

# Operational and Performance Assessment: *Finance Department*



Prepared for:  
Town of Kiawah Island, SC  
December 2025



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# 1. 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.

## 2. Overview and Background

Kiawah Island is a barrier island roughly 25 miles southwest of Charleston, SC, located between the Atlantic Ocean and Johns Island. The Town of Kiawah Island (“Town,” “Kiawah Island,” or “ToKI”), incorporated in 1988, contains the entirety of the island as well as small areas of nearby Johns Island and Seabrook Island. The Town is primarily composed of residential areas, resort amenities (including hotels, golf courses, and conference centers), and natural lands, along with one retail development. The Town operates as a Mayor-Council government, led by an elected Mayor and four elected members of the Town Council. The Town’s stated mission is “to protect and preserve the community’s residential character and the Island’s unique natural environment while supporting the economic vitality of the resort and other commercial enterprises.”

“The secret of change is to focus all your energy, not on fighting the old, but on building the new.” – Socrates

The Town sought to conduct an Operational and Performance Assessment of the Town’s Finance Department in order to evaluate the effectiveness of the Town’s financial controls and identify process improvements that may improve administrative efficiency. The Town engaged Mauldin & Jenkins (“M&J”) to conduct the Operational and Performance Assessment. This report contains the results of M&J’s Operational and Performance Assessment (“Assessment”) of the Town’s Finance Department.

M&J commends the Town’s leadership for proactively deciding to conduct the Operational and Performance Assessment of the Finance Department’s operations. The Finance Department plays an essential role in the Town’s ability to provide effective, efficient, transparent, and equitable service to other Town departments as well as the Town’s residents, visitors, and businesses. As an internal service department, the Finance Department is integral to all aspects of the Town’s operations and is responsible for helping prevent fraud, waste, and/or abuse of taxpayer funds. By conducting this Operational and Performance Assessment, which goes above and beyond the evaluation completed as part of the Town’s annual Financial Audit, the Town’s leadership and administration is demonstrating its commitment to providing the Town’s citizens and stakeholders with efficient and leading services.

M&J would like to thank the Town employees and leaders who gave their time coordinating logistics, participating in interviews, and providing requested information. The Town’s financial personnel were appreciative of the opportunity to update processes and controls in order to improve service delivery and were invaluable in the execution of this Assessment.

This report contains M&J’s findings and observations from its Operational and Performance Assessment of the Town’s Finance Department, including both strengths and opportunities for improvement. This report also provides numerous recommendations for how the Town can optimize service delivery going forward, including both high-level organizational and management changes as well as specific process optimizations. Town management has the ultimate responsibility to determine which, if any, of the included recommendations are to be implemented and the timing of such implementation. Implementing positive change is never easy, but by recognizing certain environmental impacts and clearly articulating the rationale and benefits of the desired change, the Finance Department can further enhance its operations while helping ensure that public funds are appropriately safeguarded.

## 3. Scope and Approach

This section details the scope and approach performed by M&J to conduct the Operational and Performance Assessment of Kiawah Island’s Finance Department.

### Scope

The Operational and Performance Assessment is focused on the Town’s Finance Department, although conducting a full evaluation of the Finance Department’s functions entailed working with ToKI leadership and other Town departments as relevant.

### Objectives and Goals

The goals of the Operational and Performance Assessment are to assist the Town in optimizing finance operations and service delivery models for efficiency and effectiveness; best leverage current systems and resources; reduce risk and maintain compliance; increase transparency and accountability; and help ensure that internal controls, compliance measures, and the use of leading practices are established and consistently implemented.

Assessment objectives include:

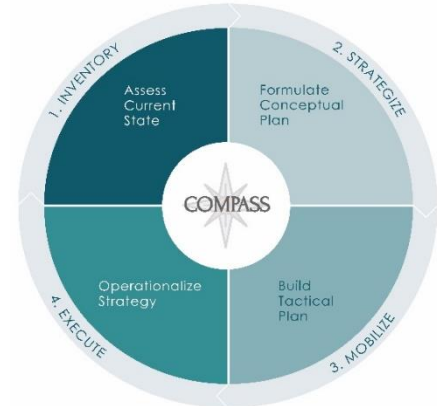
- Understanding and documenting a high-level picture of the current environment
  - Governance
  - Operating environment
  - Controls/Control gaps (if applicable)
  - Financial activities and management
  - Organizational structures
  - Key workflow and business practices
- Identifying “what is working well,” “what needs improvement,” and “areas for potential risk or concern”
- Comparing operations to leading practices
- Identifying areas that are performing well to replicate throughout the Town
- Identifying areas for improvement
- Developing meaningful recommendations to improve/enhance department operations
- Developing a Strategic Roadmap for implementation of recommendations

## Approach

The approach for the Operational and Performance Assessment was based on M&J’s proprietary transformation methodology – COMPASS. The COMPASS methodology was developed based on best practices, client input, and proven project and change management activities; and served as the framework for the Assessment.

M&J developed a workplan for the Operational and Performance Assessment which consisted of the following four phases:

1. Initiation and Planning
2. Information Gathering
3. Fieldwork and Data Analysis
4. Validation and Reporting



As part of the Operational and Performance Assessment, M&J performed the following key tasks to assist in formulating our findings, observations, and recommendations:

- Requested and reviewed significant amounts of data and information such as:
  - Organizational charts and staffing information
  - Job descriptions
  - Policies and procedures, workflow documents, and other job aids
  - Governing documents
  - Meeting minutes
  - Purchasing records
  - General ledger reports
  - Budget documents
  - Credit card statements and supporting documentation
  - Accounts Payable (“AP”) records
  - Accounts Receivable (“AR”) records
  - Bank and investment account statements
  - Vendor files
  - Capital asset and technology inventories
  - Strategic plans
- Developed a high-level Inherent Risk Assessment of ToKI’s finance-related functions to assist M&J in prioritizing evaluation, analysis, and sample testing
- Conducted interviews with Town leadership, key management, and finance service delivery personnel

- Performed “job shadowing” of Finance Department staff as they executed key financial processes
- Identified and tested samples of Town financial activity from the past three fiscal years (Fiscal Year 2023 [“FY23”], FY24, and FY25) related to AP, credit card usage, AR, procurement, payroll, treasury management, debt management, and grants administration and management

This report represents the culmination of M&J’s work and presents recommendations for implementation. Town management has the ultimate responsibility to determine which, if any, of the included recommendations are to be implemented and the timing of such implementation. This report details M&J’s analysis and fieldwork completed between July and October of 2025.

## 4. Current State

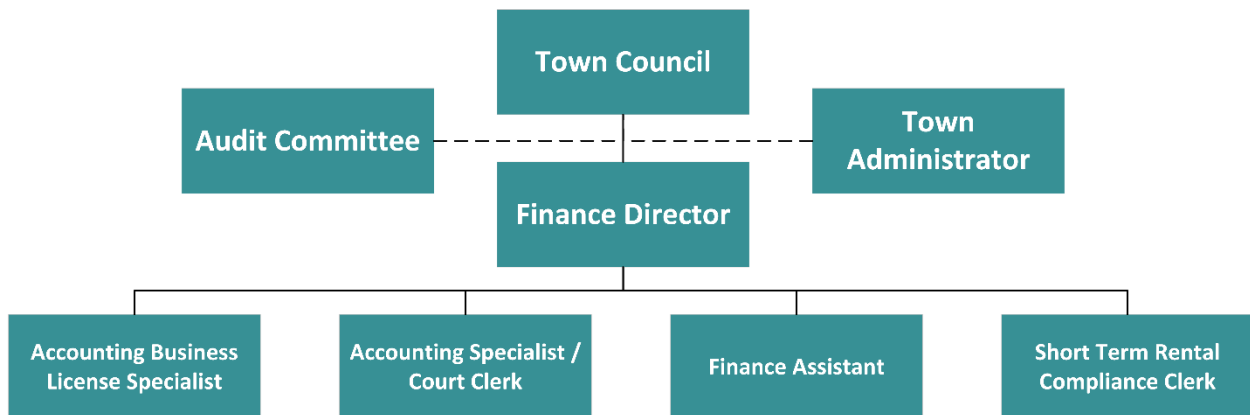
### Introduction/Overview

The Finance Department plays an essential role in the Town’s ability to provide effective, efficient, transparent, and equitable service to internal departments, as well as residents, visitors, and local businesses. As an internal service department, the Finance Department is crucial to all aspects of ToKI’s operations, including budgeting and financial planning; purchasing, vendor management, and AP; payroll processing; revenue collection, billing, and AR; and financial reporting and oversight. Other Town departments regularly interface with the Finance Department. Town residents and businesses also regularly conduct business directly with the Finance Department through its involvement in the billing and collection of several different Town revenue sources, including building permit fees, business license fees, and solid waste service charges.

### Organization and Staffing

The Finance Department is led by the Finance Director, who also serves as the Town’s Treasurer. The Finance Department houses four other positions, each of which report directly to the Finance Director. The Finance Department’s four positions reporting to the Finance Director include an Accounting Business License Specialist, an Accounting Specialist/Court Clerk, a Finance Assistant, and a Short Term Rental (“STR”) Compliance Clerk. Figure 3 shows the Finance Department’s organization.

Figure 3: Finance Department Organizational Chart



While not organizationally housed within the Finance Department, a Permit Technician (based in the ToKI’s Development Services Department) is included within M&J’s review due to their close involvement with various financial processes, including the billing and collection of building permit payments.

## Finance Director

The Finance Director is responsible for overseeing Finance Department operations and assisting Town leadership with developing and implementing the financial aspects of the Town's planning and strategy. The Finance Director's involvement with day-to-day financial operations primarily consists of reviewing and approving work performed by other Finance Department staff, including the Accounting Business License Specialist and Accounting Specialist/Court Clerk. Work reviewed by the Finance Director includes payroll, weekly check runs, and monthly deposit summaries. The Finance Director also performs a certain finance-related processes directly themselves, including performing the monthly bank reconciliation. The Finance Director also manages the Town's participation in its annual financial audit.

## Accounting Business License Specialist

The Accounting Business License Specialist performs a variety of roles within the Finance Department. As indicated by their title, one of the Accounting Business License Specialist's primary functions is the processing of business license applications, including new applications and annual renewals. The Accounting Business License Specialist also performs a variety of other tasks related to general financial processing and administration, including processing payroll, depositing cash receipts and processing AR, and processing monthly credit card reconciliations. The Accounting Business License Specialist is also the only Finance Department employee that is issued a Town credit card.

## Accounting Specialist/Court Clerk

The Accounting Specialist/Court Clerk is responsible for conducting a number of Kiawah Island's financial processes. Many of the Accounting Specialist/Court Clerk's financial responsibilities are related to processing payments to the Town's various vendors, including processing invoices, preparing the weekly check run, performing monthly reconciliations of the credit accounts that the Town hold with several select vendors, and managing vendor profiles in Incode – the Town's enterprise resource planning ("ERP") software suite. The Accounting Specialist/Court Clerk also performs several other financial processes, including managing the billing and receiving of solid waste service charges as well as financial processes related to Kiawah Island's Municipal Court, such as collecting Court-imposed payments and preparing monthly fine schedule reports for the State of South Carolina Treasurer. The Accounting Specialist/Court Clerk also performs several non-financial processes for the Court Clerk portion of their role, including tracking case statuses, which are not included within the scope of this report.

## Finance Assistant

The Finance Assistant's duties have recently shifted to include more financial duties. The Finance Assistant processes mail addressed to the Town, which regularly includes mailed check payments. The Finance Assistant identifies any checks when processing mail, records the checks in a mail log, and delivers the checks to other Finance Department staff for depositing and AR processing. The Finance Assistant receives calls about waste service issues and works with the Town's contracted vendor to resolve. The Finance Assistant is also cross-trained in receiving payments and serves to back up various other Finance Department staff in receiving certain types of revenues. The Finance Assistant has also recently taken on several other duties related to processing and researching business license applications, reviewing for businesses operating in the Town without an active business license, and assisting in bringing these businesses into compliance. The Finance Assistant also has capacity to assist with additional review or special projects, such as an upcoming project to review franchise fee payment accuracy.

## Short Term Rental (“STR”) Compliance Clerk

The STR Compliance Clerk (also referred to as the STR Compliance Specialist in certain Town documents) manages the administration of the Town’s STR licenses, which are required to operate a STR property in the Town. The STR Compliance Clerk processes applications for new STR licenses as well as STR license renewals, including billing and receiving STR license fees. The STR Compliance Clerk also works with the Town’s code compliance and enforcement staff, within the Development Services Department, to help verify that Kiawah Island properties are operating in compliance with the Town’s STR licensing requirements. The Town’s code compliance and enforcement staff perform all in-field operations and issue citations to properties violating Town ordinances, while the STR Compliance Clerk identifies properties for further investigation, both by evaluating Town records (*e.g.*, reviewing STR renewal records to identify properties that may be operating under an expired license) and conducting external research (*e.g.*, reviewing property listing websites to identify properties listed for rental that do not have licenses). The STR Compliance Clerk manages the town’s communications with STR license holders and applicants.

## Permit Technician

While not included within the Finance Department in the Town’s organizational structure, many of the key functions performed by the Permit Technician are financial in nature. The Permit Technician manages non-technical aspects of the Town’s zoning and building permitting systems, including receiving applications, billing permitting fees and receiving zoning/building permit fee payments, and issuing zoning/building permits once approved by the appropriate technical staff within the Development Services Department.

## Governance

As part of the Finance Department assessment, M&J evaluated the governance of the Town’s financial processes and procedures, including Finance-related policies, procedures, and other forms of documentation; the Town’s ethics policy; and the Town’s security and accounts management policies.

## Policies and Procedures

M&J reviewed a variety of Finance Department policy, procedure, and workflow documents. The Town maintains an Accounting Policies and Procedures guide that documents most internal Finance Department policies and procedures, including sections detailing the preparation of financial reports, treasury management, cash management, receiving payments, processing check runs, processing payroll, and managing debt. The Accounting Policies and Procedures guide also contains a number of useful references, including brief introductions to various aspects of the Town’s financial management systems, a chart of accounts, and a Town organizational chart. The Town periodically updates the Accounting Policies and Procedures guide, with the most current version having been revised and adopted by the Town Council in December 2024.

The Accounting Policies and Procedures guide contains a mix of high-level policies (e.g., general financial management principles, basis of accounting, internal control frameworks) as well as low-level processes (e.g., step-by-step check receiving processes, details regarding the preparation of financial reports). While it makes sense for the Town to contain many high-level processes in a document issued by the Town Council, requiring revisions to low-level processes to also go through the Town Council's approval process may prevent the Town from modifying policies at short notice, and represent a level of oversight too detailed for the role of the Town Council.

The Finance Department also maintains a variety of informal, internal references and process guides that provide step-by-step details on how Finance Department staff perform their key functions, with several staff taking recent initiative to create or update existing documentation. While not all Finance processes are captured in either the Accounting Policies and Procedures guide or the Finance Department's internal references and process guides, the existing documents cover most major processes to a reasonable level of detail and the Finance Department is in the process of documenting additional processes and procedures. Per M&J's review, the Finance Department's internal reference guides are generally thorough and up-to-date.

## Ethics

As part of the review of the Town's Finance Department and general financial operations, M&J reviewed the Town's ethics policies, including §8.01 (Gifts and Gratuities) and §8.11 (Ethical Conduct and Conflict of Interest) of the Town's employee handbook, Resolution 2024-04 (which establishes the Town's official Gift Policy, referenced in §8.01 of the Town's employee handbook), and §4-406 (Conflicts of Interest) of the *Kiawah Island Code of Ordinances*. The Town's gift policy is robust and well-defined. The Town's ethical conduct and conflict of interest policy is similarly robust and places an affirmative duty on employees to promptly disclose any potential conflicts of interests to their supervisors, who must further report the potential conflict of interest to the Mayor and Town Administrator. If the Mayor and Town Administrator determine that a conflict of interest exists, the Town's ethics policy states that the matter shall be reassigned to a different employee.

ToKI's ethics policies reiterate State ethics laws that prohibit public employees from using their positions for personal gain or to benefit family members or business associates. Section 4-406, *Kiawah Island Code of Ordinances*, prohibits Town employees and officers from having financial interests in organizations that the Town contracts with for land, material, services, or supplies but does not address potential conflicts of interest relating to other organizations that may receive Town support, such as grant recipients. The Town requires employees to periodically review and sign documents confirming that they have reviewed both the Town's gift policy and the Town's employee handbook, which contains its ethical conduct and conflict of interest policy.

Section 3.09 (Whistleblower) of the Town's employee handbook details the Town's extensive policies for receiving whistleblower complaints regarding suspected violations of laws, regulations, or policies, including allowing complaints to be submitted anonymously and allowing complaints to be submitted to individuals outside of their direct organizational reporting chain, including the Town's HR Consultant and members of the Audit Committee. The Town provides guarantees of whistleblower confidentiality (to the degree permitted by law) and non-retaliation and specifically does not prohibit reporting violations to external organizations, such as other government agencies or law enforcement departments.

In interviews, Town staff indicated that several aspects of the Town's ethics policies, including portions of the Town's gift policy requiring the disclosure of certain types of gifts and portions of the Town's whistleblower policy providing designated reporting options outside of organizational reporting chains, are not consistently practiced.

## Security

The Town uses a variety of software platforms to perform its various financial processes, including Incode, Wells Fargo's online platform, CitizenServe, and ADP's online platform. Relevant finance-related staff must maintain access to each of these software platforms in order to perform their assigned duties. At the same time, maintaining the security of each of Kiawah Island's software services is critical to preserving the integrity of the Town's financial operations. During M&J's job shadowing sessions and interviews, M&J identified several areas where the Town may be able to improve its security and account management practices.

Various Finance Department staff use Wells Fargo's online platform to perform a number of critical processes, including the Accounting Specialist/Court Clerk, who uses the website to process the weekly check run. The Accounting Specialist/Court Clerk accesses the Wells Fargo online platform using an account originally created for (and still associated with the name of) a previous occupant of their position. The password for the account under the former employee's name has been reset since that employee left the Town. When asked why they were using a prior employee's login, the Accounting Specialist/Court Clerk reported that Town staff encountered difficulties creating a new account at the time of their hiring and that they settled on using the prior employee's login.

The Accounting Specialist/Court Clerk stores their password for the Wells Fargo online platform on a piece of paper in their office. Only a standard login is needed to access the main areas of the Wells Fargo online platform, but an additional security step (entering a code generated by a hardware two factor authentication ["2FA"] key) is required in order to access sensitive functions, such as processing the check run. The Accounting Specialist/Court Clerk stores the hardware 2FA key in their office.

The Town has encountered instances where employees have lost access to accounts for various finance-related services due to inactivity; the Town does not currently require authorized users to periodically log in to assigned accounts in order to verify that the accounts are active and functioning properly.

## Key Functions

The Town's Finance Department is involved in eight key functional areas:

- Accounts Payable ("AP")
- Credit Cards
- Accounts Receivable ("AR")
- Purchasing and Procurement
- Payroll
- Treasury Management
- Debt Management
- Grants Administration and Management

The Key Control Matrix, located in Appendix A, summarizes the key internal controls currently implemented by the Town related to each of the Finance Department's functional areas.

## Accounts Payable (“AP”)

The AP function involves processing and accounting for payments made by the Town. The primary type of payments processed as part of the Town’s AP function are payments to ToKI vendors for goods and services received, but the AP function also includes the processing of certain other payment types, such as payments to recipients of Kiawah Island grants, payments reimbursing Town employees for authorized expenses incurred on official Kiawah Island business, and payments reimbursing Town residents for solid waste fee overpayments. The Town does not use purchase orders to account for funds that have been obligated but have not yet been spent.

The Town makes payments using physical checks, printed on the Town’s behalf by a vendor. The Town prepares most checks in a weekly check run, although the Finance Department does occasionally process individual payments as single checks as needed. The Accounting Specialist/Court Clerk performs all initial AP processing, typically taking place each Wednesday.

