

Operational and Performance Assessment: *Finance Department*

Executive Summary



Prepared for:

Town of Kiawah Island, SC

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Executive Summary

Introduction, Scope, and Approach

The Town of Kiawah Island (“Town,” “Kiawah Island,” or “ToKI”) engaged Mauldin & Jenkins (“M&J”) to conduct an Operational and Performance Assessment of the Town’s Finance Department, including both qualitative assessments of Finance Department operations and structured sample testing of Finance Department performance and adherence to internal control policies and procedures. The objectives of the Operational and Performance Assessment include developing an understanding of the Town’s current financial operational environment, identifying both areas of strength and potential risks, comparing ToKI operations to leading practices, and developing meaningful recommendations for enhancing Kiawah Island’s financial operations.

M&J structured its assessment of Town operations and performance based on M&J’s proprietary COMPASS methodology. M&J began by requesting and reviewing significant amounts of data and documentation from the Town and using the collected data and documentation to conduct a high-level Inherent Risk Assessment of Kiawah Island’s finance-related functions. M&J used the Inherent Risk Assessment to guide and prioritize the remainder of its fieldwork and analysis. M&J then performed its primary evaluation, which included a qualitative evaluation of the Town’s operations, informed by M&J’s review of relevant governing and operational documents, interviews with relevant Town management and staff, and “job shadowing” of staff as they conducted key financial processes, and through sample testing performed on ToKI financial records to assess performance and adherence with financial controls across risk areas identified in the Inherent Risk Assessment.

M&J’s testing identified no significant gaps in the Town’s internal control procedures. M&J’s report does contain findings, observations, and associated recommendations for further enhancing financial operations and controls.

Findings

M&J’s report on its Operational and Performance Assessment of the Town’s Finance Department contains two findings. The findings included in the report do not represent a material impact on the Town’s current financial position.

In its first finding, M&J identified that the Town’s current credit card policies do not prohibit cardholders from lending out Town-issued credit cards to other Kiawah Island officials or staff or regulate how cardholders that do elect to lend out their cards are to do so. While M&J did not identify any instances of unauthorized or fraudulent credit card use during its credit card sample testing, M&J determined that this lack of guiding regulations does rise to the level of a finding. M&J recommends that the Town develops a thorough policy regulating credit card custody and lending.

In its second finding, M&J identified that the Town was not able to consistently provide sufficient documentation to support thorough sample testing of all sampled procurement activity, including one sampled purchase for which the Town was unable to provide any relevant documentation and at least four other samples for which the Town was only able to provide partial documentation. While M&J’s evaluation of the provided documentation did not contain any indications of fraud, waste, or abuse within the purchasing process, the absence of certain documentation prevented a complete review and rises to the level of a finding. M&J recommends that the Town refines its policies and procedures related to the creation, collection, and retention of procurement-related documentation.

Observations and Recommendations

In addition to the two findings and their associated recommendations, M&J’s report contains 17 observations and associated recommendations. Figure 1 summarizes M&J’s 19 total recommendations, broken down by the “theme” of the recommendation, while Figure 2 summarizes the 19 recommendations, broken down by subject area.

Figure 1: Compiled Recommendations by Theme

Theme	Associated Recommendation(s)
Documentation/Standardization	2, 3, 13(a+b), 15, 16, 17, 18(a+b), 19
Controls/Security	1, 4, 5(a+b), 6, 9, 10, 11, 12
Process Optimization	7, 8, 14(a+b+c)

Figure 2: Compiled Recommendations by Subject Area

Subject Area	Associated Recommendation(s)
Finance-wide or Multiple	3, 4, 5(a+b), 6, 7
Accounts Payable	8, 9, 10, 11, 12, 18(a+b), 19
Credit Card	1, 13(a+b), 14(a+b+c), 15
Purchasing and Procurement	2, 16
Debt Management	17

M&J’s recommendations represent options for how observations can be addressed, but do not represent all viable options. The Town has the ultimate responsibility to determine which, if any of the recommendations to implement, and the timing of such implementation. The Town may make strategic decisions that warrant recommendations not being implemented exactly as stated in the report, such as determining solutions that address the situation in a different manner while still achieving a positive outcome.

Conclusion

M&J commends the Town of Kiawah Island’s leadership for commencing this Operational and Performance Assessment. Overall, M&J found that the Town’s internal controls:

- Are adequately designed to achieve their intended purpose,
- Have actually and consistently been implemented, and
- Generally function as designed.

The Finance Department is a mature department, currently operating efficiently in certain ways and has a number of effective controls in place. The Town now better understands the Finance Department’s current state and has a roadmap for continual improvement into the future.