays, infrastructure improvements and acquisition of capital assets in reporting year.

•**800 Fixed Assets Fund** is used to establish control and accountability for the Town's fixed assets. Fixed assets are defined as land, improvements to land, buildings, building improvements, vehicles,

machinery, equipment, infrastructure, and various tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The terms capital assets and fixed assets are used interchangeably. The administration of the Town follows GAAP guidelines for recording and depreciating fixed assets in its funds. Capital assets will be accounted for at historical cost or, if the cost is not practicably determinable, at estimated cost. The historical cost will include the cost of any subsequent additions or improvements but exclude the cost of normal maintenance and repairs unless such is determined to either extend the useful life of the asset or enhance the asset's functionality, effectiveness, or efficiency. Donated fixed assets should be recorded at their estimated acquisition value (as estimated by the Town) at the time received.

Fixed assets are not included in the General Fund, as they do not represent financial resources available for expenditure. Since they are not assets of any fund but rather of the entity as a whole, their inclusion in the financial statements of the General Fund would overstate the fund balance, which is the residual equity of net current assets and liabilities. However, fixed assets are shown within governmental activities on the government-wide statements within the Town's financial statements. Therefore, their accountability should be maintained.

All Town capital assets are recorded and tracked on a spreadsheet sub-ledger maintained by the Treasurer containing descriptions for all fixed assets acquired and are depreciated thereon per the schedule shown below:

10-40 years for Buildings and Building Improvements

20-50 years for Infrastructure

3-5 years for Vehicles

10-15 years for Signs

3-5 years for Equipment

3 years for Computers and Software

New capital assets will only be assessed if it can be demonstrated that they are distinctly new items and not the repair of existing items to similar capacity and function. Depreciation on capital assets is calculated annually on a straight-line basis. The Town-wide asset capitalization minimum threshold is \$1,000 per item. Periodically, the Finance Department conducts an inventory of all fixed assets. Discrepancies are investigated and adjusted. The inventory serves two purposes: to ensure the accuracy of fixed asset information reported for the annual financial report and for insurance purposes.

Chart of Accounts

All of the Town's accounts are comprised of segments that designate the source of the charge. The first three digits represent the fund, the next five digits represent the department, and the next five represent the object or account name. The combination of all twelve digits provides a specific account name for a particular department in the particular fund. The detail listing of Accounts for the Town of Kiawah is included in **Appendix B**.

BUDGETING AND BUDGETARY CONTROLS

Requirements

The South Carolina Constitution requires all municipal governments establish a budgetary system and approve annual operating budgets. The Mayor and Council annually adopt an operating budget and appropriate funds for the general, special revenues, and capital funds. In accordance with the Town's Code of Ordinances, Section 4-105 (b), the budget is adopted by ordinance requiring two readings. Also incorporated in the process is compliance with the South Carolina Code of Laws requiring the advertisement of the budget and a public hearing on the budget prior to adoption by the Council.

The adopted budget may be amended at any time during the fiscal year, with the Ways and Means Committee recommendations to the Town Council, which requires two readings of the revised budget and a public hearing at separate regularly scheduled Town Council meetings.

Budget Process

The first step in the budgeting process is the establishment of a budget calendar in January of each year. A proposed budget calendar is developed by the Town Administrator and the Town Treasurer for approval by the Mayor. The proposed calendar is reviewed by the Ways and Means Committee and then presented to the Committee and the Town Council for concurrence. The Budget Calendar serves as a guide to ensure necessary processes are completed in order to adopt a budget prior to the beginning of the fiscal year. The Town of Kiawah Island operates on a July 1 to June 30 fiscal year. As such, the establishment and adoption of a budget should be completed before July 1 of each year.

The sample calendar summarizing the general budgetary timeline for the Town of Kiawah Island is presented in **Appendix C**.

As a part of the Town's budget process, once the budget calendar is established, the Department Heads must timely submit departmental requests to come forward to the Mayor, along with the Town Administrator and Town Treasurer, for inclusion in the document.

Making projections for the revenue budget is one of the more challenging tasks of the budgeting process. The process may determine whether or not the Town will be able to provide certain services to the community. The process may involve the reduction in expenses, the reassignment of expenses, and deferral of some expenses in order to balance revenues and expenses. State law regulates many of the sources of revenue received by the Town and the allocation of revenues. Resources and tools used to make revenue projections include factors like construction growth, business openings, and closings. Projections related to franchise fees are typically made based upon prior years' revenues and considerations regarding any implications which might affect those revenues either up or down. Tourism revenue projections are developed based upon prior years' performance and economic influences which might affect vacation travel choices. These funds include State Accommodations Tax, County and Local Accommodations Tax, and Hospitality Tax. Each of these funds has specific legislative regulation governing the types of expenditures allowable with the funds. Consideration is given to the expenses anticipated in the budget process, specifically those expenses anticipated in the budget that may be allowable under those funds.

The State Accommodations Tax fund budget requires a review and input from the Town's State

Accommodations Tax Committee as governed by the South Carolina Code of Laws, Chapter 4, Section 6-4-10. Recommendations from this Committee are only advisory in nature and are communicated to the Ways and Means Committee and the Town Council for their consideration. Town Council may accept the recommendation, not accept it, or modify it. The allocation of the tourism-related expenditures fund should be based on the percentages approved by the Town Council up to the amounts awarded for the current fiscal year. The disbursement of funds awarded to each organization should be contingent on the receipt of a detailed accounting of how the funds were spent. Payments made in quarterly installments should be based on the approved percentages not to exceed the amount collected by the Town in that quarter.

To budget operating expenditures, the Town uses prior-year audits, prior-year financial statements, the budget-to-actual performance in prior and current years, changes in the economy affecting such line items as fuel expense, changes in personnel, and legislative regulation changes that may mandate actions for which there is a corresponding expense in order to comply. During the budgeting for operating expenses, the Town also evaluates potential cost savings opportunities that may be achieved by consolidation of purchasing or the elimination of duties and actions that may be outdated, unnecessary, and replaced by more efficient processes.

The Town also maintains a **Five-Year Capital Improvements Plan** that project future capital needs. The staff provides a life span to all major capital assets to determine when the items need to be replaced. The estimated cost to replace is then entered into the plan at the appropriate year. Additionally, if the Town has special projects identified and prioritized by the Mayor and Council to be accomplished, i.e., infrastructure or facility renovations and beach repairs, these items are reflected in the plan. Further, the annual review and update of the Five-Year Capital Plan allows items to be removed or added as needed.

Throughout the year, a file is maintained in the Town Treasurer's office; when something occurs that may affect the budget in a subsequent year, a note is placed in that file as a reminder to consider the expense of the savings in the following year's budget process. Such items might be capital items that were not considered in the capital planning process or new endeavors approved by the Town Council that are to be implemented in a subsequent year.