For payments for goods and services, the Accounting Specialist/Court Clerk begins by collecting invoices from a variety of sources. Some invoices are delivered directly to the Accounting Specialist/Court Clerk’s email address, while other invoices are sent to the Town through the mail or are sent to staff within the Town department purchasing the goods or services contained on the invoice (which are both forwarded to the Accounting Specialist/Court Clerk by the staff that receive the invoice). The Accounting Specialist/Court Clerk then confirms that the invoice is ready for payment with management staff in the Town department making the purchase, either through email or by asking the manager to sign and date the invoice. The Accounting Specialist/Court Clerk does not obtain specific approval prior to processing invoices for regular or recurring payments (*e.g.*, utilities payments or recurring payments for contracted services, such as Town Hall custodial service). The Accounting Specialist/Court Clerk then identifies the appropriate General Ledger expense account code for each invoice, discussing the account selection with other Finance Department staff or staff in the relevant Town department as necessary.

For other payments which are not based on invoices, such as payments to grant recipients or employee or resident reimbursements, the employee or elected official requesting the payment must submit a check request, using a standardized ToKI form. The check request form lists the individual making the request, the recipient of the requested payment, the reason for the payment, and the General Ledger expense account code to be used to make the payment. The individual preparing the check request also must obtain the signature of the relevant Town department head or committee chair as well as an additional approver, typically the Town Administrator. The check request must be accompanied with supporting documentation, such as Town Council minutes approving a grant request, receipts confirming employee expenses, or billing records illustrating any overpayment in need of reimbursement.

The Accounting Specialist/Court Clerk then enters the accumulated invoices and check requests into Incode's AP module in Incode as a single batch. All invoices and check requests are processed as direct payments, not as payments on purchase orders. While entering invoices into Incode's AP module, the Accounting Specialist/Court Clerk confirms that the contact information shown in the Incode vendor profile matches the contact information shown on the invoice and may revise the vendor profile with any updates. Recipients of payments processed through the check request process also must have vendor profiles in Incode, even though they often are not traditional "vendors" providing goods or services to the town. If the check recipient does not already have an Incode vendor profile, the Accounting Specialist/Court Clerk creates a new vendor profile, entering the payee's information as available on the invoice or check request. While the Town does attempt to collect W-9 documents from all relevant vendors (*i.e.*, "true" vendors providing the Town with goods and services, not grant recipients or employees/residents receiving reimbursements), neither the Town's policies nor the configuration of the Incode AP module requires the Town to collect W-9s prior to issuing payment to a new vendor. All new vendors are marked as "1099 not required;" the Finance Director and Accounting Specialist/Court Clerk perform a review of payments at the end of each calendar year to identify vendors for whom the Town needs to prepare Internal Revenue Service ("IRS") Form 1099s.

The Accounting Specialist/Court Clerk then prints the payable register for the batch in Incode and presents the payable register and collected invoices/check requests to the Town Administrator for their approval and signature. Once the Town Administrator has reviewed, approved, and signed the payable register and invoices/check requests, they deliver the documents to the Finance Director, who reviews to verify that each payment is being applied to the appropriate General Ledger expense account. The Finance Director then delivers the signed and reviewed documents back to the Accounting Specialist/Court Clerk for further processing.

The Accounting Specialist/Court Clerk then makes any indicated General Ledger expense account updates and begins the process of approving the payment batch in Incode, starting with reviewing to confirm that the payment totals are correct and printing an (unsigned) copy of the checks for the Town's records. The Accounting Specialist/Court Clerk then exports the payment batch from Incode to a plaintext file (.csv) that is formatted for upload to the website of the Town's bank, Wells Fargo. The Accounting Specialist/Court Clerk uses a text editing software to modify the exported file to indicate whether each check should be sent directly to the payee or to Town Hall so that the Town can distribute the check. All employee reimbursement checks are delivered to Town Hall, as are certain checks for vendors or grant recipients, as indicated by management of the relevant Town department.

The Accounting Specialist/Court Clerk then logs into the Wells Fargo website and uploads the check run .csv file into the Wells Fargo batch check upload tool, ensuring that they receive emails from both Wells Fargo and the Town's check printing vendor confirming that the upload was successful. After receiving both confirmation emails, the Accounting Specialist/Court Clerk prints copies of the Wells Fargo check listing (downloaded from the Wells Fargo website) and the check register (exported from Incode) and delivers them to the Finance Director for reconciliation. The Finance Director then approves the check listing on the Wells Fargo online portal, which is the final authorization required for Kiawah Island's check printing vendor to begin printing and distributing the checks included in the check run.

The Town’s check printing vendor either sends checks directly to the payee or, for checks that the Town wishes to distribute itself, to the Town’s office. Check runs are typically processed on Wednesdays, which usually results in printed checks being delivered to Town Hall on Fridays. The Accounting Specialist/Court Clerk delivers employee reimbursement checks directly to employees and other checks to managers of the relevant department. The Town does not maintain logs recording check distribution, either tracking the distribution of checks by the Accounting Specialist/Court Clerk to other Town employees or tracking the distribution of checks by other Town employees to the Town’s vendors or grant recipients.

The Accounting Business License Specialist is cross-trained on the Accounting Specialist/Court Clerk’s AP duties and serves as backup in case the Accounting Specialist/Court Clerk is unable to process a check run.

### Credit Cards

The Town issues credit cards to certain employees for use during travel, for purchases that only allow for credit card payments, and for other minor purchases. The Town has a total credit line of \$99,100 with Wells Fargo, its credit card issuer, divided among its seven cardholders as shown in Figure 4.

Figure 4: Credit Cardholder Summary

Cardholder	Credit Limit
Mayor	\$50,000
Mayor Pro Tem	\$36,000
Town Administrator	\$5,000
Town Biologist	\$3,000
Communications Director	\$2,600
Accounting Business License Specialist	\$1,500
Public Works Manager	\$1,000
<b>TOTAL</b>	<b>\$99,100</b>

Cardholders are required to make purchases in accordance with the Town’s purchasing regulations. The Town does not have a cardholder guide or other specific document detailing credit card rules and regulations and does not have a defined disciplinary policy for violations of cardholder requirements, such as using the card for impermissible purchases, failing to retain and provide receipts, or exceeding credit limits.

Cardholders are required to retain receipts for all credit card purchases. The Accounting Business License Specialist receives credit card statements for each of the Town’s credit cards at the end of each monthly billing cycle and provides each cardholder with a copy of their statement, asking each cardholder to provide a receipt for each transaction and indicate the General Ledger expense account to which each expense should be allocated. At this point in the process, the Town Administrator presents their credit card statement and compiled receipts to the Mayor for their review and approval before delivering them to the Accounting Business License Specialist.

The Town does not consistently require cardholders to provide receipts for certain recurring purchases, such as monthly software subscription charges. If a cardholder is not able to provide a receipt for a non-recurring charge, they are asked to reach out to the vendor to obtain a new copy of the receipt, if possible. The Town does not have an established, written policy for how to handle purchases for which the cardholder is unable to obtain and provide a receipt. In interviews, Town staff indicated that there has been discussion about a policy requiring cardholders to reimburse the Town for any payments not supported by receipts, but this policy has not been formally adopted and documented.

The Accounting Business License Specialist submits the credit card statements and compiled supporting receipts to the Town Administrator for their review and approval (other than the Town Administrator's own credit card statements and receipts, which has already been reviewed and approved by the Mayor). Once the statements and supporting receipts have been approved by the Town Administrator (or Mayor), the Accounting Business License Specialist submits the statements and supporting receipts to the Finance Director for their review, including a review to confirm that the designated General Ledger expense account codes are correct for each transaction. The Accounting Business License Specialist then makes an automated clearing house ("ACH") payment by telephone to pay the credit card bill, records the payment in Incode, and prepares journal entries to allocate the expenses to the designated General Ledger expense accounts.

The Town Administrator allows certain Town administrative staff to use their credit card to make purchases on the Town's behalf, as the Town has limited the number of credit cards it holds. The Town Administrator does not require these staff to sign a register acknowledging that they have physical control of the card or record the purchase that they intend to make, only asking that the staff borrowing the card bring a receipt for the purchase back with them when they return the card. There is not currently a ToKI policy prohibiting cardholders from lending their cards to other Town employees or officials, nor providing guidance to cardholders that do lend their cards to other Town employees or officials, or describing the liability that cardholders may assume by lending their cards to other town employees or officials.

### Accounts Receivable ("AR")

The Town receives payments from a variety of sources, including directly received revenues (*i.e.*, court fees, STR license fees, business license fees, building and zoning permit fees, solid waste service charges), remitted revenues (*i.e.*, revenues remitted by the State of South Carolina Treasurer or Charleston County), and interest revenues.

#### *Directly Received Revenues*

A variety of Town staff manage the billing and collection of revenues collected directly by the Town. This sub-section of the report first describes the methods that the Town uses to process and receive on each different revenue source and then details the processes that the Town uses to collect payments, broken down by payment method.

## Directly Received Revenue Sources:

The Town collects directly received revenues from five primary sources:

- Court fees
- STR license fees
- Business license fees
- Building and zoning permit fees
- Solid waste service charges

### Court Fees

The Accounting Specialist/Court Clerk administers the tracking and collection of court fees. The Town's court currently only hears cases related to violations of local ordinances, with all enforcement carried out by the Town's code enforcement officers. After issuing tickets for alleged code violations, code enforcement staff provide the tickets to the Accounting Specialist/Court Clerk, who creates a new case in Incode's court module, using the ticket information.

If the ticketed party does not wish to contest the ticket, they can pay the ticket at any time before their scheduled court date. The Accounting Specialist/Court Clerk receives pre-court payments via check (mailed or delivered in-person), credit card (over the phone, swiped in-person, or online), or cash (paid in-person). The Accounting Specialist/Court Clerk does not provide receipts for mailed check payments, but does provide receipts for over the phone credit card payments (via email) and for all in-person payments (using a specific court receipt form). The Accounting Specialist/Court Clerk records the payment against the ticket number in the Incode court module, which will also record the payment in the accounting module of Incode, and updates the case's outcome to show that the case has been resolved. Other Finance Department staff, including the Finance Director, Accounting Business License Specialist, and Finance Assistant, are cross-trained in receiving all three in-person payment methods for court payments and serve to back up the Accounting Specialist/Court Clerk in receiving these payments.

If the ticketed party does wish to contest the ticket, they must attend their assigned court date. The Accounting Specialist/Court Clerk attends all court sessions and administers the outcome of cases, recording the disposition and judgement in the Incode court module. Because the Accounting Specialist/Court Clerk is administering courtroom proceedings on court days, other Finance Department staff that are cross-trained in receiving in-person court payments receive payments from individuals whose tickets are upheld after their cases are heard in court.

### STR License Fees

The STR Compliance Clerk administers the billing and collection of STR license fees through the CitizenServe application. When Town property owners submit an application for a new STR license, the STR Compliance Clerk reviews the application for completeness, confirms that the applicant possesses the proper business licenses, and then sends the application through the STR license workflow to have the property reviewed for code compliance by the Town's code enforcement staff. Once the inspection is complete, the STR Compliance Clerk calculates the appropriate charge (based on estimated gross receipts for the property and the Town's rate and fee schedules), and opens the application for payment. The STR Compliance Clerk receives payment for STR licenses (both new applications and renewals) by check (in-person or mailed) and credit card (in-person, by phone, and online). CitizenServe automatically records payments made through the online payment platform, while the STR Compliance Clerk records payments made using other payment methods. Once the full payment has been received, the STR Compliance Clerk issues STR licenses. The Accounting Business License Specialist downloads reports from CitizenServe and then records the payments received in Incode, verifying that all STR payments have been recorded to the Town's General Ledger.

The Accounting Business License Specialist is cross-trained to perform the STR Compliance Clerk's duties to process STR license applications and serves as their backup.

### Business License Fees

The Accounting Business License Specialist administers the billing and collection of business license fees through the CitizenServe application, using a similar process to that used by the STR Compliance Clerk to process STR license applications. The Accounting Business License Specialist reviews applications to confirm that the applicant has submitted all required information and meets all relevant qualifications, calculates the appropriate charge (based on estimated gross receipts, business type/class, and the Town's rate and fee schedule), and processes the application for payment. The Accounting Business License Specialist receives payment for business licenses (both new applications and renewals) by check (in-person or mailed) and credit card (in-person, by phone, and online). CitizenServe automatically records payments made through the online payment platform, while the Accounting Business License Specialist records payments on CitizenServe made using other payment methods. Once the full payment has been received, the Accounting Business License Specialist issues business licenses. The Accounting Business License Specialist downloads reports from CitizenServe and uploads them into Incode to receive payments and record them to the Town's General Ledger.

The Accounting Specialist/Court Clerk is cross-trained to perform the Accounting Business License Specialist's duties regarding processing business license applications and serves as their backup for those duties. Additionally, the STR Compliance Clerk is cross-trained to perform a portion of the Accounting Business License Specialist's duties regarding processing business license applications and serves as their backup for that portion of their duties. The STR Compliance Clerk is due to receive additional training on the remainder of the Accounting Business License Specialist's duties related to business license application processing so that they are able to back up those duties.

### Building and Zoning Permit Fees

The Permit Technician administers the billing and collection of building and zoning permit fees through the CitizenServe application, using a similar process to that used by the STR Compliance Clerk to process STR license applications and by the Accounting Business License Specialist to process business license applications. The Permit Technician reviews applications to confirm that the applicant has submitted all required information and meets all relevant qualifications, calculates the appropriate charge (based off of the information included in the plan and the Town's rate and fee schedule), and processes the application for payment. The Permit Technician receives payment for building and zoning permit applications by check (in-person or mailed), cash (in-person only), or credit card (in-person, by phone, and online). CitizenServe automatically records payments made through the online payment platform, while the Permit Technician records payments on CitizenServe for applications made using other payment methods. The Accounting Business License Specialist downloads reports from CitizenServe and records the payments received in Incode to verify that all building and zoning permit fee payments have been recorded to the Town's general ledger.

For applications where no technical plan review is required (such as applications for zoning permits or for certain sub-contractor building permits), the Permit Technician issues permits once payment has been received. For applications where technical plan review is required (such as applications for general building permits), the Permit Technician sends the application to the Town's plan reviewers once payment has been received and issues the permits once the plan reviewers have approved the submitted plans.

The Accounting Specialist/Court Clerk and the Building Official (in the Town's Development Services Department) are both cross-trained to perform the Permit Technician's duties related to processing building and zoning permit applications and serve as their backup for that portion of their duties.

### Solid Waste Service Charges

The Accounting Specialist/Court Clerk manages the billing of solid waste service charges using Incode's utility billing module. For new service applications, the Accounting Specialist/Court Clerk receives service applications, creates a new service account, and calculates the appropriate pro-rated bill based off of the annual rate for the selected service and the time left in the billing year (July through June, the same as the Town's fiscal year). For annual renewals, the Accounting Specialist/Court Clerk applies the appropriate annual rate for the selected service. The Accounting Specialist/Court Clerk receives payments for solid waste service charges in cash (in-person only), check (in-person or by mail, through the Town's lockbox service), and by credit card (in-person, by phone, or online). The Accounting Specialist/Court Clerk records the payments to each service account in Incode's utility billing module, which automatically applies the charge to the appropriate General Ledger account.

The Finance Director, Accounting Business License Specialist, and Finance Assistant are cross-trained to perform the Accounting Specialist/Court Clerk's duties related to processing solid waste service charges and serve as their backup in these duties.

## Direct Receiving Payment Methods

The Town accepts payment for directly received revenues using three primary payment methods:

- Cash payments
- Check payments
- Credit card payments

### Cash Payments

The Accounting Specialist/Court Clerk and Permit Technician each are authorized to receive cash payments and maintain a cash drawer containing a fund for making change. The Town's Accounting Policies and Procedures state that each of the two change funds are to contain \$170, but the Town's current practice is for the Accounting Specialist/Court Clerk's drawer to contain \$169.32 and for the Permit Technician's fund to contain \$169.00. On the rare occasions that individuals make in-person cash payments, the staff receive the funds from the individual (using the cash drawer to make change as necessary), place the funds in a deposit bag, prepare a deposit slip and attach it to the secured deposit bag, and provide the deposit bag to the Accounting Business License Specialist. The staff that receives the payment from the payer records the payment against the applicable account in the software used to manage the revenue type (*e.g.*, CitizenServe, Incode's court module, Incode's utility billing module) and prepare a written receipt using a designated form, retaining a carbon copy of the receipt for the Town's records. The Accounting Business License Specialist delivers the deposit bag to Wells Fargo, deposits the enclosed funds, and creates a journal entry to record the deposit to the appropriate General Ledger revenue account in Incode.

The cash drawers are stored in locking boxes, kept in or around the Accounting Specialist/Court Clerk and Permit Technician's desks. The Accounting Business License Specialist conducts monthly counts of each cash drawer to ensure that the funds stored in the drawer always total the designated amount, recording the results of the counts on a tracking form.

### Check Payments

When staff receive in-person check payments, staff prepare a receipt for the payer using a dedicated form, retaining a carbon copy of the receipt for the Town's records, and deliver the checks to the Accounting Business License Specialist. The Accounting Business License Specialist deposits received checks in a batch at the end of each day using the Wells Fargo virtual deposit machine. After all checks have been deposited, the Accounting Business License Specialist enters the deposits into a batch in Incode and posts the batch to the general ledger. The Finance Director reviews check deposits as part of their monthly bank account reconciliation.

The Finance Assistant receives the Town's mail and logs any checks received in each day's mail delivery in the Town's mail log, stamping them with "For Deposit Only." After processing each day's mail delivery, the Finance Assistant delivers all received checks to the Accounting Business License Specialist, who signs for receipt of the checks in the Town's mail log and processes the check deposits in the same manner as in-person checks. The Accounting Business License Specialist then provides each Town employee that processes billing and payments (Accounting Specialist/Court Clerk, STR Compliance Clerk, and Permit Technician) with a copy of the deposit slips for the checks, which they then use to identify checks applicable to the types of payments that they process and apply the payments to the applicable account in the software used to manage the revenue type (e.g., CitizenServe, Incode's court module, Incode's utility billing module).

For solid waste services, Kiawah Island directs individuals and businesses making check payments by mail to send checks (noting the relevant account number in the check's memo line) directly to a "lockbox" monitored by a check processing service contracted by the Town. The check processing service receives the checks, reviews each check's memo line and/or accompanying documentation to identify account to which the deposit is being made, and deposits checks to the Town's bank account. The Accounting Business License Specialist downloads a report from the Wells Fargo website daily showing payments received through the lockbox, which they upload into the Incode AR module to automatically apply the payments to the customer accounts. If the check processing service cannot identify the account to which a check is to be applied, they do not apply any further processing and forward the check to the Town for processing with the rest of the Town's mailed checks.

In the event of a deposited check being returned for non-sufficient funds ("bouncing"), the Accounting Policies and Procedures guide states that the Accounting Business License Specialist will attempt to redeposit the check. If the check bounces again, the Accounting Business License Specialist notifies the staff that originally collected the payment, who is responsible for obtaining payment from the payee through other means. The Town does not have policies or procedures related to how staff are to go about attempting to obtain payment on a bounced check or regarding whether the Town can impose fees on individuals or businesses that write checks to the Town that later bounce in order to recoup any costs that the Town may incur related to a check bouncing.

#### Credit Card Payments

Town staff use Clover credit card reader machines for receiving credit card payments. Finance Department staff share two Clover card readers, with one machine kept in the Accounting Business License Specialist's office and the other shared by the remaining Finance Department staff, while the Permit Technician has a dedicated Clover card reader. When individuals come into the Town office to make payments by credit card, the staff process a payment for the appropriate amount as an in-person payment in the Clover reader and ask the individual to swipe, insert, or tap their credit card. The Clover machine gives payers the option to receive printed and/or emailed receipts.

The Town maintains two different systems for processing online payments. For payments for court fees and solid waste service charges, the Town has a dedicated online portal that payers can use to make online payments. Payers can identify their charges by entering their citation number (for court fees) and account number (for solid waste service charges) The Accounting Specialist/Court Clerk receives an email notification when payments are received and then downloads a payment file from the portal and uploads the payment into Incode to record the payment to the Town's General Ledger.

For payments of business license fees, STR license fees, and planning and zoning permit fees, ToKI collects online payments through CitizenServe, the platform that the Town uses to manage these licensing and permitting applications. CitizenServe automatically notifies the relevant Kiawah Island staff when payments are made. The Accounting Business License Specialist exports the payments from CitizenServe and uploads them into Incode on a regular basis to record them to the Town's General Ledger.

When in-office, Town staff use the Clover credit card readers to process credit card payments by phone. When staff are on their designated work-from-home days (or when staff are out of office for other reasons, such as when the recent water damage incident at the Town Hall prevented staff from working in the office), Town staff use the online portals to process credit card payments. For all phone payments, the Town staff initiate a payment for the appropriate amount and key in the credit card information provided by the payer over the phone. The Clover machine and online portals both give payers the option to receive emailed receipts. The Town's credit card processing vendors charge fees to the Town to process the Town's credit card payments, with the fees charged varying by payment method (*i.e.*, in-person payments processed on Clover readers, phone payments processed on the Clover readers, payments processed through the online portals). The Town does not currently pass credit card fees on to the payers.

As of M&J's fieldwork, the Town is working with its credit card processing vendor to implement a new credit card processing system that, among other new functionality, will provide greater capability to process credit card payments remotely and allow the Town to more fully capture credit card processing costs.

#### *Remitted Revenues*

The Town receives tax revenues (including State and County accommodations tax revenues and local option sales tax revenues) remitted by the State of South Carolina Treasurer and Charleston County. The State of South Carolina Treasurer remits tax revenues using ACH transfers directly to the Town's bank account. ACH transfers from the State of South Carolina Treasurer are accompanied by a memo noting the contents of the payment. The Accounting Business License Specialist records ACH payments received in Incode as journal entries, ensuring that they are assigned to the appropriate General Ledger revenue accounts. The Finance Director reviews the journal entries prepared by the Accounting Business License Specialist to record ACH payments prior to posting.

Charleston County remits tax revenues using checks. The Accounting Business License Specialist deposits Charleston County tax remittance checks using the Town's standard check depositing process and records the payments in Incode to ensure that they are assigned to the appropriate General Ledger revenue accounts.

#### *Interest Income*

The Town receives monthly statements for its Wells Fargo bank account and its account in the South Carolina Local Government Investment Pool ("LGIP"), which show the interest earned by each account. The Finance Director prepares and posts journal entries allocating the interest revenues from each account to the proper General Ledger revenue accounts.

## Purchasing and Procurement

The Town divides purchases into two primary categories, based on estimated purchase value. Purchases with an estimated value of \$20,000 or less are classified as “small purchases,” while purchases with an estimated value greater than \$20,000 are classified as “formal purchases.” Specified types of purchases are exempt from certain purchasing requirements, and the Mayor may also authorize the use of certain non-competitive purchasing methods. The Town requires purchases of \$20,000 or more to be approved by the Town’s Ways & Means Committee, and purchases of \$100,000 or more to additionally be approved by the Town Council.

### *Small Purchases*

Small purchases are divided into two sub-categories based on value. Purchases of no more than \$5,000 must be approved by either the Town Administrator or the Finance Director prior to purchase. The Town does not issue purchase orders following purchase approval or use another system to track purchase approvals. Departments requesting purchases do not need to provide any specific supporting documentation for these purchases.

Purchases of at least \$5,000 but no more than \$20,000, departments requesting purchases are required to obtain at least three written quotations. Purchases are awarded to the lowest quote, although the Mayor may authorize award of purchases to quotes other than the lowest quote by providing a written determination that purchasing from the alternate vendor would be in the Town’s best interest. Approval requirements for these purchases vary based on purchase size. Purchases of at least \$5,000 but no more than \$10,000 must be approved by both the Town Administrator and the Finance Director, while purchases of at least \$10,000 but no more than \$20,000 must be approved by the Mayor and any one member of the Town Council.

### *Formal Purchases*

The Town’s procurement code authorizes four competitive procurement methods for formal purchases. All formal purchases begin with issuing a solicitation that details the bidding method selected and the specifications of the goods or services being procured. The Town then provides adequate public notice of the bid opportunity. Figure 5 details the four authorized competitive procurement methods, including whether the Town can restrict bidding to pre-qualified vendors and information on what type of response the Town asks of bidders, how the selection committee evaluates responses, what rules are used to determine the purchase award, and how the resulting contract is reached.

Figure 5: Formal Solicitation Method Comparison

	Invitation for Bid (“IFB”)	Request for Proposals (“RFP”)	Qualifications Based Selection (“RFQ”)	Reverse Auction
Pre-qualification Allowed?	No	No	No	Yes (Mayor makes qualification determinations)
Response	Qualifications, price bid	Proposal, price bid	Qualifications	Price bid
Evaluation Method	Selection committee reviews qualifications to identify responsive and responsible bidders	Selection committee reviews proposals and price bids using criteria specified in solicitation, which may include price, to determine the most qualified proposer, selection committee may hold interviews if desired	Selection committee reviews qualifications to identify qualified bidders, holds interviews with qualified bidders, and ranks interviewed bidders based on qualifications	Mayor reviews bidders to identify responsive and responsible bidders
Award Method	Awarded to lowest priced bidder	Awarded to the most qualified proposer	Awarded to the most qualified bidder	Awarded to lowest priced bidder
Contracting Process	Contract based on provided scope and price bid, no negotiations	Selection committee negotiates contract with most qualified proposer; if acceptable contract cannot be reached, negotiates with next most qualified proposer	Mayor negotiates contract with most qualified bidder (as determined by the selection committee); if acceptable contract cannot be reached, negotiates with next most qualified bidder	Contract based on provided scope and price bid, no negotiations

The Town does not have any procedure or provide any official guidance around determining which formal procurement method should be used in any given situation, leaving the decision to the judgement of Town leadership (including the Mayor, Town Administrator, and Finance Director).

The Town’s procurement code specifies the approval required to finalize formal purchases once the selection committee or Mayor has determined the award. Per the procurement code, formal purchases of at least \$20,000 are approved by the Town’s Ways & Means Committee, while purchases of at least \$100,000 are also approved by the Town Council.

### *Non-competitive Purchases*

The Mayor may authorize the use of non-competitive procurement for one of two reasons. In emergency situations, the Mayor may authorize non-competitive procurement for emergency purchases. Emergency purchases of no more than \$150,000 may be made at the Mayor's sole discretion, while emergency purchases of greater than \$150,000 additionally require the approval of a quorum of the Town Council. Emergency purchases are exempt from the Town's standard approval requirements (*i.e.*, Ways & Means Committee approval for purchases of \$20,000 or more and Town Council approval for purchases of \$100,000 or more). The Mayor may also authorize sole-source procurement for purchases where there is only one available source for the good or service, as determined by the Mayor in writing.

### *Exempt Purchases*

The Town Council may exempt individual purchases from the Town's standard competitive procurement requirements if they determine that the exemption is in the Town's best interest. Additionally, certain purchases are specifically exempted from the Town's competitive procurement requirement:

- Certain specified professional services
- Real property
- Purchases made through purchasing cooperatives
- Purchases made off of existing contracts or approved vendor lists of other public procurement units, provided that such contracts or vendor lists were developed pursuant to appropriately competitive procedures

Exempt purchases must go through the Town's standard approval process, which requires approval of the Ways & Means Committee for all purchases of at least \$20,000 and additional approval of the Town Council for all purchases of at least \$100,000.

### *Payroll*

The Town utilizes a third-party vendor, ADP, to process payroll. Access to the administrative side of the Town's payroll system is limited to the Finance Director and Accounting Business License Specialist for processing, and the Mayor and Town Administrator for reporting. The Town processes payroll for Fair Labor Standards Act ("FLSA") exempt employees monthly, with payday falling on the first of the month. The Town processes payroll for FLSA non-exempt staff bi-weekly, with pay periods ending every other Friday.

The Town uses timesheets to capture employee time through an ADP-integrated timeclock system. Management in each Town department is responsible for managing employee time off requests and approving timesheets for staff within their department. When beginning payroll processing, the Accounting Business License Specialist prepares a report showing time entries for employees in each department during the prior pay period and asks department managers to verify and approve the entries. The Accounting Business License Specialist runs a preliminary report that identifies any missing timeclock punches and any overtime, and works with the employees and, as applicable, their departmental leadership to resolve any exceptions or discrepancies.

After they are signed off by department management, the Accounting Business License Specialist runs the preview payroll register, verifying that all hourly employees have the correct number of hours, and that overtime has the appropriate approvals and detail as required. Once all corrections have been made, the Accounting Business License Specialist forwards the timesheets to the Finance Director for their review and approval. Once approved, the Accounting Business License Specialist notifies ADP that the payroll register can be finalized. Once finalized, the Accounting Business License Specialist downloads and confirms that all details are accurate, including benefit deductions, that any retirement benefits eligible for match by the Town are matched up the allowable amount, and reported hours for hourly employees. Once all of these details have been verified complete and accurate, the Accounting Business License Specialist then submits the payroll register to the Finance Director for review and approval. Once The Finance Director approves the payroll register, the Accounting Business License Specialist finalizes the payroll submission in the ADP software.

The Town requires all employees to utilize direct deposit. ADP processes the direct deposit payments to employees. The Accounting Business License Specialist exports payroll records from ADP software and uploads them into Incode, which creates the related journal entries. The Finance Director verifies the uploaded journal entry register's completeness and accuracy for posting.

#### *Compensation Adjustments*

The Town typically reviews and adjusts employee compensation annually, usually around the same time as the fiscal year change. The Town prepares a letter for each impacted employee, which is dated and then signed and dated by the Mayor and the Town Administrator. The letter contains the employee's new pay rate, the effective date, and in which pay statement the pay rate will be reflected. Employees also sign and date to acknowledge receipt of the information.

The original letter is maintained in a physical personnel file, with a copy provided to the impacted employee.

The Accounting Business License Specialist and the Finance Director are responsible for entering the compensation adjustments into ADP, and calculating and processing any back pay associated with the new rate.

#### *Treasury Management*

The Town holds funds in a Wells Fargo checking account and in an investment account in the LGIP, administered by the State of South Carolina Treasurer. The Town maintains an investment policy that details allowed investments as well as the considerations that the Finance Director should make in making investment decisions. In practice, the Finance Director works with the chair of the Ways & Means Committee and the Mayor to make investment decisions, while the Finance Director performs transfers between the Town's Wells Fargo and LGIP accounts. The Finance Director prepares and presents to the Town Council an annual report showing the status of the fund balance and investment performance. The Finance Director also prepares quarterly reports for the Ways & Means Committee and the Town Administrator detailing the Town's investment holdings, performance over the prior quarter, and overall risk profile.

The Finance Director performs a monthly reconciliation of the Town's Wells Fargo checking account, verifying that the deposits and withdrawals from/to the account agree with the entries in Incode. The Finance Director submits the bank reconciliation to the Town Administrator for their review and approval.

### Debt Management

The Town has not had any outstanding long-term debt since at least the start of this Assessment review period (FY23). The Town does not currently have established policies related to issuing and servicing long-term debt other than a general statement in the Town's Accounting Policies and Procedures manual that states that "the function of the debt service repayment is the responsibility of the [Finance Director] who should monitor cash flows to ensure funds are available for payment of outstanding debt." The Town's Accounting Policies and Procedures manual, developed by the Finance Director, provides limited guidance regarding debt issuance, payment, and management.

### Grants Administration and Management

The Town administers two main types of grants:

- Charitable Grants
- State Accommodations Tax ("SATAX") Grants

#### *Charitable Grants*

The Town offers charitable grants to 501(c)(3) non-profit and/ tax-exempt organizations serving the Johns Island and Wadmalaw Island communities, with particular focuses on addressing issues of hunger, housing, and health. The Town typically budgets \$200,000 per year for charitable grant distributions, although the budgeted amount increased to \$220,000 for FY26. The Town requires applications to be submitted by January 1 of each year, with the Town Council determining awards in April or May. The application packet requests grantees to provide a detailed description of how the funds are to be used and the benefit that the funds will provide. Kiawah Island's charitable grant application packet does not require the applicant to disclose relationships, including volunteer or board member relationships with Town employees or officials (including Town Council members) and does not require applicants to sign a non-collusion pledge.

Kiawah Island disburses charitable grants as lump-sum payments, not based on reimbursement of actual expenses. Many grant recipients have received awards for multiple years, and existing charitable grant recipients are required to provide documentation showing that they have used previously awarded funds for the specified purposes (or, if funds were not fully expended on the intended uses, explaining why funds were not used as intended) in subsequent grant applications. The Town does not require applicants to provide any evidence of fund usage other than grant reapplications, however, and therefore is not able to evaluate the performance of non-repeating grantees.

### SATAX Grants

In accordance with relevant State law, the Town uses a portion of its SATAX funding to award grants to organizations for putting on projects and activities that promote tourism within the Kiawah area. The Town's website identifies the following as the types of projects and activities eligible for funding through Kiawah Island SATAX grants:

- Promotion of arts and cultural events
- Construction, operation, and maintenance of cultural facilities
- Tourism-related public services and facilities
- Beach renourishment and waterfront erosion control
- Activities that attract and serve visitors to Kiawah Island

The Town accepts SATAX grant applications from for-profit and non-profit organizations and disburses awards as reimbursements for actual eligible expenses. Kiawah Island SATAX grant awards are determined by the Town's SATAX Committee. ToKI does not require applicants for SATAX grants to disclose relationships with Town employees or officials (including members of the SATAX Committee) and does not require applicants to sign a non-collusion pledge. The Town requires applicants to submit an application describing the proposed tourism-promoting project or activity, specifying the anticipated tourist impact of the project or activity, and detailing the project or activity's budget. For repeat applicants, the Town requires applicants to complete and attach to the application an additional form reporting on how funds were used in the prior year and what the project's impacts were. Due to the fact that funds are disbursed for reimbursements for actual eligible expenses, the Town receives significant information on fund usage throughout the fiscal year for all grantees, not only on reapplications.

As currently designed, the Town's SATAX grant application form appears to be primarily designed for applicants intending to host festivals, concerts, or other short-term events, with fields asking about anticipated attendance, specific project dates, and questions regarding use of specific resources (*e.g.*, Sheriff's deputies). As a result, applicants for non-event programming, such as ongoing marketing campaigns or conservation efforts, are not able to adequately respond to all fields on the form. Additionally, certain other performance measures (*e.g.*, total overnight visitors drawn by the project or activity) are much more difficult to assess for more broad-based marketing and conservation efforts, as opposed to festivals or other time-limited events.

### Risk Assessment

M&J conducted a high-level inherent risk assessment of the Finance Department's key processes in order to guide sample identification and testing. M&J's assessment evaluated the *inherent risk* (*i.e.*, the risk faced without considering any controls that the Town may have implemented) of fraud, waste, and abuse of the Finance Department's key processes across three aspects:

- **Inherent Risk Likelihood:** The likelihood of the process resulting in fraud, waste, or abuse, regardless of the severity of the incident
- **Inherent Risk Impact:** The likely severity of a fraud, waste, or abuse incident related to the process, regardless of how likely the incident is to occur
- **Fraud Risk:** The likelihood that the Town will be the target of attempted fraud related to the process

For each process, M&J assigned a score of “High,” “Medium,” or “Low” for each risk aspect. M&J’s risk scores are subjective evaluations based on M&J’s professional experience and a variety of quantitative and qualitative features of each process. Features evaluated by M&J related to Inherent Risk Likelihood include the number of transactions that the Town processed related to each process, the risks posed by various process details (e.g., mode of payment), and overall industry trends and risk profiles. Features evaluated by M&J related to Inherent Risk Impact include the value of the transactions that the Town processed related to each process (including total value, average per-transaction value, and maximum per-transaction value) and overall industry trends and risk profiles. Features evaluated by M&J related to Fraud Risk include the Town’s history, the risks posed by various process details, and overall industry trends and risk profiles.

M&J used the risk assignments for each of the three risk aspects to determine each process’s overall Inherent Risk Score. The Risk Assessment Detail (located in Appendix B) provides additional detail regarding M&J’s determination of the Town’s Inherent Risk Scores. Figure 6 shows the Inherent Risk Score assigned to each of the assessed processes. The risk ratings provided by M&J are not intended to replace the risk assessments of Town management and the Audit Committee. The Town should not substitute these ratings for its own judgement.

Figure 6: Risk Assessment Summary

Category	Process	Inherent Risk Score
AP	Invoice Processing	Medium
	Check Processing	High
	Vendor Management	High
Credit Cards	Credit Card Management	High
AR	Payment Receiving	Medium
Purchasing and Procurement	Solicitations	High
	Contract Management	Medium
Payroll and Personnel	Payroll and Personnel Management	Medium
Treasury Management	Cash/Bank Management	Medium
	Investment Management	Low
Debt Management	Debt Service	Low
	Debt Issuance	Low

## Sample Testing

M&J identified six areas for detailed sample testing to review the consistency and appropriateness of the Town's existing internal controls as well as general Finance Department performance. M&J selected the areas for sample testing based on both the Inherent Risk Scores as assigned in the risk assessment as well as a preliminary assessment of relevant internal controls; all six sampled areas were assigned Inherent Risk Scores of "Medium" or higher for at least one associated process. The sampled areas are:

- AP
- Vendor Management
- Credit Cards
- AR
- Purchasing and Procurement
- Payroll
- Treasury Management

### AP

To test the Town's AP function, M&J used convenience sampling<sup>1</sup> to sample 21 payments made by the Town across FY23, FY24, and FY25 and requested all documents that ToKI had on file related to those payments. The payments include a mix of payments to vendors based on invoices (including payments on contracts and individual purchases), payments to vendors on credit accounts, reimbursements paid to individuals (*e.g.*, solid waste service charge reimbursements), and employee reimbursement payments. Payment values range from \$28.35 to \$48,666.66, with a total value of \$143,358.67. The Town was able to provide supporting documentation for all 21 payments.

M&J reviewed the provided supporting documentation to verify the following:

- That the value on the supporting documentation matches the paid value recorded in Incode
- That the nature of the purchase matches the description recorded in Incode
- That the supporting documentation indicates that required signoffs had been received
- That the charge was assigned in Incode to the approved General Ledger expense account

All 21 payments contained matching value, description, and General Ledger expense account information. 20 of the 21 payments had supporting documentation that also include signatures from authorized signers. The one purchase that did not include a signature from an authorized approver was part of a "special" check run conducted outside of the standard weekly check run process. The payment made without an authorized approver's signature was for \$2,164.20. M&J did not identify this lack of documented approval as being part of a larger trend. The payment was also processed and reviewed by the Accounting Specialist/Court Clerk and the Finance Director, which serves as a compensating control with two levels of review.

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<sup>1</sup> Convenience sampling, also known as haphazard sampling or accidental sampling, is not based on a formal, structured process for selecting the sample population, but is left largely to the discretion of the person performing the sampling.

For one purchase (a check request to purchase tickets for an employee appreciation event), the check request/reimbursement form was both prepared and approved by the Town Administrator. The payment for which the Town Administrator served as both preparer and approver was for \$1,500.00. M&J has not identified this separation of duties violation as being part of a larger trend, although it is noted that the Town Administrator has a relationship with the vendor. Additionally, the payment was processed and reviewed by the Accounting Specialist/Court Clerk and the Finance Director, which serves as a compensating control.

Figure 7 summarizes our review of the adequacy of the supporting documentation, by documentation type:

Figure 7: AP Sample Testing Results

Payment Support Type	Total Tested	Complete & Accurate
Vendor invoice	14	13
Travel Reimbursement	2	2
Check Request Form	5	3

M&J reviewed 14 payments made using vendor invoices. The provided invoices were sufficient to justify the payment for 13 of the 14 invoice-based payments. The one invoice-based payment for which sufficient documentation was not provided was instead based on a hand-written invoice that did not list the amount owed by the Town. The payment evidenced by the hand-written invoice was for \$1,000.00. Per interviews, the vendor that provided the hand-written invoice is a long-time Town contractor that works for a flat monthly fee cleaning up around the Town’s dumpster site, although this arrangement is not memorialized in a contract or similar document. M&J reviewed the Town’s general ledger detail and observed that the sampled Town contractor has received monthly payments from the Town since at least FY23, with the standard payment value increasing from \$833.33 per month to \$1,000.00 per month partway through FY24, as indicated by Town staff in interviews. The contractor has periodically received payments slightly greater than the “standard” amount for specific months, with accompanying notes indicating that extra hauling was performed in these months.