Throughout the fiscal year, the budget document serves as the work plan for the Town for the year in which it is adopted. The Town Treasurer is responsible for preparing monthly budget variance reports in a timely manner and its distribution to key staff. The Department Heads are responsible for monitoring expenditures in order to stay within budgetary guidelines and monitor progress on the goals set by the Town Council in the adoption of the budget. If, over the course of the fiscal year, the Town Council identifies a new goal not covered under the adopted budget but for which funding can be identified, then this action requires a recommendation by the Mayor and a vote of Ways and Means and the Town Council authorizing the source and the use of those funds. If an activity is not completed or undertaken within a budget year, it may be deemed unnecessary, or it may be re-budgeted in a subsequent year.

FINANCIAL REPORTING

Prior to issuing financial reports, the account balances of the General Ledger must be brought up to date, reconciled with supporting documents, and critically reviewed by the Treasurer for completeness to ensure all transactions have been accounted for and were properly recorded, and that all costs and revenues have been correctly determined and allocated to the appropriate cost objectives.

The monthly closing process starts the first week of the month and includes the following procedures:

- 1) Accounting Business License Specialist ensures that all the daily deposits are posted and reconciles copies of the deposits and Wells Fargo and merchant company (Open Edge) statements with General Ledger and Bank Statement.
- 2) Accounting Business License Specialist makes sure all the monthly ACH payments are recorded and gives the journal entry with the supporting documentation to the Treasurer for review and approval prior to posting.
- 3) Treasurer records individual entries, such as investment interest allocation between different funds, operating expenses allocation as budgeted, correction of miscoded items, and transfers between funds.
- 4) Treasurer then performs bank reconciliation utilizing Tyler software and provides the Mayor or designee with the complete reconciled Bank Statement Report for review. Signed copies of these statements, along with bank statements, are kept in the binder in the Treasurer's office.

Monthly Reporting

The Treasurer shall prepare monthly Budget to Actual Reports and distribute them to each Department Head to inform them of their current budget execution status and review for any irregularities and needed adjustments. Those reports are also provided to the Ways and Means Committee.

Quarterly Reporting

Per Town Ordinance, Sec. 4-105 (f), the Town Treasurer shall prepare a quarterly report showing up-to-date line item information for revenues and expenditures for all funds. The Treasurer's report shall then be reviewed by the Audit Committee, Ways and Means Chairperson, and presented to the Town Council. Following its acceptance, it shall become a public record. Appropriate interim financial statements and reports should show detail of the Town's current financial position as compared to budgetary estimates and limitations, operating results, and other pertinent information to facilitate the administration's current evaluation of the Town's financial status and results of operation, plan future operations and enable legislative oversight.

Annual Audit

Per Town Ordinance Sec. 4-103 (a) Audit, the Town Council shall provide for an independent annual audit of all Town financial records and transactions. The audit, completed in accordance with GASB shall be made by an independent certified public accountant or firm of accountants who have no personal interest, direct or indirect, in the fiscal affairs of the municipal government or any of its officers. The report of the audit shall be filed in the office of the Treasurer as a public record and shall

be made available for public inspection. This audit is performed in accordance with federal audit guidelines in compliance with generally accepted auditing standards covering financial and compliance audits. Copies of the auditor's report are submitted to all relevant governing bodies, Council Members, Mayor, and agencies that have a direct interest in the financial results of the Town's operations.

Annual Reporting

A comprehensive annual financial report should be prepared and published, covering all funds and account groups of the primary government and providing an overview of all discretely presented component units of the reporting entity. The comprehensive annual financial report should include Management Discussion and Analysis and supplementary information as required by the Governmental Accounting Standard Board (GASB). General-purpose financial statements of the reporting entity may be issued separately from the comprehensive annual financial report. Such statements should include the basic financial statements and notes to the financial statements that are essential for a fair presentation of financial position and results of operations and cash flows of those fund types and discretely presented component units that use proprietary fund accounting. These statements may also be required to be accompanied by necessary supplementary information essential to the completeness of their financial reporting.

Outside Financial Reporting

As a multi-funded municipality, the Town must provide specific financial information to a variety of grantor agencies and also comply with federal and state laws. The timing and content of these fiscal reports are varied, and the Town's financial management system must be able to accommodate all reporting requirements as they arise. Therefore, the Town's financial management system is a consolidated system of accounts and related records which provide current and year-to-date financial data from which specific information relating to a particular type of fund or account group or a specific program area can be extracted at any given time. A list of these includes, but is not limited to:

- 1) South Carolina Local Government Debt Annual Survey
- 2) South Carolina Annual Municipal Financial Report
- 3) South Carolina Department of Health and Environmental Control Solid Waste Management Services Annual Report
- 4) South Carolina Court Administration Annual Judicial Survey
- 5) Annual Summary of Accommodations Tax Funding Report to Accommodations Tax Expenditure Review Committee
- 6) Annual Statement of Economic Interest Report
- 7) Annual Wage and Tax Statement (Form W-2) and Transmittal of Wage and Tax Statements (Form W-3)
- 8) Annual Summary and Transmittal of US Information Returns (Forms 1096 and 1099 Misc)
- 9) Quarterly South Carolina State Sales & Use Tax Filing (Forms ST-3, ST-14)
- 10) Quarterly Employer Contribution and Wage Report (Forms UCE-120, UCE-101)

- 11) Quarterly Employer's Federal Tax Return (Form 941)
- 12) Quarterly South Carolina Withholding Tax Return (Form WH-1605) and Annual Withholding Reconciliation (Form WH-1606)
- 13) Monthly Deposit of Retirement Contributions (Form 1244) and Quarterly Contribution Report Summary (Form 1246)

FUND BALANCES & RESERVE POLICIES

The Town of Kiawah Island believes that sound financial management principles require that sufficient funds be retained by the Town to provide a stable financial base at all times. To retain this stable financial base, the Town needs to maintain a General Fund Balance sufficient to fund all cash flows of the Town, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, and to provide funds for all existing encumbrances.

The Town established the following policies on its Unrestricted Fund Balance:

- 1) **Unrestricted, Designated** for Fiscal Stability – The Town will maintain a fund balance designation for fiscal cash liquidity purposes (i.e., fiscal reserve) that will provide for sufficient cash flow to minimize the potential of short-term tax anticipation borrowing. This amount shall be equal to not less than 30% of the combined budgeted expenditures of the Town General Fund.
- 2) **Unrestricted, Undesignated** Fund Balance - Funds not otherwise reserved or designated as required above represent balances available for appropriation at the discretion of the Town Council. However, the Town Council will allocate these undesignated funds for the following purposes:
 - Increase Unrestricted, Designated Fund Balances as deemed necessary.
 - Transfer to the Capital Projects Fund.
 - Use as beginning cash balance in support of the annual budget

The Town Council recognizes that any such funds should be appropriated for non-recurring expenditures as they represent prior-year surpluses that may or may not materialize in subsequent fiscal years.

Monitoring and Reporting

The Treasurer shall annually prepare a report documenting the status of the fund balance compared with this policy and present it to the Town Council in conjunction with the development of the annual budget. Should the report disclose the availability of unrestricted, undesignated funds, a recommendation for use of said funds shall be presented to the Town Council in the report.

Replenishment of the Unreserved, Designated for Fiscal Stability Fund Balance

Should the Unrestricted, Designated for Fiscal Stability Fund Balance amount fall below the 30% targeted level, the Town Council will approve and adopt a plan to restore this balance to the target level within 24 months. If restoration of the reserve cannot be accomplished within such a period without severe hardship to the Town of Kiawah Island, then the Town Council will establish a different time period.

Reserve Policies in Other Funds

The Town of Kiawah Island created an Emergency Fund and Capital Improvement Fund as part of the Capital Projects Fund to reserve for financial emergencies caused by natural disasters and future capital projects.

- 1) Emergency Fund is funded from Local Accommodation (LATAX) and Hospitality Tax Funds. 20% of revenues derived from LATAX and Hospitality Tax are transferred to the Emergency Fund at the end of the fiscal year. The reserves in this fund are dedicated to disaster recovery caused by natural disasters such as hurricanes or flooding.
- 2) Capital Improvements Fund is funded from LATAX and Hospitality Tax Funds. 20% of revenues derived from LATAX and Hospitality Tax are transferred to the Capital Improvements Fund at the end of the fiscal year. The reserves in this fund should be used for infrastructure improvements and beach renourishment.

INTERNAL CONTROLS

The Town establishes these standards and procedures for the design and operation of the system of internal controls in order to safeguard the Town's assets. Internal controls consist of all steps taken by the organization to:

- 1) Protect its resources against waste, fraud, and inefficiency;
- 2) Ensure accuracy and reliability in accounting data and financial reporting;
- 3) Secure compliance with the policies of the organization as well as compliance with external local, state, and federal laws and regulations.

The Mayor, Town Administrator, and Treasurer are primarily responsible for identifying, analyzing, and managing risks related to the Town's objectives. All processes should be evaluated for inherent risks and potential fraud, whether unintentional or an intentional error. The process of identifying and analyzing risk is a continual process and controls modified as changes occur in the operating environment. Town Administration directives are communicated through written policies and procedures. The effectiveness of these policies and procedures should be assessed on a regular basis. Administration has the responsibility to review and measure the effectiveness of the controls established for the Town. Policies and procedures will be reviewed on a periodic basis to evaluate effectiveness. Town Administration has the responsibility to make recommendations for improvements in internal control and for responding to and implementing required changes to the internal control system as a result of findings issued by the audit firm in conjunction with the annual financial audit of the Town.

Deficiencies

This condition exists when the internal control design does not allow management to detect or prevent a misstatement on a timely basis. Such control deficiencies may be further classified as either "significant" or "material." A significant deficiency is a control deficiency that adversely affects the municipality's ability to initiate, authorize, record, process, or report financial data in accordance with GAAP. A material weakness is a significant deficiency that results in the likelihood that a material misstatement of the financial statements will not be prevented or detected. The difference between the control deficiency classes, significant deficiency, and a material weakness is the likelihood and magnitude of the misstatement that could potentially occur. Department Heads are responsible for the design, development, implementation, and maintenance of an effective system of internal controls within their respective areas of responsibility. Critical processes should be identified, and objectives established. Written policies and procedures should include documentation of how transactions and events are to be processed. All policies and procedures will be reviewed and approved by the Town Administrator.

Duties and Responsibilities

Town Council sets the standards for the control environment and has ultimate accountability for internal controls and risk management.

The Mayor, in conjunction with the Town Administrator and Treasurer, implements and administers the Town's control and risk management activities. The Treasurer is responsible for ensuring the

effectiveness of internal controls and reports to the Town Council breaches detected in the internal control system.

The Treasurer:

- 1) Establishes, executes, and monitors the adequacy and effectiveness of internal controls and makes recommendations;
- 2) Performs financial operations and reporting;
- 3) Ensures that departments understand the internal control framework as it relates to their department;
- 4) Reports to the Mayor, the Audit Committee, and the Town Council breaches detected in the system.

Department Heads are:

- 1) Accountable for the operations and their respective departments;
- 2) Responsible for communicating expectations and ensuring employees understand the internal control framework as it relates to their position;
- 3) Responsible for the application of internal controls by employees under their direct supervision;
- 4) Periodically assess the risk and recommend, develop, and implement action plans for improvements to the internal control system in their department.

Employees are responsible for performing duties in accordance with the policy and procedure set for their position. In addition, employees are also responsible to communicate any observed breaches in policy and procedures.

CASH MANAGEMENT

Banking

The Town will maintain bank accounts and investment accounts as deemed necessary by the Town Council. The Town Treasurer will oversee the management of all accounts in order to maintain a balance in the operating account adequate to meet cash needs, to meet the minimum requirements of banking agreement, to satisfy requirements of the Town's investment policy, and to minimize bank service fees. Additionally, the Treasurer is designated to monitor compliance with the State Laws requiring public funds to be fully collateralized by either the Federal Deposit Insurance Corporation or eligible government securities.

The Treasurer's responsibilities:

- 1) Ensure that all bank accounts are included on the collateral agreements the Town has with the banking institutions;
- 2) Monitor all collateral agreements on an ongoing basis to ensure compliance and the securities given as collateral by the banking institution are sufficient to cover deposits within the individual institutions;
- 3) As of June 30th of each year, provide to the external auditors a listing showing the status of the collateral at each banking institution compared to actual cash balance.

Currently, the Town maintains its operating account with Wells Fargo bank. When a new bank account is needed, the Treasurer will seek Ways and Means Committee approval. Authorized signatories on operating bank accounts are the following individuals:

- 1) Mayor
- 2) Mayor Pro Tempe
- 3) Treasurer

Operating account-checking transactions require two signatures, one of whom must be the Mayor.

The Town's investments are maintained at the South Carolina Local Governments Investment Pool (LGIP). All investments must meet the South Carolina State Statutes regarding the investment of public funds and the Town's internal investment policy (Resolution 2009-1). All investments must be made in the name of the Town. Investment transactions and transfers are made by either the Town Administrator or the Treasurer under the authority granted by the Mayor. The Treasurer is responsible for balancing the monthly investment statement with the Town's General Ledger. The Treasurer will allocate interest among the Town's funds proportionally to the amount invested. The Town Administrator will review monthly reconciliations and sign them.

Cash Handling and Deposits

Cash receipts are received by the Town through various methods as follows:

- 1) Business licenses and building permits are received through the mail, through walk-up traffic at the Town Hall, and through online payments;
- 2) Insurance and telecommunications license fees collected by the Municipal Association of South Carolina are received by electronic deposit.

- 3) Accommodations, local option sales, hospitality and beverage taxes, franchise fees, and other miscellaneous receipts are received by electronic deposit or through the mail.
- 4) Court Fees are received during court sessions or through walk-up traffic at the Town Hall, where the Clerk of Court's office is located, and an online portal.
- 5) Environmental service fees are received through the mail, walk-up traffic at the Town Hall, lockbox, and online payments.