M&J reviewed two payments supported by travel reimbursement forms, which require applicants to attach receipts or other supporting documents justifying the reimbursement. Both of the reviewed travel reimbursement requests were accompanied by receipts supporting the entirety of the reimbursement requests.

M&J reviewed five payments supported by check request/reimbursement forms, which require applicants to attach receipts or other supporting documents justifying the payment. Sufficient supporting documentation was provided for three of the five reviewed check request/reimbursement forms, while no accompanying documentation was provided for the other two check request/reimbursement forms. The two check request/reimbursement forms not accompanied by supporting documentation include the aforementioned check request to purchase tickets for an employee appreciation event (\$1,500) as well as a reimbursement request for a Town official’s monthly cell phone reimbursement. Per interviews, the Town does not require staff and officials to submit receipts or other documentation to support monthly cell phone reimbursements and the cell phone reimbursement payment (\$100.00) is in line with typical cell phone reimbursement amounts as described by Town staff.

**AP Sample Testing Summary:** The Town’s internal controls related to AP are generally adequate and well-implemented, although M&J did notice some minor areas of non-adherence to documented procedure. M&J identified one separation of duties violation, although this does not appear to be part of a larger pattern and was adequately addressed by other compensating controls. Similarly, the one instance of documentation not showing a signature from an authorized signer was not part of a larger pattern of control violations and was addressed by other compensating controls. M&J additionally noted three instances where the Town did not collect and retain all supporting documentation required by the Town’s written policies and procedures, although two of these instances were due to the Town’s written policies and procedures differing from longstanding practice. None of the four payments identified by M&J as not being in full compliance with the Town’s established AP policies and procedures have a material impact on the Town’s financial state, either independently or collectively.

### Vendor Management

To test the Town’s vendor management function, M&J sampled 15 entities that received payments from the Town across FY23, FY24, and FY25. M&J sampled payees using convenience sampling,<sup>2</sup> selecting a mix of payees that appear to be currently active (*i.e.*, payees that received payments during FY25) and payees that appear to be inactive (*i.e.*, payees that were active in FY23 but did not receive payments during FY25). The payees sampled by M&J include vendors that provide the Town with goods or services and Town grant recipients; M&J did not sample employees or residents that received Town reimbursement checks. M&J requested that the Town provide all records that the Town held in the relevant file for the sampled payees. The Town informed M&J that it does not maintain files for grant recipients and instead provided the Town with grant applications for grant recipients, which contained similar supporting documentation for the grantees. The Town provided M&J with at least some documentation related to 12 of the 15 sampled payees, including nine vendors, two SATAX grant recipients, and one charitable grant recipient, but did not provide M&J with any documentation related to the remaining three sampled payees.

For the vendors, M&J reviewed to confirm that the Town held a W-9 for each vendor and reviewed the W-9s date to determine if the W-9 is current. For SATAX grant recipients, M&J reviewed the most recent SATAX application packet to determine that the awards were made appropriately. For charitable grant recipients, M&J reviewed the most recent charitable grant application to confirm that the awards were made appropriately and confirm that the Town retained a copy of documentation supporting the organization’s non-profit and/or charitable status. Figure 8 details the results of M&J’s evaluation of the Town’s payees.

Figure 8: Vendor Management Sample Testing Results

Payee Type	Total Tested	Complete & Accurate	Paperwork Current
Vendor	12	6	1
SATAX Grant Recipient	2	2	2
Charitable Grant Recipient	1	1	1

<sup>2</sup> Convenience sampling, also known as haphazard sampling or accidental sampling, is not based on a formal, structured process for selecting the sample population, but is left largely to the discretion of the person performing the sampling.

M&J received documentation for nine of the twelve sampled vendors, but the provided documentation only included W-9s for six vendors. Of the six W-9s provided for review, only one W-9 was dated within the past two calendar years (measured from the date of the Town's most recent payment to the vendor), with four W-9s being two or more years old and the remaining one W-9 being undated.

Both SATAX grant awards appear to have been made appropriately and included the required prior year SATAX performance reports for the one applicant which received SATAX funding in the prior fiscal year.

The Town's one charitable grant award appears to have been made appropriately and included all required documentation.

**Vendor Management Sample Testing Summary:** The Town's internal controls related to vendor management are effective as they relate to the Town's SATAX and charitable grant recipients but could be improved significantly as they relate to vendors. The Town does not currently have policies or processes in place that require staff to verify that the Town maintains recent W-9s for vendors before issuing payment to those vendors. While the IRS does not generally require organizations to periodically update W-9s on file, doing so is generally considered to be leading practice as it helps keep the Town's vendor information updated and accurate, and helps ensure that, if applicable, the Town is tracking and reporting on information reporting to the IRS.

### Credit Cards

To test the Town's credit card administration and processing function, M&J used convenience sampling<sup>3</sup> to sample nine individual monthly credit card statements from FY23, FY24, and FY25, containing a total of 90 charges. Total charges on each of the the sampled statements range from \$71.40 to \$4,200.00, with an overall total value of \$15,711.03, while the total number of charges during the sampled month ranged from one to 30. For each credit card sample, M&J asked the Town to provide the statement issued by the Town's credit card provider, the relevant credit card journal entry register, and all supporting documents (*e.g.*, receipts).

M&J reviewed the provided documents for each charge to verify the following:

- That each charge has the required supporting documentation
- That the details of each charge match the information on the associated supporting documentation
- That the credit card reconciliation has the proper approvals and signatures
- That the reconciling journal entry is for the correct value and is applied to the correct General Ledger expense account.

At least some amount of documentation was provided for all nine sampled statements. Figure 9 details additional results of M&J's credit card sample testing.

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<sup>3</sup> Convenience sampling, also known as haphazard sampling or accidental sampling, is not based on a formal, structured process for selecting the sample population, but is left largely to the discretion of the person performing the sampling.

Figure 9: Credit Card Sample Testing Results

<b>Total number of charges</b>	90
<b>All required supporting documentation present<sup>4</sup></b>	80
<b>Charge details match provided supporting documentation (as applicable)</b>	84
<b>Reconciliation approved and signed</b>	90
<b>Reconciling journal entry proper</b>	90

The documents provided to M&J contained documentation verifying that all 90 charges received the proper approvals and signatures and documenting that the reconciling journal entries were proper.

M&J received all required supporting documentation for 80 of the 90 charges included in the nine sampled monthly credit card statements, including 68 charges for which M&J received documentation and 12 charges which M&J deemed to be recurring and therefore determined that no supporting documents were required. The 10 charges for which M&J did not receive all required supporting documentation include six non-recurring charges (totaling \$979.40) for which M&J were not provided any supporting documentation and four non-recurring charges (totaling \$408.26) for which the provided supporting documentation was not adequate (*i.e.*, the provided supporting documents were unitemized receipts, billing statements, or other summary documents that do not provide an itemized list of goods/services purchased). M&J verified that the charge details matched the provided supporting documentation (as applicable) for 84 charges, including the 68 non-recurring charges for which M&J received all required supporting documentation, the four non-recurring charges for which M&J only received partial supporting documentation, and the 12 recurring charges for which supporting documents were not provided. M&J did not identify any charges where the charge details disagreed with the supporting documentation, but was unable to evaluate the agreement between charge details and supporting documentation of the six non-recurring charges for which no supporting documentation was provided.

During its review, M&J additionally identified two instances where a cardholder exceeded their card's approval limit. In the identified instances, cardholders exceeded their credit limits by \$224.69 and \$52.16. In both cases, Finance Department staff applied a mid-cycle payment on the same or following day to bring the card's balance below the approval limit and allow for continued card use. For one of these statements, the cardholder required two mid-cycle payments within the same cycle to reduce the card's balance and allow for continued card use. The statement which required two mid-cycle payments in order to support continued card use was for the card held by the Accounting Business License Specialist, who uses their card for purchases supporting a number of other Town staff, including other Finance Department staff and staff in other Town departments that do not have their own cardholders. The charges made by the Accounting Business License Specialist include a mix of recurring charges (primarily for software subscriptions, many for other users) and one-time charges (including trainings for other staff and purchases for other departments that do not have their own cardholders).

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<sup>4</sup> The Town does not require that cardholders provide supporting documents for recurring charges (other than the initial charge).

M&J identified that the Town Administrator allows certain Town staff to borrow the Town Administrator's credit card to make purchases for Kiawah Island business without requiring those staff to sign a register or otherwise follow some procedure to track and/or manage the borrower's usage of the card. M&J's sample of credit card statements includes two Town Administrator statements, although the lack of documentation prevents M&J from determining whether any of the purchases on the sampled Town Administrator statements were made by Town staff other than the cardholder. The sampled Town Administrator credit card statements include total charges of \$1,330.83 and \$2,159.21, which do not materially impact the Town's financial position.

**Credit Card Sample Testing Summary:** The Town's internal controls related to credit card processing and management are largely effective in practice and M&J did not identify any instances of fraud, waste or abuse related to credit card transactions. The Town's lack of a written, centralized set of policies and procedures related to credit card usage means that the credit card procedures executed by Town staff may vary over time and allow for more flexibility in implementation than intended. M&J identified several instances where cardholders did not provide required supporting documentation (or provided insufficient supporting documentation) for charges, but these omissions do not appear to be part of a larger ongoing trend and do not materially impact the Town's financial position.

## AR

To test the Town's AR function, M&J used convenience sampling<sup>5</sup> to sample 15 individual payments received by the Town across FY23, FY24, and FY25. The sampled payments, which range in value from \$62.11 to \$505,182.08, include a mix of court fee payments, building and zoning permit fee payments, solid waste service charges, business license fee payments, STR license fee payments, interest revenues, and tax remittances. The sampled payments total \$909,617.78, with an average (mean) value of \$60,641.19 and median value of \$7,015.95. Payment methods included check, credit card, ACH, and interest recognition. To evaluate the sampled payments, M&J asked the Town to provide all relevant supporting documents available. M&J received supporting documentation for all 15 sampled payments.

M&J reviewed the provided documents to verify the following:

- That the supporting documents are sufficient to evidence the deposit
- That the deposit value recorded in Incode matches the value on the supporting documentation
- That deposit documents contain all required signatures and approvals.

The documents received and reviewed by M&J include documents showing evidence of the deposit, confirming that the deposit was recorded properly in Incode, and showing all required signatures and approvals for all 15 samples.

**AR Sample Testing Summary:** M&J's evaluation of AR samples showed that the Town's existing controls are effective and implemented consistently.

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<sup>5</sup> Convenience sampling, also known as haphazard sampling or accidental sampling, is not based on a formal, structured process for selecting the sample population, but is left largely to the discretion of the person performing the sampling.

## Purchasing and Procurement

To test the Town’s purchasing and procurement function, M&J used convenience sampling<sup>6</sup> to sample 10 purchases evaluated by the Town’s Ways and Means committee in FY23, FY24, and FY25. Figure 10 details the fiscal year and finalized value of the sampled purchases.

Figure 10: Sampled Purchase Summary

Fiscal Year	Purchase	Value
FY23	Comprehensive Plan Update	\$140,000.00
FY23	Code Enforcement Services	\$389,376.00
FY23	Landscape Architecture Services	\$29,500.00
FY23	Kiawah Island Parkway Traffic Counts	\$27,300.00
FY24	Beachwalker Drive Survey	\$18,700.00
FY24	Emergency Call Boxes	N/A <sup>7</sup>
FY24	Recycling and Solid Waste Educational Cart Stickers	\$7,619.10
FY25	Traffic Monitoring Equipment	\$37,422.43
FY25	On-call Engineering Services	N/A <sup>8</sup>
FY25	Town Vehicle	\$52,000.00

To evaluate the sampled purchases, M&J asked the Town to provide all procurement records associated with the sampled purchases, including vendor-submitted documents (e.g., bids and proposals) as well as documents prepared by the Town (e.g., solicitations, specifications, evaluation worksheets, contracts). The Town provided M&J with documentation for nine of the 10 sampled purchases. M&J additionally obtained additional Town Ways & Means Committee and Town Council documents as needed from the Town’s website.

M&J reviewed the provided documents to verify the following:

- That that all relevant documents were retained, including solicitation documents, vendor responses, evaluation worksheets, and other relevant documents
- That the award was made properly
- That the purchase was approved properly.

In reviewing for complete document retention, M&J was able to identify the original solicitation and/or specification documents for only four of the nine purchases for which documents were available. M&J reviewed the four solicitation and/or specification documents and confirmed that they provide sufficient detail about the goods/services being sought and adequately describe the Town’s purchasing process.

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<sup>6</sup> Convenience sampling, also known as haphazard sampling or accidental sampling, is not based on a formal, structured process for selecting the sample population, but is left largely to the discretion of the person performing the sampling.

<sup>7</sup> The Town Council declined to finalize the recommended award for the Emergency Call Box procurement, so a final value is not available.

<sup>8</sup> Awards for the On-call Engineering Services procurement are on-call contracts, not a single project, so a final value is not available.

M&J was able to identify vendor responses (*e.g.*, bids, quotes, proposals) for eight of the nine documents for which documents were available. M&J reviewed the eight vendor responses received and confirmed that the responses were generally complete and in compliance with response requirements (either actual requirements stated in the received solicitation and/or specification documents or, for purchases for which solicitation and/or specification documents were not present, expected requirements based on professional experience).

M&J did not identify Town-created evaluation documents for any sampled purchases. M&J did identify at least some written justification in meeting documents supporting the purchase for all nine purchases for which M&J was provided documents, but the justifications were of an inconsistent depth and occasionally referred to other evaluation documents which M&J has not been provided. Per Town Council meeting minutes, all nine purchases for which M&J was provided documents were properly approved by the Town Council. In interviews, Town staff indicated that selection committees conducted formal bid/proposal evaluations for at least two of the sampled purchases; for both purchases, staff stated that bid evaluation records were not available because the members of the selection committee did not return the evaluation forms to the Town Clerk for retention.

The Town adopted a new procurement code on April 1, 2025. Eight of the sampled purchases (including all FY23 and FY24 purchases and the FY25 traffic monitoring equipment purchase) were conducted under the Town's old procurement code, while only two of the sampled purchases (the FY25 On-call Engineering Services and Vehicle purchases) were conducted under the Town's current procurement code.

**Purchasing and Procurement Sample Testing Summary:** While M&J's review of Kiawah Island purchasing and procurement samples does not suggest any instances of fraud, waste, or abuse, the Town's procurement-related controls do not retain sufficient documentation to allow for a complete review of all sampled purchases and confirmation of compliance with local procurement regulations. While the Town's actual procurement practices do not allow for M&J to fully assess the Town's internal controls in practice, the Town's written purchasing and procurement policies are robust and the included internal controls would be generally sufficient if fully implemented.

## Payroll

To test the Town's payroll function, M&J used convenience sampling<sup>9</sup> to sample 12 pay periods across FY23, FY24, and FY25 and reviewed relevant supporting documentation, including payroll registers, timesheet reports, and leave approval documents. M&J sampled two pay periods each year for both the Town's biweekly/hourly payroll cycle and the Town's monthly/salary payroll cycle, including one mid-year pay period as well as the first pay period for which compensation adjustments were applied. The Town was able to provide supporting documentation for all 12 sampled pay periods.

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<sup>9</sup> Convenience sampling, also known as haphazard sampling or accidental sampling, is not based on a formal, structured process for selecting the sample population, but is left largely to the discretion of the person performing the sampling.

For all sampled pay periods, M&J reviewed the provided supporting documentation to confirm the following:

- That appropriate approvals during the payroll process were recorded, including approvals during payroll processing (*i.e.*, timeclock report and payroll register approvals)
- That granted leave was properly approved in advance by management
- That, for hourly staff, hours reported on the payroll register are supported by timesheet reports or other supporting documentation
- That payroll calculations were performed correctly
- That pay rates have not changed since the prior sampled pay period without documentation evidencing the change

M&J observed signatures or emails showing that all required approvals were received for the payroll process (*i.e.* approvals of the final timeclock report and payroll register) for all but one of the sampled payroll periods; the Town was not able to provide any documents showing the Town Administrator’s approval of the payroll register for the 1/2/2023 pay period.<sup>10</sup>

The Town tracks leave approvals (*e.g.* paid time off (“PTO”), in its ADP-integrated timeclock system. M&J reviewed reports from the timeclock system confirming that PTO and other leave reflected on the sampled payroll registers and timesheets for the Town’s hourly staff was properly approved by departmental management. M&J confirmed that all reported PTO was properly approved by management for two of the six sampled monthly/salary pay cycles. M&J confirmed that the hours reported by hourly staff on the payroll registers for the sampled pay periods were supported by timesheet reports or other supporting documentation.

M&J re-performed payroll calculations and confirmed that the pay totals (gross and net) shown on the sampled payroll registers are correct. M&J additionally confirmed that, with two exceptions, pay rates did not change outside of the “standard” compensation adjustment periods at the start of the new fiscal year (“standard” compensation adjustments are discussed in the following sub-section). The two instances where pay rates did change after the start of the fiscal year were for the Town’s contracted police officers, whose pay rate was increased due to a new contract between the Town and the Charleston County Sheriff’s Office, and the Town Administrator, whose pay rate was increased after signing a new contract with the Town in October 2023. The Town was able to provide the contracts supporting these pay increases.

### *Compensation Adjustments*

M&J performed additional testing related to the compensation adjustment process for the six sampled pay periods which were the first pay periods of the fiscal year for which compensation adjustments were applied (three pay periods each for hourly and salaried employees). To test compensation adjustments effective in 2022 (FY23), 2023 (FY24), and 2024 (FY25), M&J requested a total of 71 compensation adjustment letters, covering all impacted employees from all sampled pay periods.

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<sup>10</sup> The Accounting Business License Specialist was on leave during the processing of the 1/2/2023 payroll cycle, so the Finance Director performed the Accounting Business License Specialist’s role in the payroll process. In order to preserve separation of duties, the Town Administrator had to perform the payroll register review and approval normally performed by the Finance Director for this pay cycle.

For the pay periods in which compensation adjustments were first applied, M&J reviewed the compensation adjustment letters and other supporting documentation to confirm the following:

- That compensation adjustment letters were dated prior to the pay period in which the new rate would be reflected
- That compensation adjustment letters were considered the “final” letter and were properly approved, including signatures by the Mayor, Town Administrator, and employee
- That rates shown on compensation adjustment letters matched the rate noted in payroll records (including recalculating and validating conversions between hourly, monthly, and annualized rates)
- That for any one-time compensation adjustments, such as bonuses, the amount listed in the relevant compensation adjustment letter matched the amount shown in the payroll register
- That, if the compensation adjustment was not applied in the payroll system in the first pay period after the adjustment became effective, any required “back pay” was calculated and paid out properly

Figure 11 details the results of M&J’s evaluation of the sampled compensation adjustments.

Figure 11: Compensation Adjustment Sample Testing Results

Adjustment Year	Requested Letters	Provided Letters	Complete & Accurate	Missing Employee Signature	“Back Pay” Proper
2022	21	21	21	0	N/A
2023	23	22	20	2	N/A
2024	27	27	20	7	27
<b>TOTAL</b>	<b>71</b>	<b>70</b>	<b>61</b>	<b>9</b>	<b>27</b>

The Town was able to provide 70 of the 71 requested letters. For the one sample with no available letter from 2023, M&J reviewed the compensation adjustment for that employee and found that it was generally aligned with the range of adjustments that other employees received in that period.

For 2023 and 2024, 10 “final” compensation letters (*i.e.*, compensation adjustment letters showing signatures from the Mayor, Town Administrator, and employee) were not available. The Town noted that the recent flooding in the Town Hall resulted in the loss of some original documents, which likely included these final, employee-signed compensation letters. As noted in Figure 11, the Town was able to provide the draft letter signed by both the Mayor and the Town Administrator for nine of the 10 samples missing “final” compensation letters. The Town noted that, starting with the compensation adjustments for 2025 (*i.e.*, FY26 compensation adjustments), electronic copies of the “final” compensation letters were being retained. For the 70 compensation letters reviewed, all of them were dated prior to the pay period in which the new rate would be reflected. For all 70 tested samples, M&J verified the match of the compensation rate in the letter to the compensation rate on the payroll register, including re-calculating any conversion between hourly rates, annualized salaries, and monthly salary rates.