The Town's personnel comply with the following procedures while administrating cash receipts:

- 1) Checks received in the mail are opened by the Town Receptionist and logged into the Mail Log. The checks are stamped with the "For Deposit Only" stamp and safely kept in the locked moneybag.
- 2) Checks received by the Permit Clerk, Accountants, and STR Compliance Clerk from walk-ins for business licenses and building permits are stamped For Deposit Only, kept in the cash bag throughout the day, and forwarded to the Accounting Business License Specialist at the end of the day.
- 3) Accounting Business License Specialist receives checks from the Receptionist and accepts them by initializing them in the Mail Log. Before accepting the checks, the employee should verify the date, if the signature is present, if the amount is correct, and if the amount indicated matches the written verbiage.
- 4) The Accounting Business License Specialist scans checks through the bank's virtual deposit machine the same day as received. The Desktop Deposit report from Wells Fargo must be attached to the copy of the deposited check. In the absence of an Accounting Business License Specialist, the Accounting Specialist Court Clerk or Treasurer shall deposit checks daily using the deposit book. Copies of the checks deposited should be made and kept for recording.
- 5) Accounting Business License Specialist enters deposits and posts batches to the General Ledger. All transactions must be complete and provide for tracing transactions from the source document.
- 6) Monthly, the Treasurer reviews deposits to the bank and General Ledger account for correctness.
- 7) The Town also uses a Wells Fargo lockbox system. Payments from environmental services customers are mailed directly to the lockbox and are batched to the file by the date and retrieved via the bank's portal daily by the Accounting Business License Specialist. The batches are then downloaded into the Tyler AR module and applied to customer accounts.
- 8) In the event of a returned check, the Accounting Business License Specialist will again try to redeposit the check. If again returned, the Specialist will notify the department staff that collected the payment. The staff person is responsible for getting repayment.

Change Funds

Two employees within the Town, the Accounting Specialist/Court Clerk and Permit Clerk, use change funds. These funds allow the employees receiving cash payments to be able to make change when required.

The following rules are to be followed in regard to the change fund:

- 1) The custodian should ensure the fund has sufficient small bills and change to function properly;
- 2) The fund is to remain at the original balance, currently \$170. The change is verified, reconciled, and documented by the Accounting Business License Specialist monthly.

Cash Disbursements

Purchases will be executed in accordance with the Town's Municipal Code, Chapter 4 Purchasing. All disbursements must be made by check, a town-issued credit card, or ACH. Each department head is responsible for ensuring that the Town's vendors and contractors are paid in a timely manner. To facilitate this process, the following procedures are taken:

Invoice Review

Invoices are typically received through the mail or via email. The Town Receptionist/Finance Assistant opens the mail, identifies the vendor invoices, stamps them with the date received, logs them in the received Mail log, and forwards them to the Accounting Specialist/ Court Clerk, who then distributes the invoices to the appropriate departments for receipting and payment approval.

Following validation, which involves the Department Head's signature, affirming the correctness of the invoice, the documents are provided to the Town Administrator for approval. If the Town Administrator approves an invoice in the capacity of a Department Head, the Mayor also needs to approve such an invoice.

Each invoice is coded to the appropriate General Ledger account number from which it was previously budgeted and entered into Tyler software. After entry, the Accounting Specialist/Court Clerk prints out the Payables Register that is given to the Town Administrator along with the supporting documentation for approval. Then, the Town Treasurer reviews the Payable Register for correctness of coding and other details for processing and payment.

Reconciliation of Major CreditAccounts

For efficiency, the Town maintains a few major credit accounts with frequently used vendors, which allow for one monthly check to be processed. When authorized purchases are made and charged to these accounts, Department Heads or their designee must secure a receipt at the time of that purchase. Such receipts are submitted to the Accounting Specialist /Court Clerk, who reconciles the receipts with billing statements when they are received. The Accounting Specialist /Court Clerk maintains a folder with all the receipts until accounts are reconciled and receipts are attached to the statement. Current active accounts include: Harris Teeter, Ace Hardware, True Value, Lowes, WexFlex, Best Buy, and Amazon.

Processing of Checks

Payment of invoices via Town's checks is done weekly to avoid the accumulation of unpaid bills and to avoid having to process large volumes of checks at one time. The Town utilizes digital printing by the outside vendor, currently Wells Fargo. After the review process is complete, the Accounting Specialist /Court Clerk sends the digital file to Wells Fargo for processing. Once the file is received, Wells Fargo

generates a confirmation email to the Accounting Specialist/ Court Clerk and the Treasurer with the total number of checks requested and the total amount on the check run. The confirmation is reviewed and signed by the Treasurer. The completed checks are mailed by Wells Fargo. Copies of the checks with the invoices stamped “Paid” are filed in alphabetical order in the Accounting Specialist /Court Clerk's office.

Access to the Accounts Payable Module is limited to the Finance Department. Check processing is regularly handled by the Accounting Specialist/Court Clerk; however, in the absence of the person in that position, the Accounting Business License Specialist may process checks.

Checks that have been voided for any reason must be marked “Void,” retained, and filed until completion of the current year’s audit. An invoice with proper documentation and authorization is required for disbursement.

The setup of new vendors is restricted within the Accounts Payable module to the Accounting Specialist/Court Clerk and the Treasurer. The Treasurer verifies each vendor setup by reviewing the submitted vendor W9 form and by querying the Vendor Audit Report within the Accounts Payable module to ensure the accuracy and completion of new vendor input.

All contractors are required to provide the Town with a copy of the business’s completed IRS form W9, current business license, and proof of the current worker compensation insurance before work is commenced or goods are accepted.

Manual Checks

The Town keeps the use of manual checks to a minimum. The check stock is secured in the Treasurer’s office.

Credit Card Use

The Town has \$99,100 credit line with Wells Fargo Bank divided among the following credit card holders:

- 1) Mayor-\$50,000
- 2) Mayor Pro Tem-\$36,000
- 3) Town Administrator- \$5,000
- 4) Town Biologist- \$3,000
- 5) Communication Director- 2,600
- 6) Accounting Business License Specialist- \$1,500
- 7) Public Works Manger- \$1,000

All expenditures paid by Town-issued credit card are subject to all Town’s procurement regulations. Each cardholder is responsible for ensuring that funding exists within the appropriate line item of the budget before the expenditure occurs and for the physical control of their individual card. The use of the cards should be limited to travel arrangements, online purchasing, and emergency purchases. The following steps are used in the credit card reconciliation process:

- 1) All the receipts/invoices for credit card purchases must be given to the Accounting Business

License Specialist.