There were 25 bonuses included on tested compensation adjustment letters; all bonuses on the sampled payroll registers were also documented in a compensation letter, and the bonus amounts matched between the compensation adjustment letter and relevant payroll register.

For the 2022 and 2023 compensation adjustments, the Town applied the new pay rates in the first pay periods after the effective date of the compensation adjustments. For the 2024 compensation adjustment, however, the Town did not apply the new pay rates until the second pay periods (for both the biweekly/hourly payroll cycle and the monthly/salary payroll cycle) after the compensation adjustments became effective. As a result, the Town had to include “back pay” in the second pay period of FY25 to account for the fact that the new pay rates were not applied in the prior pay period. M&J reviewed additional documentation, including payroll documents from the prior pay periods, and confirmed that “back pay” was calculated and awarded correctly.

**Payroll Sample Testing Summary:** M&J’s evaluation of the payroll and compensation adjustment samples show that the Town generally operates in accordance with its policies and procedures and that internal controls appear to be sufficient, although the Town does not consistently retain all documentation needed to verify complete compliance. The Town has indicated that it has already taken steps to improve the retention of at least some parts of its payroll documentation, by retaining digital copies of compensation adjustment letters.

### Treasury Management

To test the Town’s treasury management function, M&J used convenience sampling<sup>11</sup> to sample nine months across FY23, FY24, and FY25 and reviewed the Town’s banking and investment account statements for the sampled months. To evaluate the sampled months, M&J asked the Town to provide all bank statements, investment account statements, bank reconciliations, and cash drawer reconciliations for the sampled months. The Town provided all requested documents for all nine sampled months.

M&J reviewed the provided documents to validate the bank reconciliations for the sampled months, which included performing independent calculations to verify that the ledgers reconcile properly and reviewing stale checks listed in the bank statements for reasonableness. M&J also reviewed supporting documentation to confirm that the reconciliations were properly approved. M&J confirmed that the Town performed proper and timely reconciliations on the bank and investment statements for each sampled month and that all sampled reconciliations contain the required signatures and approvals. M&J confirmed that the Town performed cash drawer reconciliations for all nine sampled months.

**Treasury Management Sample Testing Summary:** M&J’s evaluation of treasury management samples showed that the Town’s existing controls are effective and implemented consistently.

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<sup>11</sup> Convenience sampling, also known as haphazard sampling or accidental sampling, is not based on a formal, structured process for selecting the sample population, but is left largely to the discretion of the person performing the sampling.

## 5. Findings, Observations, and Recommendations

Overall, the Town has a number of effective internal controls and leading practices designed to mitigate risk and position the Town for financial success. The Town is in an overall mature position, with well-designed processes and controls, and the Finance Department serves as a strategic collaborator with other Town departments as well as elected officials and governing committees.

There are still some opportunities for continuing improvement. During fieldwork, M&J made a number of findings and observations related to the Finance Department and the Town's general financial operations. This section of the report details M&J's findings and observations and provides M&J's associated recommendations. Findings represent issues observed by M&J that present an elevated risk level, but do not represent a material impact on the current financial position of the Town. Elevated risks, typically either likelihood or impact, determine if M&J utilizes the "finding" categorization. Town management has the ultimate responsibility to determine which, if any, of the included recommendations are to be implemented and the timing of such implementation.

M&J's recommendations represent options for how findings and observations can be remedied, but do not represent all viable options. The Town may make strategic decisions that may warrant recommendations not being implemented exactly as stated in the report such as determining different solutions that remedy the situation in a different manner while still achieving a positive outcome. M&J's recommendations are compiled into a "roadmap," including M&J's suggested prioritization and implementation time guidance, which is located in Appendix C: Compiled Recommendations. Town leadership has prepared a Management Response to M&J's findings, observations, and recommendations, which is included at the end of Appendix C: Compiled Recommendations.

### Findings

Findings represent potential issues observed by M&J that present an elevated risk level. The findings in this report do not represent a material impact on the current financial position of the Town. Elevated risks, typically either likelihood or impact, determine if M&J utilizes the "finding" categorization.

**Finding 1:** The Town Administrator currently allows certain Town administrative staff to borrow their Town-issued credit card to make authorized purchases, without requiring the staff to check the card out/in when they borrow/return the card or record the intended purchase. The Town's current credit card policies do not prohibit cardholders lending their card to other Kiawah Island officials or staff or provide regulations regarding how cardholders are to lend out their cards. Additionally, the Town's policies do not inform cardholders of the fact that they may be taking on significant risk by lending out their Town-issued cards, due to the fact that the cardholder is the only authorized holder of the card. This is an inadequate control of a cash-like asset. 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 issue is a finding as the risk profile of this issue is categorized as high likelihood, although the materiality is still low financial impact.

**Recommendation 1:** The Town should determine whether it will allow cardholders to lend their physical card to other Town staff for presentation at local vendors. If the Town does decide to allow cardholders to lend their card to other Kiawah Island officials or staff, the Town should introduce a process that requires cardholders to document card lending, including requiring borrowers to identify their intended purchase before borrowing the card and sign the cards out/in when they borrow/return the card. The updated credit card policy and/or process should clarify who carries liability for purchases made with borrowed cards, including how misuse of borrowed cards interacts with any standardized disciplinary process established by the credit card policy.

**Finding 2:** While testing samples of the Town’s procurement activity, the Town was not able to consistently provide sufficient documentation to support thorough testing. The Town was unable to provide any records related to one of the sampled procurements. Of the nine purchases for which records were provided, the Town was only able to provide solicitation or specification documents for four of the purchases. The Town identified that the procurement process for two of the sampled purchases involved having members of a selection committee perform formal bid/proposal evaluations, but the Town was unable to provide completed bid evaluation worksheets for either purchase, stating that the members of the selection committees did not return the completed worksheets to the Town Clerk for recordkeeping and retention. Due to the lack of relevant procurement records, the Town cannot validate that all purchases were conducted in accordance with the Town’s procurement ordinance and relevant State purchasing regulations. M&J determined that this issue is a finding as the risk profile of this issue may have trust impact, in addition to the medium likelihood and medium financial impact.

**Recommendation 2:** The Town should refine its policies and procedures related to the creation, collection, and retention of documentation related to Town procurement activity. The revised procurement document management policies and procedures should require Town staff to prepare, collect, and retain all relevant procurement records, including solicitation and specification documents, records evidencing public notice of solicitations, all bids and proposals received, records of communications with interested vendors, completed bid evaluation documents, documents supporting non-competitive purchases (including sole source findings, emergency purchase authorizations, and copies of cooperative or other public entity contracts that the Town purchases off of), full bid evaluation documents, intent to award notices, and final contracts. ToKI should create a dedicated file for each purchase that the Town makes which it should use to store all relevant records.

## Observations

Observations represent items that M&J noted during fieldwork where there may be an action available that either reduces risk, enhances efficiency, or otherwise improves observed business processes. M&J’s recommendations represent options for improvement, but do not represent all viable options. The Town may make strategic decisions that may warrant recommendations not being implemented exactly as stated in the report such as determining different solutions that remedy the situation in a different manner while still achieving a positive outcome.

**Observation 3:** The Town's primary governing document for finance-related functions is the Accounting Policies and Procedures guide. Updating the Accounting Policies and Procedures guide requires Town Council approval. The Accounting Policies and Procedures guide contains both high-level policies, guiding the overall direction of the Town's financial processes and establishing frameworks to support the Town's financial controls, and low-level processes, which contain step-by-step details of how the Town uses its various systems to carry out its key functions. While it makes sense for the Town to contain many high-level processes in a document issued by the Town Council, requiring revisions to low-level processes to also go through the Town Council's approval process prevents the Town from modifying policies at short notice. The Town may occasionally be faced with situations where accounting procedures must be adapted quickly, such as in response to regulatory changes, updates for changes in software functionality, or to address pressing concerns or otherwise adapt to current conditions in between Town Council meetings.

**Recommendation 3:** The Town should adapt the Accounting Policies and Procedures guide into two separate governing documents, including one document of finance-related policies and a separate document of finance-related processes and procedures. Updates to the finance-related policies and procedures guide should require the approval of the Town Council, while the Finance Director should be able to update the finance-related processes and procedures guide with the approval of the Mayor and/or Town Administrator, or to conform with updates to South Carolina law, code, or governing accounting principles.

**Observation 4:** When reviewing various work performed by Finance Department staff, the Finance Director often uses reports exported from the Town's various financial software platforms and printed by the staff performing the original work. For example, the Finance Director reconciles Wells Fargo's check run documentation against the Incode check register using versions of the reports that were downloaded from the Wells Fargo website and Incode and printed by the Accounting Specialist/Court Clerk. Some of the printed reports that the Finance Director reviews in this way are exported as easily editable formats, such as .csv or .xlsx files, which creates a risk that the reports being reviewed by the Finance Director do not agree with the actual entries in the Town's various software systems.

**Recommendation 4:** The Town should update its procedures to require that staff reviewing financial work performed by others utilize independently sourced reports and records to ensure that the reports are an accurate representation of the entries in the Town's various financial software systems.

**Observation 5a:** The Accounting Specialist/Court Clerk uses an ex-employee's user login to access the Wells Fargo online platform for processing the weekly check run. Using recycled accounts and accounts associated with past employees exposes the Town to a variety of security and internal control risks, including the fact that those ex-employees may maintain access to their former account (or could regain access to the accounts due to the fact that the accounts are still in their name) and the fact that the current employee is operating under a different person's name, making it difficult to attribute actions performed on the account to the correct individual.

**Observation 5b:** The Accounting Specialist/Court Clerk stores the password that they use to access the Wells Fargo online platform on a piece of paper stored in their office, nearby to the hardware two factor authentication (“2FA”) key that they use to access sensitive functions within the Wells Fargo online platform. Writing down passwords and storing them in the office is generally poor security practice, as this may allow malicious actors to access the passwords and obtain unauthorized access to accounts. If passwords are to be stored in unsecured or lightly secured areas, they should be stored separately from 2FA keys configured for the same account. 2FA is a leading security practice, but it relies on the two security factors (the password and the hardware key, in this case) being stored separately.

**Observation 5c:** the Town does not currently require authorized users to periodically log in to assigned accounts in order to verify that the accounts are functioning properly.

**Observation 5d:** ToKI uses access and permissions controls as part of its controls and security model, with access highly restricted for certain sensitive software platforms. For example, the Town restricts access to Incode’s AP module to Finance Department staff, restricts access to the ADP software platform used for processing payroll to the Finance Director and Accounting Business License Specialist for processing and to the Mayor and Town Administrator for reviewing, and the Town restricts access to the Wells Fargo online platform to specified Finance Department staff and Town leadership (with certain sensitive functions restricted even further). Because access and permissions management play a critical role in the Town’s control and security model, the Town must ensure that actual access and permissions configurations match the Town’s intended and designed access and permissions structure.

**Recommendation 5a:** The Town should begin conducting regular account audits of sensitive financial software platforms to identify and remove unauthorized accounts, ensure that all authorized accounts are active and accessible, and confirm that account permissions agree with the Town’s intended permissions control model. All accountholders should hold individual accounts (*i.e.*, account sharing should not be permitted) and accounts should be assigned to individual employees. The Town should require staff with accounts in the Town’s various sensitive financial systems to periodically log in to these accounts in order to maintain access and verify that the accounts are functioning properly.

**Recommendation 5b:** The Town should implement a cybersecurity policy that requires staff to adhere to cybersecurity best practices, such using complex passwords and refraining from storing passwords in unsecured locations. To support adoption of this cybersecurity initiative, the Town should consider providing staff with subscriptions to an enterprise-grade password manager.

**Observation 6a:** While the Town uses the mail log to track chain of custody for checks received through the mail, Kiawah Island does not consistently utilize logs to record checks delivered in-person by individuals or businesses to staff working in Town Hall. As a result, the Town does not have logs showing who is in possession of each check received by the Town at any given point in time.

**Observation 6b:** During the weekly check run, the Town often directs the Town’s check printing service to mail certain checks to Town Hall instead of directly to the payee, including checks for employee reimbursements as well as checks for certain vendors or grant recipients. Once these checks are received at Town Hall, the Town does not maintain any log recording the distribution of these checks and therefore has no way to confirm through records that checks were distributed to the intended recipient.

**Recommendation 6:** The Town should modify its processes for handling checks, including both checks made out to ToKI and checks made out by ToKI, to ensure that the Town maintains a consistent chain of custody for all checks from the time that they arrive at Town Hall to the time that they are deposited (for checks made out to ToKI) or are received by their final recipient (for checks made out by ToKI). The Town may use its various software systems which it uses to track payments (such as CitizenServe and Incode's court and utility billing modules) to track checks that are recorded immediately after receipt and should use a dedicated check tracking log to track checks that are not immediately recorded in one of the Town's software systems after receipt.

**Observation 7:** In interviews, certain Town staff indicated confusion over the implementation of aspects of the Town's ethics policies, including the Town's gift policy, with staff expressing uncertainty regarding perceived inconsistency in application of the policy and a lack of clarity regarding disclosure procedures. Additionally, certain Town staff reported that they were either not aware of or not comfortable using the Town's options to report suspected misconduct either anonymously or through alternate reporting pathways under the Town's whistleblower policy.

**Recommendation 7:** The Town should review the implementation of the Town's existing ethics policies and update the policies as appropriate and/or develop supporting ethics procedures/documentation that goes beyond merely stating the policies and instead explains the usage of the policies in detail. The Town may wish to provide periodic training on its ethics policies to Town employees above and beyond the ethics acknowledgement form that the Town requires staff to sign annually in order to help ensure that Town staff have consistent understanding of the expectations and demands placed on them by the Town's ethics policies.

**Observation 8:** The Town currently pays nearly all vendors and other payees by either mailing printed checks to the vendor address on file or hand-delivering printed checks. The Town does not currently offer alternate payment methods, such as automated clearing house ("ACH") payments, to Town vendors or grant recipients. ACH and other alternate payment methods are often faster, easier to process, and have lower administrative fees than paying by check. Additionally, paying with physical checks introduces the risk of checks being lost, stolen, or damaged. Per interviews, the Town is in the process of introducing ACH for vendor payments.

**Recommendation 8:** The Finance Department should continue the process of implementing ACH payments for vendor payments. Once the Town has successfully implemented ACH payments for vendor payments, the Town should encourage vendors to transition to ACH payments and assist vendors through the transition process.

Once the Town has introduced ACH payments, it will also need to update its vendor management procedures, including creation of a vendor management form that requires the vendor to identify financial and operational contacts, include a voided check and/or banking relationship confirmation, and should introduce processes that require independent verification of any requested changes to vendor information, such as banking information, primary contacts, or other information that may increase risk of fraudulent payments.

**Observation 9:** The Town does not have a standardized receiving record form or have an established process detailing what department managers are required to confirm before authorizing payment on an invoice. The Accounting Specialist/Court Clerk does require management in the department making a purchase to approve payment on an invoice before the payment is processed, but that acknowledgement may take several forms (typically a signature on an invoice or an email). Additionally, the current approval process does not contain a specific confirmation that all goods and services included in the invoice have been fully received and accepted by the Town.

**Recommendation 9:** The Town should update its Accounts Payable (“AP”) process to require management within departments making a purchase to complete a consistent receiving record form (or provide a packing slip, bill of lading, or other documentation of receipt) prior to Finance issuing payment on an invoice, or at least document on the invoice that all goods have been received. The Town should ensure that the department managers understand that their signature on a request for payment represents their attestation that all goods and/or services have been received in compliance with the terms of the contract/order.

The Town should also consider introducing vendor performance forms, specifically for use in service contracts, or goods/materials contracts with multiple components or complex requirements. The vendor performance management forms should be several questions that allow the Town to evaluate vendor performance, with consideration for communication, timeliness, and whether the deliverable(s) met the terms of the contract or order. Vendor performance forms should be maintained as part of the contract file, and the Town may consider use of performance forms to determine whether a vendor would be recommended for future use by the Town, or if use of the contract’s cure and other remedies should be utilized to address documented performance concerns.

**Observation 10:** M&J sampled five AP payments made using the check request/reimbursement forms and associated process. While the Town’s check request/reimbursement form states that all forms must be accompanied by some form of supporting documentation, two of the five sampled payments were not supported by any additional documents or written statements identifying why supporting documentation was not included along with the form.

**Recommendation 10:** The Town should review its processes for processing check request/reimbursement forms and determine whether there are payments that should be exempted from the requirement to attach supporting documents. If the Town decides that certain payments can be exempted from the supporting document requirement, the Town should specify the types of exemptions allowed and update the check request/reimbursement form to provide applicants with a space to provide a written justification for the lack of supporting documents. If the Town determines that no exemptions should be given to the supporting document requirement, the Town should re-emphasize the supporting document requirement and require Finance Department staff to reject all check request/reimbursement forms that are not accompanied by adequate supporting documents.

**Observation 11:** The Town does not have a standardized policy or process for creating or updating vendor profiles. As a result, Town staff currently update vendor profiles as they feel is necessary, sometimes based on noticing updates to the information displayed on invoices, and without being required to conduct an independent verification of the changes with the vendor. The lack of independent review of vendor information increases the risk that the Town could be impacted by vendor impersonation fraud.

**Recommendation 11:** The Town should implement a policy and process for creating and updating vendor profiles that requires ToKI staff to verify all submitted information through a trusted, independent communications channel, such as having an in-person meeting or calling a trusted phone number. As certain alternate payment methods, such as ACH, may increase the damages of vendor impersonation fraud, the Town should ensure that it implements this policy or process before widely offering ACH payments to vendors and may wish to consider implementing stricter verification levels for vendors that make use of ACH payments. At a minimum, the Town should require staff to independently verify updates to vendor routing information through a trusted source before approving vendor profile changes.

**Observation 12a:** The Town states that it makes an effort to receive W-9s from each of its vendors, although the Town does not currently require staff to verify that the Town has a W-9 on file with the Town before issuing payment. Organizations are generally required by the Internal Revenue Service (“IRS”) to obtain W-9s from their vendors and retain those forms on file in order to file information returns if necessary.

**Observation 12b:** The Town does not currently have a process in place to periodically review the W-9s that it has on file for its vendors to ensure that they are up to date. While W-9s do not technically expire and the IRS does not generally require organizations to periodically obtain new W-9s from its vendors, it is generally considered best practice to periodically request updated W-9s from vendors in order to ensure that the information included in the form is up to date.

**Recommendation 12:** The Town should update its vendor management processes to require Finance Department staff to obtain signed and dated W-9s from all applicable vendors prior to issuing payment on invoices issued by those vendors. Additionally, the Town should begin conducting periodic vendor reviews to confirm that the W-9s that the Town has on file from active vendors are up to date by requesting new signed and dated W-9s from vendors whose W-9s on file are dated more than two years old or are undated.

**Observation 13:** The Town does not currently have a formal, comprehensive, written policy or process detailing all rules and regulations that govern use of the Town’s credit cards. Additionally, the Town does not have a standardized process for ensuring that cardholders are trained on the various written and unwritten credit card policies and processes that do currently exist. As a result, staff may be unsure of exactly how they should use and safeguard their cards and are not subject to standardized, well-understood disciplinary policies.

**Recommendation 13a:** The Town should develop and formally adopt a written, comprehensive credit card policy. The Town’s comprehensive credit card policy should explicitly lay out what constitutes permissible credit card usage and what type of credit card usage is not allowed. Additionally, the policy should include clear disciplinary procedures for credit card misuse, including a progressive disciplinary policy that provides for increasing consequences for repeated credit card misuse, up to and including revocation of credit card access. The credit card policy should detail the one-time (*e.g.*, repayment of a charge) and progressive disciplinary consequences of the specified credit card usage violations.

**Recommendation 13b:** The Town should develop a training program for cardholders, including training for new credit card holders, remedial training for cardholders that violate the Town’s credit card policy, and periodic retraining for all cardholders. As part of the training program, cardholders should be required to sign documents affirming that they understand the rules of the Town’s credit card program and agreeing to abide by the rules and any consequent discipline.

**Observation 14a:** The Town’s current credit card policy provides cardholders with a range of credit lines, from \$1,000 at the smallest to \$50,000 at the largest. The cards with the highest credit limits allow for the cardholders to make purchases far above and beyond their typical credit card usage patterns, which presents an increased risk if unauthorized parties were to obtain one of these high-limit cards.