- 2) Any charge not accounted for is investigated by an Accounting Business License Specialist to ensure a receipt is submitted for every charge and it is appropriately resolved or reimbursed to the Town.
- 3) The Town Administrator's monthly transactions with the supporting documentation are reviewed and approved by the Mayor and others by the Town Administrator.
- 4) The Accounting Business License Specialist gives the monthly statement package to the Treasurer for review and payment approval.
- 5) The Treasurer reviews the statements for all the supporting documents to ensure appropriate approvals are made, General Ledger codes are correct, and approves the payment.
- 6) Accounting Business License Specialist makes payment by telephone via ACH payment from the Wells Fargo operating account to the Wells Fargo credit card account for the current statement balance. Payment is made in full on or before the due date to ensure no finance charges are incurred.

When the draft has been debited from the bank, the Accounting Business License Specialist records the payment to the Wells Fargo credit card vendor.

PURCHASING AND PROCUREMENT

Informal Purchase Procedures

Where the estimated cost for goods or services will not exceed \$20,000, the procurement may be made on an informal basis, provided those procurement requirements shall not be artificially divided so as to constitute a small purchase. The following procedures shall pertain to small purchases:

- 1) **Under \$1,000.** The Town Administrator and Treasurer may approve the purchase of items under \$1,000 as they are needed. A purchase requisition must be submitted to the Administrator or Treasurer for all items except for routine items, such as utilities and monthly Town Hall maintenance.
- 2) **\$1,000 to under \$10,000.** When the value of purchases of supplies, service, goods, or construction is estimated to be in excess of \$1,000 and less than \$10,000, and the amount of the purchase has been approved in the current fiscal year's budget, not less than three oral or written quotes from qualified vendors shall be obtained by the Department Heads. The quotes should be attached, or the names of the vendors should be listed on the face of the purchase order. If the vendor selected by the Department Head is not the lowest cost, a statement of justification should be provided as to how the selected vendor can provide the most advantageous agreement with the Town. The Department Head shall sign the purchase order and submit along with the supporting documentation for a signature to the Town Administrator.

For purchases less than \$5,000 that are not specifically budgeted approval is required from the Mayor. If the purchases are between \$5,000 and \$10,000 and are not specifically budgeted, the approval of the Mayor and one Councilmember is required.

- 3) **\$10,000 to under \$20,000.** When the value of the purchase supplies, services, or construction is estimated to be in excess of \$10,000 and less than \$20,000, purchase shall be made by obtaining at least three written quotes from vendors unless the goods and services are available under the state contract. If the three bids are unable to be obtained a statement must be included with the purchase order as to the reason why. The names of the vendors and the solicited quotations shall be listed on the purchase order and submitted to the Mayor and Town Administrator for review. The quotes and recommended award then should be presented to the Ways and Means Committee who will review the results and make recommendations to the Town Council.

Formal Purchasing Procedures

All purchases, contracts and goods or services in excess of \$20,000 shall be made in accordance with following competitive formal bidding procedures, unless the goods or services are available under state contract as awarded by the State Budget and Control Board, Division of Material Management. These may be accomplished through the following methods:

- 1) Competitive sealed bidding is the preferred method of formal solicitation and is accomplished through **Invitation for Bids (IFB)**. The Town Administrator and the user department work together to develop bid requirements and specifications to assure adequate

completion can be obtained. Award is made to the lowest responsive and responsible bidder.

- 2) Competitive sealed proposals are used when procurement is highly technical, complex in nature, and does not lend itself to formal competitive sealed bidding. This type of procurement is called a **Request for Proposals (RFP)**. To use an RFP, the Administrator must determine that the use of competitive sealed bidding is not practical or advantageous to the Town. Offerors submit proposals based on the information requested in the RFP. The Town Administrator and Department Head evaluate and rank the proposals based on the selection criteria listed in the RFP. The Department Head makes a recommendation to the Ways and Means Committee, which then makes recommendations to the Town Council. An award is made to the most responsive and responsible offeror whose proposal is determined to be most advantageous to the Town.
- 3) In the procurement, of an architect, engineer, consulting, or other professional firm, firms are requested to submit qualifications and performance data through a solicitation called a **Request for Qualifications (RFQ)**. A selection committee is established to review and rank the firms based on criteria established in the RFQ, for which cost is not a factor.

The Mayor, or designee may authorize purchases on Sole Source/Non-Competitive or Emergency Procurement basis. The following methods of procuring goods/services are available in lieu of the normal competitive process if adequate justifications are furnished to the Mayor or designee and the appropriate approvals are given prior to the purchase:

- 1) **Sole Source Procurement** is procurement when a justification can be written stating that any good, service, supply, or construction item can only be purchased from one source and normally approved by the Mayor.
- 2) **Non-Competitive Procurement** is procurement where the Town Administrator, Mayor, or their designee has deemed the purchase of equipment, accessories, services, software, or replacement parts to be of paramount importance.
- 3) **Emergency Procurement** is a procurement where the Town Administrator, Mayor, or their designee may make or authorize others to make purchases when there exists a threat to public health, welfare or safety under emergency conditions or where normal daily operations are substantially affected.

Contracts Administration

Contracts may be established for, but not limited to, maintenance contracts on equipment, contracts for janitorial services, security services, landscaping, etc. The Town Clerk serves as the central repository for record keeping on the major Town's leases and contracts, both reoccurring and single events. Department Heads have the responsibility for the oversight of contracts and leases pertaining to their departments.

The Mayor is the only person authorized to sign contracts and committing the Town's funds for any purpose.

For all the services contracted by the Town, the Department Head will require a current certificate of insurance from the contractor, a copy of the business's completed IRS form W9, a copy of the current business license, and proof of current worker's compensation insurance.

Bills or progress payment requests resulting from contracts will be verified by the Department Head before forwarding to the Town Administrator for approval. If retainage is applicable to the contract, the final payment will not be released until the Department Head approves the transaction and all permitting requirements have been satisfied. It is the Department Head's responsibility to inform the Town Administrator if any amount should be withheld for the contractor's nonperformance and to advise the Treasurer to release the final payment once the nonperformance has been resolved.

Material contract modifications, change orders, or contract price adjustments under the Town Council approved contract shall be subject to prior approval by the Town Council after receiving a report from the Mayor or Town Administrator as to the effect of the contract modification or change order on the total contract budget.

HUMAN RESOURCES AND PAYROLL

The purpose of this section is to address personnel matters with financial implications that are not described in the Town's Employee Handbook. Those matters include new hire procedures, payroll procedures and accounting for employee benefits.

Personnel

Employee selection is conducted by the individual departments. Advertising may be internal or external and is most often electronically based. Small advertisement may appear in the print media to direct interested applicants to locations such the Town's website www.kiawahisland.org where more comprehensive information may be available. Once a selection is made and an offer accepted, the process must occur to enroll the employee in the payroll system, the South Carolina Retirement System, and the Town's Health Plan. These tasks are completed by the Accounting Business License Specialist and approved by the Treasurer. The first step is the completion of the "Town of Kiawah Island Notification of Wages to Employees." This two-page document stipulates the employee's position, hire date, salary, whether the employee is exempt from overtime or not, their frequency of compensation, and the reason for the issuance of the form. Such forms are signed by the Town Administrator and the new hire. Upon being hired, the new employee also completes following paperwork:

- 1) W-4 and SC W-4 form for employee withholdings;
- 2) State Retirement System forms;
- 3) Group health and life insurance forms;
- 4) Deferred Compensation Program form
- 5) I-9 form for Employment Eligibility Verification
- 6) Direct deposit form.