**Observation 14b:** When reviewing credit card statement samples, M&J identified two instances where cardholder exceeded their established credit limits. In both instances, Finance Department staff made mid-cycle payments on the card balances to free up credit so that the cardholders could continue to use their cards. In one instance (for the Accounting Business License Specialist’s card), Finance Department staff had to make two total mid-cycle payments in order to keep the cardholder from exceeding their credit limit at an earlier point in the month. The Accounting Business License Specialist primarily uses their cards to pay for subscriptions and expenses for other Town staff or for general Town Hall operations. The Town does not currently have a process that allows cardholders to request one-time credit line increases for unusually large purchases.

**Recommendation 14a:** The Town should review the typical use patterns of cardholders to develop an understanding of each cardholder’s typical credit needs. The Town should then use the collected information on typical credit usage to adjust card limits based on anticipated card usage to ensure that credit limits match the need exhibited by each cardholder’s position. When modifying credit limits, the Town should balance cardholder needs and typical usage and the risk posed by cards having credit limits greatly in excess of standard card usage patterns.

**Recommendation 14b:** The Town should consider introducing the use of “ghost” cards (*i.e.*, virtual cards for dedicated virtual use cases) or create a new card dedicated for use for recurring subscriptions.

**Recommendation 14c:** The Town should introduce a process that allows cardholders to request one-time credit increases on their cards to allow for exceptional demands. The process should require the cardholder to list the intended use and provide a justification as to why this purchase cannot be completed using an alternate payment method.

**Observation 15:** When reviewing sampled credit card statements and supporting documentation, M&J did not identify any supporting documents (*e.g.*, receipts) for 16 of the 90 charges included in the sample, including a 12 recurring or subscription payments and four payments that appear to be one-off, non-recurring payments. While the Town does not have a comprehensive, written credit card policy detailing exactly which payments need to be supported by receipts, interviews with Town staff indicate that receipts are required for all non-recurring charges but are generally not required for recurring charges.

**Recommendation 15:** As part of developing a new, written credit card policy, the Town should clearly identify which types of credit card purchases are exempt from receipt retention/submission requirements and develop a standardized method for identifying exempt payments in the monthly reconciliation. If Kiawah Island leadership determines that recurring payments should be exempt from standard credit card receipt retention/submission requirements, they should specify what alternate reporting requirements are imposed instead, such as requiring a receipt for at least one payment per year, or a statement/receipt that defines the total annual charge and is reviewed and validated, and how the alternate reporting requirements are to be tracked.

**Observation 16:** The Town's recently updated procurement code provides for four methods of formal, competitive procurement. While each of the methods provide different benefits and drawbacks, the procurement code does not provide guidance regarding how the formal, competitive procurement method for any particular purchase is selected or what factors should be considered when selecting procurement methods, which may result in inconsistent treatment of similar or equitable purchase types.

**Recommendation 16:** The Town should develop and formally adopt procedures governing the selection of formal, competitive procurement methods. Additionally, the Town should develop guidance for the officials and staff tasked with selecting the formal, competitive procurement method for each purchase that they can use when making that selection. Among other relevant factors, the guidelines should consider the type of good or service being purchased and the expected purchase value.

**Observation 17:** The Town's current debt management policy delegates responsibility for developing processes related to issuing, paying, and accounting for long-term debt to the Finance Director. The Town does not currently hold any long-term debt but indicated that it could consider issuing long-term debt for capital projects in the foreseeable future. The written debt-related processes that the Finance Director currently has in place are of limited detail and would not be sufficient to manage any significant amount of debt that the Town may issue.

**Recommendation 17:** The Town should develop robust debt management procedures prior to any future Town issuances of long-term debt. The Town's debt management procedures should detail the responsibilities of Town management and Finance Department staff as they relate to the debt issuance (including strategic and financial planning), making debt service payments (including the use of sinking funds), and accounting for and reporting on debt.

**Observation 18a:** The Town awards charitable grants to 501(c)(3) non-profit and/or charitable organizations that support community services in the greater Johns Island and Wadmalaw Island communities. As part of the grant application, the Town does not require applicants to disclose any relationships that they may have with Town staff or officials, including the members of the Town Council that make the ultimate grant award decisions, or to sign a non-collusion pledge.

**Observation 18b:** Many of the recipients of Kiawah Island's charitable grants are repeat recipients and the Town evaluates the performance of repeat charitable grant awardees by requiring applicants that are existing grant recipients to provide details on how funds from the past year's grant award were used in their next grant application. The Town does not require awardees to provide any other performance reporting, which limits the Town's ability to evaluate the performance of one-time charitable grant recipients.

**Recommendation 18a:** The Town should require charitable grant applicants to disclose any relationships that they have with Town staff and officials and sign a non-collusion pledge.

**Recommendation 18b:** In order to better assess the performance of new charitable grantees, the Town should introduce additional performance reporting requirements for first-year grant recipients, such as requiring grantees to provide a mid-year performance and expense report in their first year of receiving funds.

**Observation 19:** The Town accepts applications for SATAX grants from organizations, including for-profit and non-profit organizations, to provide programs or activities in the Kiawah area that will support local tourism. The Town's SATAX grant application form, as currently written, is primarily designed for applicants hosting concerts, festivals, or other short-term events. As a result, applicants for tourism-promoting projects and activities other than short-term events, such as marketing campaigns or conservation efforts, are not able to adequately complete a number of fields on the form. As a result, long-term project applicants are forced to either leave certain fields blank or provide inadequate responses in certain areas.

**Recommendation 19:** The Town should redesign the SATAX grant application form to better account for multiple common types of applicants. The Town may wish to consider introducing multiple sections to the form for different types of applications, such as one section for short-term events and another section for long-term programs or ongoing efforts, and ask applicants to only complete the sections that apply to their particular application. After implementing the redesigned forms, the Town should strictly enforce requirements that applicants fully complete all applicable sections of the application in order to be considered for funding.

## 6. Conclusion

M&J commends Kiawah Island's leadership for commencing this Operational and Performance Assessment, as this process has been in-depth and has brought to light both the Finance Department's accomplishments and the opportunities for improvement needed for it to achieve operational excellence. The Finance Department is fairly mature, currently operating efficiently in certain ways and has a number of effective controls in place, but also has opportunities to improve. The Town now better understands the Finance Department's current state and has a roadmap for continual improvement into the future.

# Appendix A: Key Control Matrix

The Town’s current policies and procedures, both written and unwritten, include a number of internal controls. The following pages detail the internal controls currently in place related to the Finance Department’s major functional activities.

Category	Functional Activity	Key Control Step(s)
AP	Preparing and submitting invoices for payment	<ul style="list-style-type: none"> <li>Management within department making purchase must approve invoice for payment (email or signature), other than regular/recurring payments (e.g., utility payments, Town Hall custodial service)</li> </ul>
AP	Preparing and submitting check and reimbursement requests for payment	<ul style="list-style-type: none"> <li>Preparer must attach relevant supporting documentation</li> <li>Request form must be signed by department head/committee chair and Town Administrator or Mayor</li> </ul>
AP	Preparing check runs	<ul style="list-style-type: none"> <li>The Accounting Specialist/Court Clerk reviews to ensure that all invoices and check/reimbursement requests are complete and have required approvals</li> <li>Both the Finance Director and Town Administrator must review and approve payable register before further processing of payment batch</li> </ul>
AP	Issuing checks	<ul style="list-style-type: none"> <li>The Finance Director reconciles and approves printouts of Incode check register and Wells Fargo check listing prior to finalizing check payment in Wells Fargo online portal</li> <li>Wells Fargo mails checks directly to the recipients or to the Town for further distribution</li> </ul>
AP	Vendor Management	<ul style="list-style-type: none"> <li>The Finance Director and Accounting Specialist/Court Clerk review all vendors with activity following the end of each calendar year in order to identify vendors for whom the Town must prepare Forms 1099</li> <li>While processing invoices, the Accounting Specialist/Court Clerk reviews to confirm that the information shown on the vendor profile matches the information shown on the invoice, including vendor name and contact information</li> </ul>
AP	Charitable grants administration	<ul style="list-style-type: none"> <li>The Town awards charitable grants on an annual cycle, with all awards being made based on grant applications that detail the intended use of the requested funds. Current charitable grant awardees must include documentation showing that they have used the previously awarded funds for the specified purposes (or explaining why funds were not used as indicated) during subsequent grant applications</li> </ul>

Category	Functional Activity	Key Control Step(s)
AP	SATAX grants administration	<ul style="list-style-type: none"> <li>• The Town awards SATAX grants on an annual cycle, with all awards being made based off of grant applications that detail the intended use of the requested funds and the expected impact of the project or activity that the grant would support. Current SATAX grant awardees must include documentation showing how grant funds were used during the prior year and detailing the impact of the grant-supported project or activity</li> <li>• Awarded SATAX grant funds are distributed by check as reimbursement for actual eligible expenses incurred providing the awarded project or activity</li> </ul>
Credit Cards	Card use	<ul style="list-style-type: none"> <li>• Cardholders are required to retain receipts for all purchases made with their Town credit card other than recurring payments (e.g., monthly software subscriptions)</li> <li>• Cards are configured to have a set monthly credit limit, after which additional purchases with the card are declined (although the Finance Director or Accounting Business License Specialist can make mid-cycle payments in the event that a cardholder reaches their credit limit partway through a billing cycle)</li> </ul>
Credit Cards	Monthly reconciliation	<ul style="list-style-type: none"> <li>• Cardholders submit receipts to the Accounting Business License Specialist, who reconciles the provided receipts against the card statement</li> <li>• The Town Administrator must review and approve reconciled credit card statements and accompanying receipts (the Mayor performs this review/approval for the Town Administrator's credit card)</li> <li>• The Finance Director must review and approve reconciled credit card statements and accompanying receipts</li> </ul>
AR	Receiving cash payments	<ul style="list-style-type: none"> <li>• Staff receiving the payment make change as needed, prepare a receipt for the payer using a Town form (retaining a carbon copy), prepare a deposit slip and deliver the funds to the Accounting Business License Specialist in a locked deposit bag along with the deposit slip, and record payment in the relevant service management software system (i.e., Incode's Court module, Incode's utility billing module, or CitizenServe)</li> <li>• The Accounting Business License Specialist performs deposit transactions and prepares journal entries in Incode to record payment to appropriate General Ledger revenue account</li> <li>• The Finance Director reviews cash deposits as part of the monthly bank reconciliation process</li> <li>• The Accounting Business License Specialist performs monthly counts of the cash drawers issued to the Accounting Specialist/Court Clerk and Permit Technician</li> </ul>

Category	Functional Activity	Key Control Step(s)
AR	Receiving check payments	<ul style="list-style-type: none"> <li>• Staff receiving in-person check payments prepare a receipt for the payer using a Town form (retaining a carbon copy) and deliver checks to Accounting Business License Specialist for deposit</li> <li>• The Finance Assistant identifies checks received in the mail, records the checks in the Town's mail log, stamps the checks as "For Deposit Only," and delivers them to the Accounting Business License Specialist for deposit (signing for receipt in the mail log)</li> <li>• The Accounting Business License Specialist deposits checks daily and prepares journal entries in Incode to record check payments to the appropriate General Ledger revenue accounts.</li> <li>• The Accounting Business License Specialist records checks received by the Town's "lockbox" check processing service by downloading a report from Wells Fargo and uploading the report to Incode to create appropriate journal entries</li> <li>• The Finance Director reviews check deposits as part of the monthly bank reconciliation process</li> </ul>
AR	Receiving credit card payments	<ul style="list-style-type: none"> <li>• The Town receives credit card payments using either Clover credit card readers or the Town's online payment portals, after which payers receive either physical or emailed receipts</li> <li>• Staff record payments made with Clover machines to the appropriate service management software system (<i>i.e.</i>, Incode's court module, Incode's utility billing module, or CitizenServe); payments made through the Town's online portals are automatically recorded</li> <li>• The Accounting Specialist/Court Clerk downloads payment records from the service management software system to verify the completeness and accuracy of statements provided by the payment processor prior to posting receipts to the General Ledger</li> </ul>
AR	Receiving remitted revenues	<ul style="list-style-type: none"> <li>• The Finance Director reviews journal entries prepared by the Accounting Business License specialist to record State remitted revenues prior to posting, confirming that the journal entry matches the actual revenue received and the revenue memo</li> <li>• The Finance Director reviews ACH payments and check deposits as part of the monthly bank reconciliation process</li> </ul>
AR	Recording interest revenues	<ul style="list-style-type: none"> <li>• The Finance Director submits a quarterly report to the Town Administrator and Ways &amp; Means Committee detailing the Town's investments and their performance</li> <li>• The Finance Director submits an annual report to the Town Council summarizing the investments held by the Town and their performance</li> </ul>

Category	Functional Activity	Key Control Step(s)
Purchasing and Procurement	Small purchases	<ul style="list-style-type: none"> <li>All purchases must approved prior to making the purchase</li> <li>Purchases of at least \$5,000 but no more than \$20,000 must be supported by at least three written quotations and must receive special approval from the Mayor to be awarded to quotes other than the lowest quote</li> <li>Purchases of at least \$5,000 but no more than \$10,000 must be approved by both the Finance Director and the Town Administrator prior to purchase</li> <li>Purchases of at least \$10,000 but no more than \$20,000 must be approved by both the Mayor and any one member of the Town Council prior to purchase</li> </ul>
Purchasing and Procurement	Formal purchases	<ul style="list-style-type: none"> <li>Purchases of at least \$20,000 must be awarded using the Town's IFB, RFP, RFQ, or Reverse Auction procurement methods</li> <li>Purchases of at least \$20,000 must be approved by the Ways &amp; Means Committee</li> <li>Purchases of at least \$100,000 must be approved by the Town Council</li> </ul>
Purchasing and Procurement	Non-competitive purchases	<ul style="list-style-type: none"> <li>Sole source purchases of at least \$20,000 must be approved by the Ways &amp; Means Committee, while sole source purchases of at least \$100,000 must also be approved by the Town Council</li> </ul>
Purchasing and Procurement	Exempt purchases	<ul style="list-style-type: none"> <li>Exempt purchases of at least \$20,000 must be approved by the Ways &amp; Means Committee, while exempt purchases of at least \$100,000 must also be approved by the Town Council</li> </ul>
Payroll and Personnel	Timekeeping	<ul style="list-style-type: none"> <li>Hourly employees record their time using an ADP-integrated timeclock system</li> <li>Management within each Town department is responsible for managing employee time off requests and approving leave requests for staff within their department</li> </ul>
Payroll and Personnel	Payroll processing	<ul style="list-style-type: none"> <li>Access to the Town's ADP payroll software is limited to the Finance Director and Accounting Business License Specialist (for processing) and the Town Administrator and Mayor (for reporting)</li> <li>Management of each department and the Finance Director both must review and the employee time reports before further payroll processing</li> <li>The Finance Director must review and approve the payroll register before the Accounting Business License Specialist can finalize the payroll submission in ADP</li> <li>All compensation adjustments (e.g., raises, bonuses) must be approved by the Town Administrator or Mayor prior to implementation</li> </ul>

Category	Functional Activity	Key Control Step(s)
Treasury Management	Account management	<ul style="list-style-type: none"> <li>• The Town limits access to its bank account to certain Finance Department staff and Town leadership, including the Finance Director, Accounting Business License Specialist, Accounting Specialist/Court Clerk, and Town Administrator</li> <li>• The Town's bank account logins are configured so that passwords periodically expire and must be replaced and so that logins become inactive if not used for an extended period of time</li> <li>• The Town's bank account website is configured so that users must use a physical 2FA security key to access certain sensitive functions, such as uploading check batches</li> </ul>
Treasury Management	Bank reconciliations	<ul style="list-style-type: none"> <li>• The Finance Director reconciles the Town's monthly bank statements against the General Ledger to confirm that the transactions recorded on the bank statement agree with the General Ledger</li> <li>• The Town Administrator reviews and approves the monthly bank reconciliation</li> </ul>
Debt Management	Debt issuance	<ul style="list-style-type: none"> <li>• The Town does not currently have any controls in place regarding debt issuance</li> </ul>
Debt Management	Debt service	<ul style="list-style-type: none"> <li>• The Town does not currently have any controls in place regarding debt service</li> </ul>

## Appendix B: Risk Assessment Detail

M&J conducted a high-level inherent risk assessment of the Finance Department's key processes to support its engagement planning efforts and help identify the processes for focused sample testing. M&J performed the risk assessment early in the engagement, prior to arriving on-site and conducting in-depth interviews with Town staff, using information gleaned from preliminary interviews with Town leadership and key Finance Department staff as well as select data, both provided by the Town in its initial document submissions and identified by M&J from publicly available sources (e.g., the Town's website). If significant variance was noted during the interview process, M&J would have updated the risk assessment to reflect new or materially different information. M&J's risk assessment was developed primarily to assist in planning and executing the Assessment and it may not be appropriate for use supporting projects or plans beyond the Assessment and any immediate follow-up work. Additionally, the risk ratings provided by M&J are not intended to replace the risk assessments of Town management and the Audit Committee. The Town should not substitute these ratings for its own judgement.

M&J's assessment evaluates the *inherent risk* of the identified processes, which is the risk of fraud, waste, or abuse posed to the Town by the process without considering any controls that the Town may have implemented. A process's inherent risk is determined by the fundamental nature of the Town's use of the process (e.g., the Town's basic needs and requirements, low-level functional details) and broader industry trends. The Town has limited influence over the inherent risk posed by its finance-related processes and must reduce risks to an acceptable level through the implementation of internal controls.

M&J's evaluation of the inherent risk of the Town's finance-related processes is based on three risk aspects

- **Inherent Risk Likelihood:** The likelihood of the process resulting in fraud, waste, or abuse, regardless of the severity of the incident
- **Inherent Risk Impact:** The likely severity of a fraud, waste, or abuse incident related to the process, regardless of how likely the incident is to occur
- **Fraud Risk:** The likelihood that the Town will be the target of attempted fraud related to the process

For each process, M&J assigned a score of "High," "Medium," or "Low" for each risk aspect. M&J's risk scores are subjective evaluations based on M&J's professional experience and a variety of quantitative and qualitative features of each process. M&J then used the assigned risk aspect scores to calculate each process's overall Inherent Risk Score. To calculate the Inherent Risk Score, M&J first converted the score assigned to each risk aspect into a number, with "Low" being assigned a value of one, "Medium" being assigned a value of two, and "High" being assigned a value of three, and then calculated a numeric Inherent Risk Score using the following formula:

$$\text{Inherent Risk Score} = (\text{Inherent Risk Likelihood} * \text{Inherent Risk Impact}) + \text{Fraud Risk}$$

The inherent risk formula produces values between two and 12. M&J then converted the values produced by the inherent risk formula into categorical Inherent Risk Scores using the thresholds shown in Figure 12.

Figure 12: Inherent Risk Score Classification Thresholds

Category	Values
Low	2 – 4
Medium	5 – 7
High	8 – 12

Figure 13 provides additional detail regarding M&J’s development of its risk assessment, including the scores assigned to each risk aspect and key factor(s) used by M&J in making its risk aspect score assignments.