Information from all these forms is then entered into ADP system by Accounting Business License Specialist and is reviewed by the Treasurer. The forms are given to the Town Administrator who keeps them alphabetically filed in personnel files locked in cabinet .

All salary changes must be properly authorized by the Mayor and Town Administrator via a signed payroll change form. One copy of the form is kept by the Administrator in the personnel files, one is given to the Treasurer for updating in ADP system, and one is distributed to the employee for their records

Processing of Payroll and Distribution of the Payroll

The payroll system should maintain safeguards that ensure all payroll expenditures are properly recorded and paid timely. Additional safeguards will ensure that all the transactions are accurate and complete. Currently, the Town's payroll is processed through a third party payroll service-ADP. Access to the payroll system is limited to the Treasurer, Accounting Business License Specialist for processing, Mayor, and Administrator for reporting.

Exempt employees are paid on monthly basis (12 payrolls per year) on the first day of the month, covering payroll period from first to the last day of the preceding month. Non-exempt employees are

paid on bi-weekly basis (26 payrolls per year) on Fridays through to the previous Friday. All payroll compensation is paid via direct deposit. The Town has currently 28 full time employees and approximately 25 part-time Deputies. To ensure accuracy, payroll process involves multiple following steps:

- 1) Timesheets are kept on “EZ Labor,” an ADP program. There are two time clocks; one in the Town Hall and one in the sheriff’s office in Freshfields. Each time clock interfaces with the server which operates on 24/7. The server is set to pull time at 3 am.
- 2) For any absence, an employee must fill out a form with the hours they are taking off and personal time off, PTO, they wish to use. This can be done electronically on ADP portal or using paper copy attached in the Appendix C. The Department Heads are given responsibility to approve time sheets. They should review the PTO requests against the available time and approve with their signature.
- 3) Every payroll processing, the Accounting Business License Specialist prints out Timecard Report that shows any missing punches and overtime which is forwarded to the Department Heads for review and approval.
- 4) After all employees’ hours are verified and approved, the Accounting Business License Specialist reprints Timecard Report and forwards both reports to the Treasurer for final review, who returns back to the Accounting Business License Specialist for processing.
- 5) Once the payroll is processed, the Treasurer reviews Payroll Register Preview for accuracy and approves payroll for that pay period. Then, Accounting Business License Specialist submits through ADP to finalize.
- 6) ADP sends the vouchers via FedEx and a CD with a packet of reports that contains a summary of wages and deductions by employee. All the reports generated during payroll process are maintained in files in the Treasurer’s office. All employees are required to have direct deposit with the exception of new hires pending direct deposit.
- 7) The Accounting Business License Specialist uploads payroll entries from ADP portal to Tyler software.

DEBT MANAGEMENT

The Town Council may enter into debt obligations to finance the construction, upgrade of infrastructure or other capital needs. Additionally, the Town may refinance current debt obligations to obtain better interest rates. The issuance of debt to fund current operating deficits is not permitted. The proceeds of debt obligations will be used as set forth in its enacting legislation. Debt obligations must be approved by the Town Council and adhere to state and federal laws which authorize and govern the issuance of debt, and securities law, which governs disclosure, sale and trading of the debt. Each issuance of the debt will be bid in order to procure the lowest possible cost to the Town. All debt incurred by the Town will be subject to legal limits set by the State of South Carolina.

The function of the debt service repayment is the responsibility of the Town Treasurer who should monitor cash flows to ensure funds are available for payment of outstanding debt. It is a goal of the Town to repay debt in a timely manner so as to avoid penalties and charges. All currently held debt should be reviewed annually to ensure adequate debt service reserves and to monitor adherence to debt limits.

PROPERTY MANAGEMENT AND INSURANCE

The Town Treasurer shall maintain a Capital Assets Register of all property in the Town's position. The Register should be kept up to date by recording changes as they occur. The Town's property records include the following information:

- 1) Property decal number
- 2) Description and location
- 3) Manufacturer's serial number if identification number
- 4) Source of funds
- 5) Acquisition cost of capitalized items
- 6) Accumulated depreciation
- 7) Ultimate disposition
- 8) Condition

The accuracy of the inventory records shall be verified annually by an inspection of all Town owned property. After the close of the fiscal year, the Treasurer will verify with each department that the inventory listed on the Capital Asset Register is accurate and that each item is still in the Town's possession.

General Insurance

Currently, the Town has following insurance coverages:

- 1) General Tort Liability
- 2) Inland Marine
- 3) Auto
- 4) Building and Personal Property
- 5) Data Processing
- 6) Crime
- 7) Pollution
- 8) Cyber
- 9) Special Events Liability
- 10) Workers' Compensation
- 11) Directors' and Officers' Liability

Policy renewals dates coincide with one another. About two months before renewal, the Treasurer will compile schedules required to obtain renewal rate quotes. The renewal quotes should be reviewed to ensure the coverages are sufficient at the most competitive premiums.

FRAUD POLICY AND FRAUD RISK MANAGEMENT

The Town of Kiawah recognizes the importance of protecting the Town, its citizens, its employees and its assets against financial risks, operational breaches, and unethical activities. Therefore, the management must clearly communicate the fraud prevention policy to both internal and external customers, vendors and employees.

The impact of misconduct and dishonesty may include:

- 1) The actual financial loss incurred
- 2) Damage to the reputation of our Town and our employees
- 3) Negative publicity
- 4) The cost of investigation
- 5) Loss of employees
- 6) Loss of public confidence
- 7) Damaged relationships with our contractors and suppliers
- 8) Litigation

Our goal is to establish and maintain an environment of fairness, ethics, and honesty for our employees, our citizens, our vendors and anyone else with whom we have a relationship. To maintain such an environment requires the active assistance of every employee and Administration in everyday operations.

Our Town is committed to the deterrence, detection, and correction of misconduct and dishonesty. Upon discovery, violations of policy are subject to reporting and documentation of such acts to provide a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal, where appropriate, the referral to law enforcement agencies when warranted by the facts and the recovery of assets.

Zero Tolerance Policy

The Town of Kiawah has a zero-tolerance policy regarding fraud. No employee of the Town shall remove any Town's assets from the property, misuse any Town's assets for one's personal gain, or willfully misappropriate any Town's asset. Any evidence supporting fraud, theft, or embezzlement of the Town's assets and equipment may be subject to the following actions including but not limited to: suspension, termination, restitution and criminal charges. Any Town employee who is aware of fraud being committed against the Town by anyone shall report such activity to the Administration, Town Attorney, and non-Council member of the Audit Committee.