Figure 13: Risk Assessment Calculation Detail

Category	Process	Inherent Risk Likelihood	Key Factor(s)	Inherent Risk Impact	Key Factor(s)	Fraud Risk	Key Factor(s)	Inherent Risk Score
AP	Invoice Processing	Medium	Volume of invoices processed	High	Value of invoices processed (total, average, and distribution)	Low	Prevalence of invoice-based fraud, Town's relationships with vendors	Medium
AP	Check Processing	Medium	Volume of checks issued, use of physical checks	High	Value of checks issued (total, average, and distribution)	Medium	Use of physical checks, prevalence of check-based fraud	High
AP	Vendor Management	Medium	Number of vendors managed	High	Value of payments received by Town vendors (total, average, and distribution)	High	Prevalence of vendor profile management fraud	High
Credit Cards	Credit Card Management	Medium	Number of cardholders	High	Credit line (total and per card)	High	Prevalence of credit card-based fraud, ease of making purchases without prior authorization	High

Category	Process	Inherent Risk Likelihood	Key Factor(s)	Inherent Risk Impact	Key Factor(s)	Fraud Risk	Key Factor(s)	Inherent Risk Score
AR	Payment Receiving	Medium	Volume of payments received	Medium	Value of payments received (total, average, and distribution)	Medium	Types and relative prevalence of various media used to receive payment (i.e., ACH, credit card, check, cash), prevalence of receiving-based fraud	Medium
Purchasing and Procurement	Solicitations	Medium	Volume of solicitations issued	High	Value of purchases awarded through competitive solicitations (total, average, and distribution)	Medium	Prevalence of solicitation fraud	High
Purchasing and Procurement	Contract Management	Medium	Number of existing contractors	High	Value of existing contracts (total, average, and distribution)	Low	Prevalence of fraud related to contract management	Medium
Payroll and Personnel	Payroll and Personnel Management	Low	Number of employees, payroll frequency, use of third-party payroll processing service	Medium	Value of payroll	High	Prior occurrence of payroll fraud within the Town	Medium
Treasury Management	Cash/Bank Management	Medium	Use of a single Wells Fargo account, volume of bank transactions	High	Typical bank account balance	Low	Prevalence of bank management-related fraud	Medium

Category	Process	Inherent Risk Likelihood	Key Factor(s)	Inherent Risk Impact	Key Factor(s)	Fraud Risk	Key Factor(s)	Inherent Risk Score
Treasury Management	Investment Management	Low	Use of a single LGIP account, volume of transactions	High	Typical investment account balance	Low	Prevalence of investment management-related fraud	Low
Debt Management	Debt Service	Low	Lack of outstanding debt	Low	Lack of outstanding debt	Low	Lack of outstanding debt	Low
Debt Management	Debt Issuance	Low	Lack of recent prior debt issuance	Low	Lack of recent prior debt issuance	Low	Lack of recent prior debt issuance	Low

## Appendix C: Compiled Recommendations

The following pages detail M&J's recommendations for the Town and the Finance Department. The recommendations are assigned a recommended prioritization level for implementation and include a typical timeframe for initiating implementation. The detailed report should be read in its entirety to better understand the context for the identified observations and recommendations. Recommendations are prioritized as "high", "medium", or "low" based on M&J's assessment of the risk associated with the issue, as well as the dependency of addressing certain recommendations before others can be resolved. "High" priority recommendations, thus, should be reviewed relatively soon after report issuance, and an action plan identified. The suggested timelines represent M&J's assessment of when implementation should start for each of the recommendations, and do not necessarily represent that resolution should be within the noted timeframe. Given the Town's resources and required governance processes, not all recommendations may be fully implemented within the suggested timeframe, but M&J believes that substantive progress should begin within the noted timeframe. Town management has the ultimate responsibility to determine which, if any, of the included recommendations are to be implemented and the timing of such implementation.

Town leadership has prepared a Management Response to M&J's findings, observations, and recommendations, which is included following the compiled recommendations.

The Town and the Finance Department should dedicate resources and engage external specialists where needed to assist with implementation.

Recommendation	Priority/Sense of Urgency:  1 = High 2 = Medium 3 = Low	Suggested Time for Implementation:  1 = <90 days 2 = 91-180 days 3 = >180 days
<p><b>Recommendation 1:</b> The Town should determine whether it will allow cardholders to lend their physical card to other Town staff for presentation at local vendors. If the Town does decide to allow cardholders to lend their card to other Kiawah Island officials or staff, the Town should introduce a process that requires cardholders to document card lending, including requiring borrowers to identify their intended purchase before borrowing the card and sign the cards out/in when they borrow/return the card. The updated credit card policy and/or process should clarify who carries liability for purchases made with borrowed cards, including how misuse of borrowed cards interacts with any standardized disciplinary process established by the credit card policy.</p>	1	1
<p><b>Recommendation 2:</b> The Town should refine its policies and procedures related to the creation, collection, and retention of documentation related to Town procurement activity. The revised procurement document management policies and procedures should require Town staff to prepare, collect, and retain all relevant procurement records, including solicitation and specification documents, records evidencing public notice of solicitations, all bids and proposals received, records of communications with interested vendors, completed bid evaluation documents, documents supporting non-competitive purchases (including sole source findings, emergency purchase authorizations, and copies of cooperative or other public entity contracts that the Town purchases off of), full bid evaluation documents, intent to award notices, and final contracts. ToKI should create a dedicated file for each purchase that the Town makes which it should use to store all relevant records.</p>	1	2

Recommendation	Priority/Sense of Urgency:  1 = High 2 = Medium 3 = Low	Suggested Time for Implementation:  1 = <90 days 2 = 91-180 days 3 = >180 days
<p><b>Recommendation 3:</b> The Town should adapt the Accounting Policies and Procedures guide into two separate governing documents, including one document of finance-related policies and a separate document of finance-related processes and procedures. Updates to the finance-related policies and procedures guide should require the approval of the Town Council, while the Finance Director should be able to update the finance-related processes and procedures guide with the approval of the Mayor and/or Town Administrator, or to conform with updates to South Carolina law, code, or governing accounting principles.</p>	1	2
<p><b>Recommendation 4:</b> The Town should update its procedures to require that staff reviewing financial work performed by others utilize independently sourced reports and records to ensure that the reports are an accurate representation of the entries in the Town’s various financial software systems.</p>	3	1
<p><b>Recommendation 5a:</b> The Town should begin conducting regular account audits of sensitive financial software platforms to identify and remove unauthorized accounts, ensure that all authorized accounts are active and accessible, and confirm that account permissions agree with the Town’s intended permissions control model. All accountholders should hold individual accounts (<i>i.e.</i>, account sharing should not be permitted) and accounts should be assigned to individual employees. The Town should require staff with accounts in the Town’s various sensitive financial systems to periodically log in to these accounts in order to maintain access and verify that the accounts are functioning properly.</p>	2	3

Recommendation	Priority/Sense of Urgency:  1 = High 2 = Medium 3 = Low	Suggested Time for Implementation:  1 = <90 days 2 = 91-180 days 3 = >180 days
<p><b>Recommendation 5b:</b> The Town should implement a cybersecurity policy that requires staff to adhere to cybersecurity best practices, such as using complex passwords and refraining from storing passwords in unsecured locations. To support adoption of this cybersecurity initiative, the Town should consider providing staff with subscriptions to an enterprise-grade password manager.</p>	<p style="text-align: center;"><b>1</b></p>	<p style="text-align: center;"><b>1</b></p>
<p><b>Recommendation 6:</b> The Town should modify its processes for handling checks, including both checks made out to ToKI and checks made out by ToKI, to ensure that the Town maintains a consistent chain of custody for all checks from the time that they arrive at Town Hall to the time that they are deposited (for checks made out to ToKI) or are received by their final recipient (for checks made out by ToKI). The Town may use its various software systems which it uses to track payments (such as CitizenServe and Incode’s court and utility billing modules) to track checks that are recorded immediately after receipt and should use a dedicated check tracking log to track checks that are not immediately recorded in one of the Town’s software systems after receipt.</p>	<p style="text-align: center;"><b>2</b></p>	<p style="text-align: center;"><b>1</b></p>
<p><b>Recommendation 7:</b> The Town should review the implementation of the Town’s existing ethics policies and update the policies as appropriate and/or developing supporting ethics procedures/documentation that goes beyond merely stating the policies and instead explains the usage of the policies in detail. The Town may wish to provide periodic training on its ethics policies to Town employees above and beyond the ethics acknowledgement form that the Town requires staff to sign annually in order to help ensure that Town staff have consistent understanding of the expectations and demands placed on them by the Town’s ethics policies.</p>	<p style="text-align: center;"><b>1</b></p>	<p style="text-align: center;"><b>2</b></p>

Recommendation	Priority/Sense of Urgency:  1 = High 2 = Medium 3 = Low	Suggested Time for Implementation:  1 = <90 days 2 = 91-180 days 3 = >180 days
<p><b>Recommendation 8:</b> The Finance Department should continue the process of implementing ACH payments for vendor payments. Once the Town has successfully implemented ACH payments for vendor payments, the Town should encourage vendors to transition to ACH payments and assist vendors through the transition process.</p> <p>Once the Town has introduced ACH payments, it will also need to update its vendor management procedures, including creation of a vendor management form that requires the vendor to identify financial and operational contacts, include a voided check and/or banking relationship confirmation, and should introduce processes that require independent verification of any requested changes to vendor information, such as banking information, primary contacts, or other information that may increase risk of fraudulent payments.</p>	3	3

Recommendation	Priority/Sense of Urgency:  1 = High 2 = Medium 3 = Low	Suggested Time for Implementation:  1 = <90 days 2 = 91-180 days 3 = >180 days
<p><b>Recommendation 9:</b> The Town should update its Accounts Payable (“AP”) process to require management within departments making a purchase to complete a consistent receiving record form (or provide a packing slip, bill of lading, or other documentation of receipt) prior to Finance issuing payment on an invoice, or at least document on the invoice that all goods have been received. The Town should ensure that the department managers understand that their signature on a request for payment represents their attestation that all goods and/or services have been received in compliance with the terms of the contract/order.</p> <p>The Town should also consider introducing vendor performance forms, specifically for use in service contracts, or goods/materials contracts with multiple components or complex requirements. The vendor performance management forms should be several questions that allow the Town to evaluate vendor performance, with consideration for communication, timeliness, and whether the deliverable(s) met the terms of the contract or order. Vendor performance forms should be maintained as part of the contract file, and the Town may consider use of performance forms to determine whether a vendor would be recommended for future use by the Town, or if use of the contract’s cure and other remedies should be utilized to address documented performance concerns.</p>	2	1

Recommendation	Priority/Sense of Urgency:  1 = High 2 = Medium 3 = Low	Suggested Time for Implementation:  1 = <90 days 2 = 91-180 days 3 = >180 days
<p><b>Recommendation 10:</b> The Town should review its processes for processing check request/reimbursement forms and determine whether there are payments that should be exempted from the requirement to attach supporting documents. If the Town decides that certain payments can be exempted from the supporting document requirement, the Town should specify the types of exemptions allowed and update the check request/reimbursement form to provide applicants with a space to provide a written justification for the lack of supporting documents. If the Town determines that no exemptions should be given to the supporting document requirement, the Town should re-emphasize the supporting document requirement and require Finance Department staff to reject all check request/reimbursement forms that are not accompanied by adequate supporting documents.</p>	1	1
<p><b>Recommendation 11:</b> The Town should implement a policy and process for creating and updating vendor profiles that requires ToKI staff to verify all submitted information through a trusted, independent communications channel, such as having an in-person meeting or calling a trusted phone number. As certain alternate payment methods, such as ACH, may increase the damages of vendor impersonation fraud, the Town should ensure that it implements this policy or process before widely offering ACH payments to vendors and may wish to consider implementing stricter verification levels for vendors that make use of ACH payments. At a minimum, the Town should require staff to independently verify updates to vendor routing information through a trusted source before approving vendor profile changes.</p>	2	2

Recommendation	Priority/Sense of Urgency:  1 = High 2 = Medium 3 = Low	Suggested Time for Implementation:  1 = <90 days 2 = 91-180 days 3 = >180 days
<p><b>Recommendation 12:</b> The Town should update its vendor management processes to require Finance Department staff to obtain signed and dated W-9s from all applicable vendors prior to issuing payment on invoices issued by those vendors. Additionally, the Town should begin conducting periodic vendor reviews to confirm that the W-9s that the Town has on file from active vendors are up to date by requesting new signed and dated W-9s from vendors whose W-9s on file are dated more than two years old or are undated.</p>	2	2
<p><b>Recommendation 13a:</b> The Town should develop and formally adopt a written, comprehensive credit card policy. The Town’s comprehensive credit card policy should explicitly lay out what constitutes permissible credit card usage and what type of credit card usage is not allowed. Additionally, the policy should include clear disciplinary procedures for credit card misuse, including a progressive disciplinary policy that provides for increasing consequences for repeated credit card misuse, up to and including revocation of credit card access. The credit card policy should detail the one-time (e.g., repayment of a charge) and progressive disciplinary consequences of the specified credit card usage violations.</p>	1	2
<p><b>Recommendation 13b:</b> The Town should develop a training program for cardholders, including training for new credit card holders, remedial training for cardholders that violate the Town’s credit card policy, and periodic retraining for all cardholders. As part of the training program, cardholders should be required to sign documents affirming that they understand the rules of the Town’s credit card program and agreeing to abide by the rules and any consequent discipline.</p>	2	3

Recommendation	Priority/Sense of Urgency:  1 = High 2 = Medium 3 = Low	Suggested Time for Implementation:  1 = <90 days 2 = 91-180 days 3 = >180 days
<p><b>Recommendation 14a:</b> The Town should review the typical use patterns of cardholders to develop an understanding of each cardholder’s typical credit needs. The Town should then use the collected information on typical credit usage to adjust card limits based on anticipated card usage to ensure that credit limits match the need exhibited by each cardholder’s position. When modifying credit limits, the Town should balance cardholder needs and typical usage and the risk posed by cards having credit limits greatly in excess of standard card usage patterns.</p>	2	2
<p><b>Recommendation 14b:</b> The Town should consider introducing the use of “ghost” cards (<i>i.e.</i>, virtual cards for dedicated virtual use cases) or create a new card dedicated for use for recurring subscriptions.</p>	3	3
<p><b>Recommendation 14c:</b> The Town should introduce a process that allows cardholders to request one-time credit increases on their cards to allow for exceptional demands. The process should require the cardholder to list the intended use and provide a justification as to why this purchase cannot be completed using an alternate payment method.</p>	2	1
<p><b>Recommendation 15:</b> As part of developing a new, written credit card policy, the Town should clearly identify which types of credit card purchases are exempt from receipt retention/submission requirements and develop a standardized method for identifying exempt payments in the monthly reconciliation. If Kiawah Island leadership determines that recurring payments should be exempt from standard credit card receipt retention/submission requirements, they should specify what alternate reporting requirements are imposed instead, such as requiring a receipt for at least one payment per year, or a statement/receipt that defines the total annual charge and is reviewed and validated, and how the alternate reporting requirements are to be tracked.</p>	2	1

Recommendation	Priority/Sense of Urgency:  1 = High 2 = Medium 3 = Low	Suggested Time for Implementation:  1 = <90 days 2 = 91-180 days 3 = >180 days
<p><b>Recommendation 16:</b> The Town should develop and formally adopt procedures governing the selection of formal, competitive procurement methods. Additionally, the Town should develop guidance for the officials and staff tasked with selecting the formal, competitive procurement method for each purchase that they can use when making that selection. Among other relevant factors, the guidelines should consider the type of good or service being purchased and the expected purchase value.</p>	1	1
<p><b>Recommendation 17:</b> The Town should develop robust debt management procedures prior to any future Town issuances of long-term debt. The Town’s debt management procedures should detail the responsibilities of Town management and Finance Department staff as they relate to the debt issuance (including strategic and financial planning), making debt service payments (including the use of sinking funds), and accounting for and reporting on debt.</p>	3	3
<p><b>Recommendation 18a:</b> The Town should require charitable grant applicants to disclose any relationships that they have with Town staff and officials and sign a non-collusion pledge.</p>	2	1
<p><b>Recommendation 18b:</b> In order to better assess the performance of new charitable grantees, the Town should introduce additional performance reporting requirements for first-year grant recipients, such as requiring grantees to provide a mid-year performance and expense report in their first year of receiving funds.</p>	2	2

Recommendation	Priority/Sense of Urgency:  1 = High 2 = Medium 3 = Low	Suggested Time for Implementation:  1 = <90 days 2 = 91-180 days 3 = >180 days
<p><b>Recommendation 19:</b> The Town should redesign the SATAX grant application form to better account for multiple common types of applicants. The Town may wish to consider introducing multiple sections to the form for different types of applications, such as one section for short-term events and another section for long-term programs or ongoing efforts, and ask applicants to only complete the sections that apply to their particular application. After implementing the redesigned forms, the Town should strictly enforce requirements that applicants fully complete all applicable sections of the application in order to be considered for funding.</p>	<p><b>3</b></p>	<p><b>3</b></p>

# Management Response

## **Management Response**

Mauldin and Jenkins, LLC has completed a comprehensive Finance Department Operational and Performance Assessment for the Town of Kiawah . The Town values this independent review as an important means of strengthening internal controls, enhancing transparency, and supporting sound stewardship of public resources.

Town staff have carefully considered each recommendation. In many cases, the Town agrees and is either already taking steps or will be initiating actions to address the suggested improvements. In other instances, the Town respectfully disagrees, based on existing controls and practices that it believes already meet the underlying objectives of the recommendations.

The following sections provide the Town’s responses to each recommendation, outlining current practices, planned enhancements, and, where applicable, the rationale for maintaining existing procedures.

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### **RECOMMENDATION 1**

The Town should determine whether it will allow cardholders to lend their physical card to other Town staff for presentation at local vendors. If the Town does decide to allow cardholders to lend their card to other Kiawah Island officials or staff, the Town should introduce a process that requires cardholders to document card lending, including requiring borrowers to identify their intended purchase before borrowing the card and sign the cards out/in when they borrow/return the card. The updated credit card policy and/or process should clarify who carries liability for purchases made with borrowed cards, including how misuse of borrowed cards interacts with any standardized disciplinary process established by the credit card policy.

#### **Response**

The Town issues credit cards to a limited number of authorized users—currently including the Mayor, Mayor Pro Tempore, and five designated employees—for approved Town-related expenditures, such as:

- Travel expenses
- Subscriptions and professional memberships
- Purchases of supplies, materials, and small equipment
- Emergency operational purchases

These cards may be lent to other employees, only when necessary, to facilitate approved Town business.

The Town’s established practice requires that any borrower identify the intended purchase prior to using a card. This practice will continue. However, the Town agrees with the recommendation

to formally update the written credit card policy, which will be included in the new Finance Procedures Manual, to document this procedure and strengthen accountability.

The updated procedures will clearly define:

- Cardholder responsibilities for safeguarding the card
- The requirement to ensure all charges comply with authorized and intended uses
- The obligation to return the card promptly with complete supporting documentation
- Specific consequences for improper or unauthorized use

Additionally, the Town will include disciplinary provisions for violations such as repeated failure to submit required receipts or other forms of misuse. Consequences may include requiring employees to reimburse the Town for any unauthorized charges.

The updated credit card section of the new Finance Procedures Manual will be finalized and adopted by the end of the current fiscal year. Once approved, it will be communicated to all staff, and all employees will be required to acknowledge their understanding of the procedures and responsibilities outlined in the Finance Procedures Manual.

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## **RECOMMENDATION 2**

The Town should refine its policies and procedures related to the creation, collection, and retention of documentation related to Town procurement activity. The revised procurement document management policies and procedures should require Town staff to prepare, collect, and retain all relevant procurement records, including solicitation and specification documents, records evidencing public notice of solicitations, all bids and proposals received, records of communications with interested vendors, completed bid evaluation documents, documents supporting non-competitive purchases (including sole source findings, emergency purchase authorizations, and copies of cooperative or other public entity contracts that the Town purchases off of), full bid evaluation documents, intent to award notices, and final contracts. ToKI should create a dedicated file for each purchase that the Town makes which it should use to store all relevant records.

### **Response**

The Town adopted a new procurement ordinance in spring 2025, which has resulted in updated policies and procedures and reflects the Town's continued efforts to strengthen compliance with procurement standards.

The Town recognizes that further education and training among staff will enhance the consistency and quality of procurement documentation. As part of the Town's ongoing commitment to transparency and accountability, the Finance Department will work with department heads to ensure that all procurement-related activities are properly documented and filed in accordance with policy.

The Town agrees with the recommendation and will also refine its internal procedures to:

- Ensure that a dedicated file or binder is created for each procurement action
- Clearly identify required documentation for each stage of the process
- Reinforce staff understanding of documentation and retention standards

The updated procurement section of the new Finance Procedures Manual will be finalized and adopted by the end of the current fiscal year.

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### **RECOMMENDATION 3**

The Town should adapt the Accounting Policies and Procedures guide into two separate governing documents, including one document of finance-related policies and a separate document of finance-related processes and procedures. Updates to the finance-related policies and procedures guide should require the approval of the Town Council, while the Finance Director should be able to update the finance-related processes and procedures guide with the approval of the Mayor and/or Town Administrator, or to conform with updates to South Carolina law, code, or governing accounting principles.

#### **Response**

The Town agrees with this recommendation. The Finance Department is developing a Finance Procedures Manual to provide greater clarity, consistency, and accountability in financial operations.

This manual will define the roles and duties of finance staff and provide a foundation for staff training and continuity of operations. As part of this effort, the Town will distinguish between higher-level policy direction, which will be subject to Town Council approval, and detailed administrative procedures, which may be updated by staff to reflect changes in law, regulations, or best practices.

The Town staff anticipates completing the drafting of this manual by the end of the current fiscal year.

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### **RECOMMENDATION 4**

The Town should update its procedures to require that staff reviewing financial work performed by others utilize independently sourced reports and records to ensure that the reports are an accurate representation of the entries in the Town's various financial software systems.

#### **Response**

The Town's current procedures require that all financial documents reviewed and approved by the Town Administrator or Finance Director be generated directly in PDF format from the Town's financial systems, ensuring that the files cannot be altered or manipulated after creation. This practice helps ensure the integrity and accuracy of the information being reviewed.

The Town agrees that these procedures could be documented and clarified more explicitly in the Finance Procedures Manual. The Manual will further describe the use of system-generated reports and related controls to support independent verification of financial information. The Town staff expects to complete this Manual by the end of the current fiscal year.

The only exception is the CSV file transmitted to Wells Fargo, which is required by the bank's electronic processing system. Prior to the creation and transmission of the CSV file, the Finance Director reviews and verifies the corresponding PDF printout, confirming that the totals and the number of checks are accurate and consistent.

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#### **RECOMMENDATION 5a**

The Town should begin conducting regular account audits of sensitive financial software platforms to identify and remove unauthorized accounts, ensure that all authorized accounts are active and accessible, and confirm that account permissions agree with the Town's intended permissions control model. All accountholders should hold individual accounts (i.e., account sharing should not be permitted) and accounts should be assigned to individual employees. The Town should require staff with accounts in the Town's various sensitive financial systems to periodically log in to these accounts in order to maintain access and verify that the accounts are functioning properly.

#### **Response**

The Town agrees with this recommendation and will make the necessary changes.

These practices will be incorporated into the Finance Procedures Manual by the end of the current fiscal year and coordinated with the Town's IT and cybersecurity efforts.

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#### **RECOMMENDATION 5b**

The Town should implement a cybersecurity policy that requires staff to adhere to cybersecurity best practices, such as using complex passwords and refraining from storing passwords in unsecured locations. To support adoption of this cybersecurity initiative, the Town should consider providing staff with subscriptions to an enterprise-grade password manager.

## **Response**

The Town agrees with this recommendation. The Town currently conducts cybersecurity exercises periodically but does not have a formal written cybersecurity policy.

The Operations Manager will work with IMS Solutions to develop a comprehensive cybersecurity policy outlining best practices, password management standards, and user responsibilities. This policy will be completed by the end of the current fiscal year.

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## **RECOMMENDATION 6**

The Town should modify its processes for handling checks, including both checks made out to ToKI and checks made out by ToKI, to ensure that the Town maintains a consistent chain of custody for all checks from the time that they arrive at Town Hall to the time that they are deposited (for checks made out to ToKI) or are received by their final recipient (for checks made out by ToKI). The Town may use its various software systems which it uses to track payments (such as CitizenServe and Incode's court and utility billing modules) to track checks that are recorded immediately after receipt and should use a dedicated check tracking log to track checks that are not immediately recorded in one of the Town's software systems after receipt.

## **Response**

The Town disagrees with this recommendation, as it believes its current procedures already provide a clear, consistent, and well-documented chain of custody for all checks, both those received by the Town and those issued by the Town.

For incoming checks, the Town maintains strong controls and daily documentation. All checks are recorded in a dedicated check logbook by the Finance Assistant or, in her absence, by another Finance Department member. This log provides a continuous record of all checks received, including the date, amount, and individual responsible for handling the check.

Even during emergencies, such as recent flooding events when Town offices were closed, a designated employee was present at Town Hall daily to collect mail and secure any incoming checks for deposit. The staff member receiving and depositing the checks signs the check log to document the transfer of custody and completes deposits either through the desktop check scanner or by visiting Wells Fargo directly.

For outgoing checks, the majority are mailed directly by Wells Fargo, the Town's contracted check issuer. A small number of checks are returned to Town Hall when additional documentation must be included; these are mailed out by staff. As part of the monthly bank reconciliation process, the Town reviews all outstanding checks. Vendors with checks

outstanding for more than 30 days are contacted promptly to verify receipt and resolve any issues.

Based on these robust procedures, the Town believes it already maintains a reliable and consistent chain of custody for all checks and demonstrates strong internal control over both incoming and outgoing payments. Accordingly, the Town does not find additional modifications necessary at this time.

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## **RECOMMENDATION 7**

The Town should review the implementation of the Town's existing ethics policies and update the policies as appropriate and/or developing supporting ethics procedures/ documentation that goes beyond merely stating the policies and instead explains the usage of the policies in detail. The Town may wish to provide periodic training on its ethics policies to the Town employees above and beyond the ethics acknowledgment form that the Town requires staff to sign annually in order to help ensure that Town staff have consistent understanding of the expectations and demands placed on them by the Town's ethics policies.

### **Response**

The Town agrees with this recommendation. In conjunction with the annual Employee Handbook acknowledgment process and as part of its ongoing policy review, the Town will periodically evaluate the implementation of its ethics-related policies to ensure that operational practices are consistent with the policies as adopted. Where gaps between policy and practice are identified, the Town will develop and implement additional procedures and supporting documentation to clarify expectations and ensure compliance, thereby reinforcing a culture of ethical conduct and accountability.

The Town's ethical standards are currently established in the Employee Handbook, including the Ethical Conduct and Conflict of Interest provisions, and are further supported by a stand-alone Gift Policy that defines acceptable conduct and related reporting obligations.

To further promote awareness and compliance, the Town will require all employees to annually acknowledge receipt of the Employee Handbook. This annual acknowledgment will help ensure that employees remain informed of ethical expectations, conflict-of-interest requirements, and reporting procedures, thereby supporting transparency and strengthening the Town's overall ethics framework.

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## **RECOMMENDATION 8**

The Finance Department should continue the process of implementing ACH payments for vendor payments. Once the Town has successfully implemented ACH payments for vendor payments, the Town should encourage vendors to transition to ACH payments and assist vendors through the transition process. Once the Town has introduced ACH payments, it will also need to update its vendor management procedures, including creation of a vendor management form that requires the vendor to identify financial and operational contacts, include a voided check and/or banking relationship confirmation, and should introduce processes that require independent verification of any requested changes to vendor information, such as banking information, primary contacts, or other information that may increase risk of fraudulent payments.

### **Response**

The Town agrees with this recommendation and is currently in the process of implementing ACH payments for vendor disbursements using a measured approach. The primary challenge has been collecting verified email addresses from vendors, which is required by Wells Fargo as the first step in establishing ACH payment capability.

To address this, the Town plans to send notices to all vendors in conjunction with the distribution of Form 1099, inviting them to participate in the ACH payment program and providing instructions on how to securely submit their email and banking information for verification.

The Town acknowledges that it will not fully implement ACH payments until a majority of vendors have transitioned to the new system, as it is not practical to manage both paper check and ACH payment processes simultaneously. The goal is to achieve full implementation by the end of calendar year 2026.

Once a sufficient number of vendors are enrolled, the Town will proceed with full ACH implementation and update its vendor management procedures to include enhanced verification controls, documentation standards, and fraud-prevention measures, including the use of a vendor management form.

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## **RECOMMENDATION 9**

The Town should update its Accounts Payable (“AP”) process to require management within departments making a purchase to complete a consistent receiving record form prior to Finance issuing payment on an invoice, or at least document on the invoice that all goods have been received. The Town should ensure that the department managers understand that their signature represents their attestation that all goods and/or services have been received in compliance with the terms of the contract/order.

The Town should also consider introducing vendor performance forms, specifically for use in service contracts, or goods/materials contracts with multiple components or complex requirements. The vendor performance management forms should be several questions that allow the Town to evaluate vendor performance, with consideration for communication, timeliness, and whether the deliverable(s) met the terms of contract or order. Vendor performance forms should be maintained as part of the contract file, and the Town may consider use of performance forms to determine whether a vendor would be recommended for future use by the Town, or if use of the contractor's cure and other remedies should be utilized to address documented performance concerns.

## **Response**

The Town agrees with this recommendation and will communicate and educate all check requestors and department heads on their responsibility to verify receipt of goods and services before payment is processed. The Finance Department will reinforce that approval signatures represent confirmation that all items have been received as ordered and that all services have been satisfactorily rendered in accordance with the terms of the contract or purchase order.

To strengthen internal controls, the Town will update its Accounts Payable process to require departments making purchases to provide a consistent receiving record form, or alternatively a packing slip, bill of lading, or other documentation demonstrating receipt. At a minimum, departments will be required to note on the invoice that all goods and/or services have been received prior to the Finance Department processing payment.

In addition, the Town will evaluate the introduction of vendor performance forms for major contracts, such as landscaping, waste management, and other high-value or complex service agreements. These forms would include a standardized set of questions addressing communication, timeliness, quality of deliverables, and compliance with contract terms. Completed performance evaluations would be maintained in the contract file and may be used to inform future vendor selection decisions or to support the use of contractual remedies when performance issues are documented.

The Town staff expects to complete the above actions by the end of the current fiscal year.

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## **RECOMMENDATION 10**

The Town should review its processes for processing check request/reimbursement forms and determine whether there are payments that should be exempted from the requirement to attach supporting documents. If the Town decides that certain payments can be exempted from the supporting document requirement, the Town should specify the types of exemptions allowed and update the check request/reimbursement form to provide applicants with a space to provide a written justification for the lack of supporting documents. If the Town determines that no exemptions should be given to the supporting document requirement, the Town should re-emphasize the supporting document requirement and require Finance Department staff to reject

all check request/reimbursement forms that are not accompanied by adequate supporting documents.

### **Response**

Currently, the only check requests that are not required to include supporting documentation are those related to:

- A cell phone stipend for one employee
- Arts Council events
- Bird banding interns
- Occasionally, membership dues for professional organizations

However, the Town agrees with the recommendation that all check requests should include appropriate supporting documentation. The Finance Department will review and update internal procedures by the end of the current fiscal year to ensure this requirement is applied consistently.

The Town will also communicate and educate all employees on the updated policy and reinforce that no check request or reimbursement will be processed without complete supporting documentation.

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### **RECOMMENDATION 11**

The Town should implement a policy and process for creating and updating vendor profiles that requires ToKI staff to verify all submitted information through a trusted, independent communications channel, such as having an in-person meeting or calling a trusted phone number. As certain alternate payment methods, such as ACH, may increase the damages of vendor impersonation fraud, the Town should ensure that it implements this policy or process before widely offering ACH payments to vendors and may wish to consider implementing stricter verification levels for vendors that make use of ACH payments. At a minimum, the Town should require staff to independently verify updates to vendor routing information through a trusted source before approving vendor profile changes.

### **Response**

The Town agrees with this recommendation. Protecting the integrity of the vendor onboarding and update process is essential to reducing the risk of vendor impersonation fraud, especially as the Town expands the use of ACH payments.

The Town will develop and implement a formal policy and procedure requiring independent verification of all new vendor profiles and any subsequent changes to vendor information, including banking details. This verification will occur through a trusted communication channel, such as a phone call to a previously validated number or an in-person meeting and will not rely on information provided solely in the update request itself. Staff will document the verification

process as part of the vendor file to ensure accountability and auditability. This policy will be memorialized in the Finance Procedures Manual by the end of the current fiscal year, and implementation will include staff training.

As part of the upcoming implementation of ACH payments, the Town will initially rely on Wells Fargo's verification processes to confirm the validity of vendor banking information. Wells Fargo requires independent verification of vendor details, which will further strengthen the Town's controls against fraudulent changes to payment information.

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## **RECOMMENDATION 12**

The Town should update its vendor management processes to require Finance Department staff to obtain signed and dated W-9s from all applicable vendors prior to issuing payment on invoices issued by those vendors. Additionally, the Town should begin conducting periodic vendor reviews to confirm that the W-9s that the Town has on file from active vendors are up to date by requesting new signed and dated W-9s from vendors whose W-9s on file are dated more than two years old or are undated.

### **Response**

The Town agrees with this recommendation and will make every effort to ensure that W-9 forms are kept current for all vendors.

As part of this effort, the Town will incorporate a W-9 review step into the annual 1099 issuance process to confirm that all vendor records are up to date and to request updated W-9s as needed.

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## **RECOMMENDATION 13a**

The Town should develop and formally adopt a written, comprehensive credit card policy. The Town's comprehensive credit card policy should explicitly lay out what constitutes permissible credit card usage and what type of credit card usage is not allowed. Additionally, the policy should include clear disciplinary procedures for credit card misuse, including a progressive disciplinary policy that provides for increasing consequences for repeated credit card misuse, up to and including revocation of credit card access. The credit card policy should detail the one-time (e.g., repayment of a charge) and progressive disciplinary consequences of the specified credit card usage violations.

### **Response**

The Town agrees with this recommendation and has addressed it in its response to Recommendation 1, which describes the development of updated written credit card policies and procedures, including defined responsibilities and consequences for misuse.

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### **RECOMMENDATION 13b**

The Town should develop a training program for cardholders, including training for new credit card holders, remedial training for cardholders that violate the Town's credit card policy, and periodic retraining for all cardholders. As part of the training program, cardholders should be required to sign documents affirming that they understand the rules of the Town's credit card program and agreeing to abide by the rules and any consequent discipline.

#### **Response**

The Town does not currently believe a periodic credit card training program is necessary. However, once the policy updates referenced in Recommendation 1 are finalized, Town staff will be educated on the new controls and procedures related to credit card use.

In addition, all new cardholders will receive a briefing on the Town's credit card policy before being issued a card, ensuring that they understand the responsibilities, authorized uses, and disciplinary measures associated with the program.

This approach will ensure consistent understanding and compliance without the need for a separate formal periodic training program.

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### **RECOMMENDATION 14a**

The Town should review the typical use patterns of cardholders to develop an understanding of each cardholder's typical credit needs. The Town should then use the collected information on typical credit usage to adjust card limits based on anticipated card usage to ensure that credit limits match the need exhibited by each cardholder's position. When modifying credit limits, the Town should balance cardholder needs and typical usage and the risk posed by cards having credit limits greatly in excess of standard card usage patterns.

#### **Response**

The Town believes that the current credit card limits are sufficient and appropriate for existing operational needs and therefore disagrees with the recommendation. Two cards currently carry higher limits of \$50,000 and \$36,000 for the Mayor and Mayor Pro Tempore, respectively, which are maintained for emergency purposes to ensure flexibility in urgent or unforeseen circumstances.

However, the Town is considering a modification to increase the credit limit on the Town Administrator's card to better accommodate recurring expenses such as monthly subscriptions, conference registrations, and membership fees.

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#### **RECOMMENDATION 14b**

The Town should consider introducing the use of "ghost" cards (i.e., virtual cards for dedicated virtual use cases) or create a new card dedicated for use for recurring subscriptions.

#### **Response**

The Town disagrees with this recommendation. Currently, the Town does not believe that introducing virtual "ghost" cards or creating an additional dedicated subscription card is necessary. Existing credit card management practices, combined with planned adjustments such as the potential increase to the Town Administrator's card limit, are sufficient to meet operational needs and effectively manage recurring expenses.

The Town will continue to monitor its credit card usage and operational requirements and will reassess the need for such tools should circumstances change in the future.

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#### **RECOMMENDATION 14c**

The Town should introduce a process that allows cardholders to request one-time credit increases on their cards to allow for exceptional demands. The process should require the cardholder to list the intended use and provide a justification as to why this purchase cannot be completed using an alternate payment method.

#### **Response**

The Town does not agree with this recommendation due to security and risk management considerations. Allowing one-time credit limit increases could increase exposure to potential misuse or unauthorized transactions. The Town believes that maintaining stable card limits, coupled with existing oversight and the availability of alternative payment methods, provides a more secure and controlled approach to managing credit card usage.

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#### **RECOMMENDATION 15**

As part of developing a new, written credit card policy, the Town should clearly identify which types of credit card purchases are exempt from receipt retention/submission requirements and develop a standardized method for identifying exempt payments in the monthly reconciliation. If

Kiawah Island leadership determines that recurring payments should be exempt from standard credit card receipt retention/submission requirements, they should specify what alternate reporting requirements are imposed instead, such as requiring a receipt for at least one payment per year, or a statement/receipt that defines the total annual charge and is reviewed and validated, and how the alternate reporting requirements are to be tracked.

### **Response**

The Town agrees with this recommendation and has addressed it in its response to Recommendation 1, which notes that the updated credit card policy will define responsibilities, documentation expectations, and consequences for non-compliance, including standards for receipt retention and any limited exemptions.

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### **RECOMMENDATION 16**

The Town should develop and formally adopt procedures governing the selection of formal, competitive procurement methods. Additionally, the Town should develop guidance for the officials and staff tasked with selecting the formal, competitive procurement method for each purchase that they can use when making that selection. Among other relevant factors, the guidelines should consider the type of good or service being purchased and the expected purchase value.

### **Response**

The Town agrees with this recommendation. As noted previously, the Town updated its procurement ordinance in spring 2025. The revised ordinance includes clear thresholds and procedural requirements for determining when to use formal, competitive procurement methods such as sealed bids, requests for proposals (RFPs), and requests for qualifications (RFQs).

To further strengthen this process, the Town will endeavor to educate staff and provide additional guidance outlining step-by-step criteria for selecting the appropriate procurement method by the end of the current fiscal year. This effort will enhance staff understanding of, and compliance with, the Town's procurement policy.

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### **RECOMMENDATION 17**

The Town should develop robust debt management procedures prior to any future Town issuances of long-term debt. The Town's debt management procedures should detail the responsibilities of Town management and Finance Department staff as they relate to the debt issuance (including strategic and financial planning), making debt service payments (including the use of sinking funds), and accounting for and reporting on debt.

## **Response**

The Town does not currently have a formal, stand-alone debt management policy but maintains a debt-related chapter within its Accounting Manual.

The Town rarely issues debt and, at present, has limited need for a comprehensive debt management framework. However, Finance Department staff are knowledgeable in debt issuance, payment processing, accounting, and reporting requirements.

If the Town anticipates issuing long-term debt in the future, the Finance Department will develop and formalize detailed debt management procedures to ensure continued compliance with applicable regulations and alignment with best financial practices.

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## **RECOMMENDATION 18a**

The Town should require charitable grant applicants to disclose any relationships that they have with Town staff and officials and sign a non-collusion pledge.

## **Response**

The Town agrees with this recommendation and will incorporate a non-collusion pledge into the charitable grant application process. Applicants will be required to disclose any relationships with Town staff and officials as part of this enhanced transparency and accountability measure.

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## **RECOMMENDATION 18b**

In order to better assess the performance of new charitable grantees, the Town should introduce additional performance reporting requirements for first-year grant recipients, such as requiring grantees to provide a mid-year performance and expense report in their first year of receiving funds.

## **Response**

The Town agrees with this recommendation. The Town will introduce enhanced reporting requirements for new charitable grant recipients, including the submission of a mid-year performance and expense report during their initial year of funding. This will help the Town better assess program effectiveness and ensure that grant funds are used as intended.

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## **RECOMMENDATION 19**

The Town should redesign the SATAX grant application form to better account for multiple common types of applicants. The Town may wish to consider introducing multiple sections to the form for different types of applications, such as one section for short-term events and another section for long-term programs or ongoing efforts, and ask applicants to only complete the sections that apply to their particular application. After implementing the redesigned forms, the Town should strictly enforce requirements that applicants fully complete all applicable sections of the application in order to be considered for funding.

### **Response**

The Town agrees to evaluate the SATAX grant application form by the end of the 3<sup>rd</sup> quarter, not only to distinguish between different types of applicants and projects, but also to improve the overall clarity, consistency, and completeness of information provided by applicants. Any revisions will be designed to support more effective evaluation of applications and to ensure that all required information is provided for funding consideration.