Prohibited Acts

Fraud is defined as an intentional deception, misappropriation of resources or the manipulation of data to the advantage or disadvantage of a person or entity. Some examples of fraud include:

- 1) Falsification of expenses and invoices;

- 2) Authorizing or receiving compensation for goods not received or services not performed;
- 3) Theft of cash or fixed assets;
- 4) Alteration or falsification of records;
- 5) Failure to account for monies collected;
- 6) Disclosing confidential or proprietary information to outside parties for financial or other advantage;
- 7) Making a profit from inside knowledge;
- 8) Authorizing or receiving compensation for hours not worked;
- 9) Embezzlement, bribery or conspiracy;
- 10) Abuse of the Town's facilities and assets;

Reporting of Fraud

- 1) Employees shall read and understand this policy. Additionally, suspected or known fraudulent acts by employees shall be reported to their respective Department Head. If the employee has reason to believe that their Department Head may be involved, the employee shall notify the Town Attorney or non-Council member of the Audit Committee directly;
- 2) Department Heads shall a) communicate the provisions of this policy to all staff; b) take no action without consulting Town Administrator; c) recommend appropriate disciplinary action when there is evidence of wrongdoing;
- 3) Department Heads shall communicate any suspected or known fraudulent act to the Town Administrator;
- 4) All participants in the fraud investigation shall keep the details and results of the investigation confidential;
- 5) Any employee reporting an act of fraud; or assisting, testifying or participating in a fraud investigation, acting in accordance with the requirement of this policy, shall not be subject to any adverse employment action unless it is determined the employee is culpable for such action and/or made an allegation knowing it was false. Examples of adverse employment action include, but are not limited to; discipline, suspension, threatening to discipline or suspend, coercion, acts of intimidation and firing.

False Allegations

False allegations of suspected fraud with the intent to disrupt or cause harm to another may be subject to disciplinary action up to and including termination of employment.

Corrective Action

Final determination regarding action against an employee, vendor, recipient, or other person found to have committed fraud or corruption will be made by the Town Council.

Offenders at all levels of the Town will be treated equally regardless of their position or years of service with the Town. Determinations will be made based on a finding of facts in each case, actual or potential damage to the Town, cooperation by the offender and legal requirements.

Depending on the seriousness of the offense and the facts of each individual case, action against an employee can range from written reprimand and a probationary period to legal action-either civil or criminal. In all cases involving monetary losses to the Town, the Town will pursue recovery of losses.

The following are the responsibilities of Town officials, management, and its employees regarding fraud risk management.

Town Council:

- 1) Sets the standards for the internal control environment;

Mayor:

- 1) Accountability for the Town's internal controls and risk management;
- 2) Approves policies and procedures.

Town Administrator:

- 1) Supports the Town's control and risk management activities;
- 2) Ensures that department heads and supervisors understand the internal control framework as it relates to their departments;
- 3) Reports to the Mayor breaches detected in the internal control system.

Town Treasurer:

- 1) Establishes, executes, and monitors the adequacy and effectiveness of internal controls and makes recommendations;
- 2) Responsible for financial operations and reporting;
- 3) Ensures that department heads and supervisors understand the internal control framework as it relates to their departments;
- 4) Reports to Town Council and Audit Committee breaches detected in the system.

Department Heads:

- 1) Accountable for the operations of their respective departments;
- 2) Responsible for communicating expectations and ensuring those employees understand the internal control framework and fraud reporting policies as it relates to their positions;
- 3) Responsible for the application of internal controls under their direct supervision;
- 4) Periodically assess the risks and recommend, develop and implement action plans for improvements to the internal control system in their departments.

Employees:

- 1) Responsible for performing duties in accordance with the policy and procedure set for their positions;
- 2) Communication of any observed breaches in policy and procedure.

Ethical Conduct and Conflict of Interest

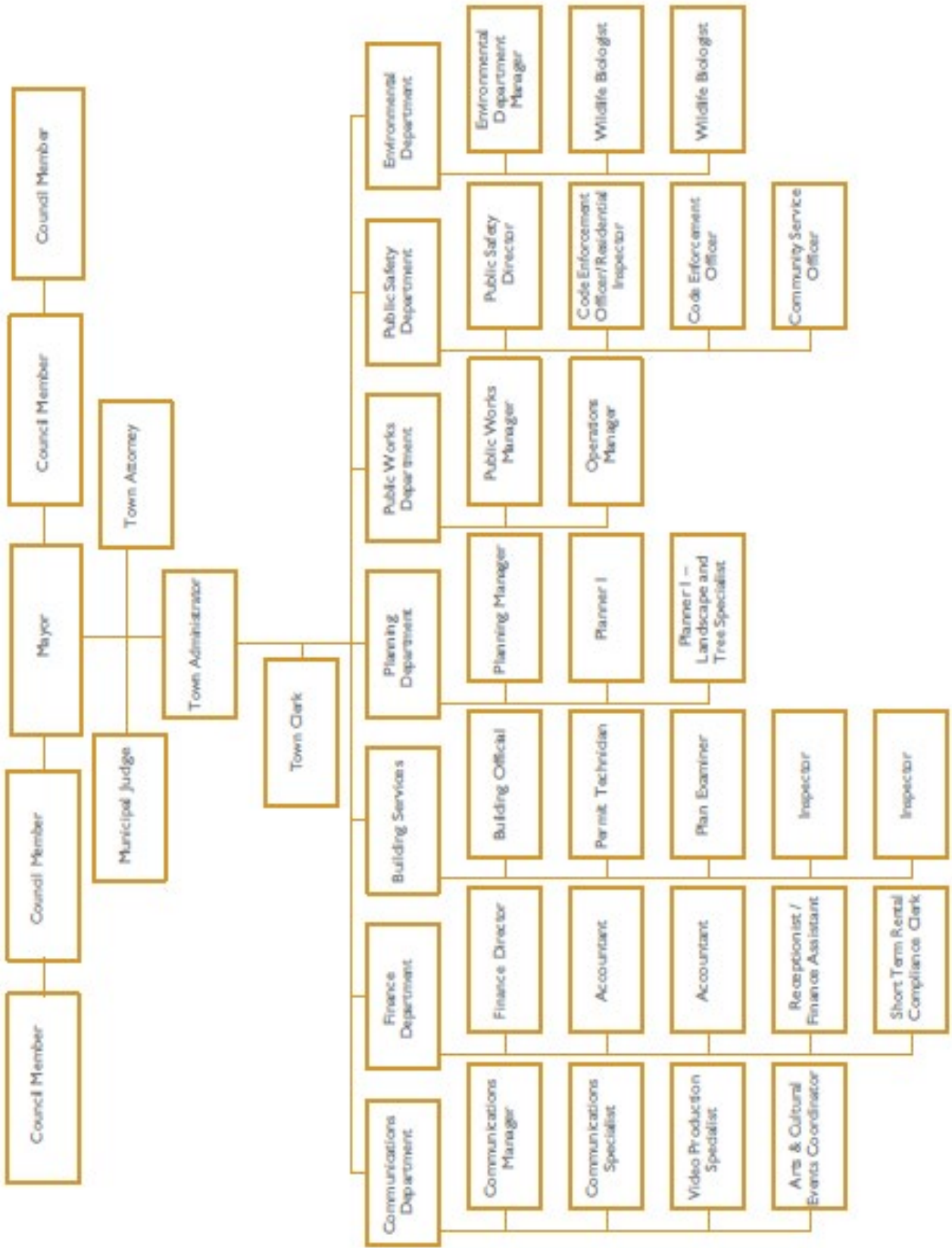
Acting in a manner that promotes and maintains the public's trust is a requirement of every employee. Employees must act at all times in accordance with the highest ethical standards and comply with all State ethics laws. Actions by employees, on and off the job, that represent a conflict of interest with the Town or give the appearance of such, are prohibited and will result in corrective action, possibly including immediate discharge from employment.

Town employees are covered by state ethics laws that prohibit public employees from using their public position for their own personal gain or to benefit a family member or business associate. State law also prohibits employees from making governmental decisions on matters in which they, their family, or business associates have an economic interest. Employees must notify their supervisors in writing of any matter in which they, their family or business associates, have an economic interest and in which they must act on behalf of the Town. The supervisor must send the notification to the Administrator for review. If the Town determines a potential conflict or appearance of conflict of interest exists, the matter will be reassigned to another employee.

Duty of Disclosure – Employees have an affirmative duty to promptly disclose to their supervisor any action or situation on their part, current or pending, that may constitute a conflict of interest, or reasonably give the appearance of a conflict of interest, or any activity that might reflect negatively on the Town or community. Employees have a similar duty to make their supervisor aware of any action by another employee, elected official, or person or entity doing business with the Town that may constitute a conflict of interest, prohibited activity, or violation of this policy.

APPENDIX A

Town of Kiawah Island Organizational Chart



APPENDIX B

ACCOUNTS LISTING

The following numbers are assets, liabilities, and departments represented by the first set of five digits in the account number (xxx-xxxxx-xxxxx):

00005	Cash Operating
12300	Wachovia Investments
13100	Interest Receivable
13200	Accounts Receivable
13201	Due from State Agencies
13220	Solid Waste Receivable
13221	Unapplied Cash
13222	Allowances for Solid Waste Receivable
13310	Prepaid Insurance
13320	Prepaid Expenses
15100	Computers & Software
15200	Equipment
15300	Furniture & Fixtures
15400	Land
15500	Municipal Center
15600	Signs & Fences
15700	Vehicles
15800	Infrastructure
16100	Accumulated Depreciation-Commuters & Software
16200	Accumulated Depreciation-Equipment
16300	Accumulated Depreciation-Furniture & Fixtures
16500	Accumulated Depreciation-Municipal Center
16600	Accumulated Depreciation-Signs & Fences
16700	Accumulated Depreciation-Vehicles
16800	Accumulated Depreciation-Infrastructure
22200	Benefits Payable
22300	Federal WH Payable
22400	FICA Payable
22420	Medicare Payable
22800	Deferred Compensation Payable
22900	SC Retirement Payable
23600	Court Fines Payable to State
23700	Victims Assistance Payable
23900	Credit Card Payable
24000	Unavailable revenue
25000	Unearned Revenue/Solid Waste
30000	Fund Balance
40100	Conservation Department

40200	Administration Department
40300	Finance Department
40400	Roads and Bridges
40500	Communication Department
40600	Court Department
40700	Building Permits Department
40800	Code Enforcement
40900	Public Safety
41000	Operations
41400	CERT Team
42000	SATAX Expenditures
42300	CATAX Expenditures
42400	LATAX Expenditures
43000	Hospitality Tax Expenditures
43100	Arts & Cultural Expenditures
44000	Victims' Assistance Expenditures

The next five numbers of the account number (xxx-xxxxx-xxxxx) represent the object or line item. Listed below are the most commonly used numbers:

40000	Business License Revenue
40001	State Accommodation Tax
40005	Aid to Subdivision
40010	Permit Fees
40015	Building Permits
40018	Lease Revenue
40021	Local Option Tax
40031	Franchise Fees-Electric
40032	Franchise Fees-Beach Services
40033	Franchise Fees-Other
40041	Court Fees
40070	Solid Waste Revenue
49000	Interest Revenue
49050	Market to Market Adjustment
49500	Miscellaneous revenue
51100	Salaries
51205	Overtime
52102	Insurance Medical
52201	FICA Match
52202	Medicare Match
52300	Retirement Match
52600	Workers Compensation
52901	Deferred Compensation Match
53100	Deputy Vehicle Fees
53103	Stenographer Cost
53105	Catering Cost

53302	Auditing Cost
53303	Legal Cost
53304	Professional Cost
53404	Graphic Design
53409	Photography Cost
54110	Water & Sewage
54210	Solid Waste Disposal
54230	Custodial Cost
54242	Landscaping Minor
54301	Repairs & Maintenance-Building
54302	Repairs & Maintenance-Vehicle
54303	Repairs & Maintenance-Equipment
54307	Repairs & Maintenance-Software
54309	Pest Control
54411	Rental-Facilities
54421	Rental-Equipment
55211	Insurance-Auto
55212	Insurance-Bridge
55213	Insurance-Data Pro
55215	Insurance-Liability
55216	Insurance-Premises
55217	Insurance-Inland Marine
55218	Insurance-D&O
55300	County Radio Cost
55302	Travel & Training
55304	Cell Phone
55306	Telephone
55308	Dues
55309	Subscriptions
55311	Security
55402	Advertising
55403	Community Activities
55404	Community Outreach
54241	Beach Upkeep
55511	Printing
55555	Turtle Beach Expenditures
55556	CERT Team
55557	Community Outreach
55559	Beach Supplies
56101	Office Supplies
56105	Supplies-Other
56106	Uniforms
56220	Electricity
57310	Signs & Fences

57400	Depreciation
58100	Miscellaneous
70411	Equipment-Minor
70412	Software-Minor
71430	Furniture & Fixtures-Minor
88203	Contingency

APPENDIX C

Budget Calendar **FY XXXX**

Date	Task
January-First Week	Budget Kick-off Discussion
February-First Week	Departmental Budget Packages Distributed
February-Last Week	Department Budget due to Town Administrator for Initial Review
March-First Week	Budgets Due to Finance Department for Budget Integration
March-Last Tuesday	Preliminary Budget Discussion at Ways & Means Committee Meeting
April	State ATAX Committee Meets and Makes Recommendation
April-Second Week	Town Treasurer will finalize Budget Proposal and Staff Requests
April-Last Week	Review and Discuss Budget Proposal at Ways & Means Committee Meeting
May-First Tuesday	Public Hearing FYXX Budget Town Council
May-First Tuesday	First Reading of Budget
June-First Tuesday	Second and Final Reading of Budget