

AUDIT COMMITTEE MEETING
Kiawah Island Municipal Center
Council Chambers
August 28, 2017; 9:00 AM

Minutes

I. Call to Order: Mrs. Mezzanotte called the meeting to order at 9:00 am.

II. Roll Call:

Present: Diana Mezzanotte, Chairman
Andrew Capelli
Jim Williams

Absent: Roland Hoffman

Also Present: Stephanie Tillerson, Town Administrator
Dorota Szubert, Town Treasurer
Emily Sobczak, Greene, Finney, and Horton
Brian McCall, Greene, Finney, and Horton

III. Approval of Minutes:

A. Minutes of the April 13, 2017 Audit Committee Meeting

Mr. Capelli made the motion to approve the minutes of the April 13, 2017 Audit Committee meeting. The motions was seconded by Mr. Williams and unanimously passed as amended.

IV. Old Business:

None

V. New Business:

A. Areas of Risk Being Emphasized in Audit

Mrs. Sobczak began the discussion of the areas of risk that will be emphasized in the Audit by stating that additional testing would be done in Business Licensing since it was one of the areas where inconsistencies were noted in the billing and receipts process. She indicated that the Municipal Center construction cost was another area that would have addition testing. The actual costs would be compared to the budget along with the contractor invoices.

Unusual rebate revenues was another risk area that will be tested. Staff was urged to keep track of any rebates or refunds and ensure that they are properly receipted. Members discussed the mail receipt process/policy in place. The receptionist receives, opens, and logs all mail and checks with exception of mail which is marked confidential or is directly addressed to the Mayor or to the Town Administrator. Mrs. Sobczak indicate it was important that the receptionist knows to report any deviation to the policy.

Mr. Williams requested disclosure of the Municipal Center construction final costs in the yearend report along with discussion of the process and oversight of the change orders. Mr. Capelli questioned if there was a petty cash, to which Mrs. Szubert clarified there was a specific use change fund for business licenses and Court. She noted that the cash drawers are reconciled daily and excess is deposited daily.

Mrs. Sobczak began the discussion of the Town's retirement health care policy by stating the current policy was a little unclear. Ms. Tillerson indicated the newly approved employee manual will not include a policy until further evaluation and discussion takes place. Mrs. Sobczak explained the upcoming reporting changes and the importance of making a determination on the policy before the auditor's report is issued.

Members discussed the Accommodations Tax revenue issue in which businesses in Freshfields and rentals on the Island were late or improperly reporting. Mrs. Szubert stated that most of the funds had been received and she would be reviewing reports to make sure that none was missed. Also discussed was the potential of collecting fees and taxes from Air B&B and VRBO (Vacation Rentals by Owner). Gathering information on the rental is the biggest challenge, but occasionally calls come in that leads to a rental that may not have a license. Work is being done by the Charleston Visitors Bureau to capture this information.

Mr. Capelli questioned the status of the report being done by the Mercer Group. Ms. Tillerson explained the Organizational Review report is not completed but a preliminary report was submitted and is being reviewed. Based on the direction of the recommendations, it was determined that an Organizational or Departmental restructure was needed and has been implemented. She reviewed the new Departments of Finance and Municipal Court, Development Services, Communication & Public Engagement, Environmental & Wildlife and Facilities & Contract Liaison along with the Department Heads and staff who have been placed in the each Department.

B. Implementation of Accounting Manual

Ms. Szubert stated the Accounting Manual was approved at the July Town Council meeting. She indicated that it was a priority of the Mayor to review the Fund Balance and Investment Polices along with establishing a Reserve Fund Policy.

C. Discussion of Fraud Policy

Mr. Williams felt a discussion with the auditor on whatever members of the Committee were aware of any fraud was very important. Ms. Tillerson stated that an Ethical Disclosure Form, part of the new Employee Handbook, will be filled out by each employee annually, and sent directly to the Town Attorney. The Town Attorney will then report to Council on if there are any issues identified which need to be addressed. Discussion included the suggestion to have the forms filled out by the end of the fiscal year, or soon thereafter, to be included in the audit report.

Mrs. Sobczak questioned members if there were any fraud concerns, allegations, or areas in which they felt the Town is susceptible to fraud. Mr. Capelli indicated that building permitting was the area with the most potential for fraud and did not know of any fraud concerns.

D. Status of FEMA Refund

Mrs. Szubert indicated two checks in the amount of \$71,000.00 and \$9,000.00 have been received for reimbursement of expense from Hurricane Mathew with two more check pending for approved submittals. The total reimbursement expected is \$150,000.00.

Ms. Tillerson stated the amount that was disapproved has been appealed through a letter from the Town Attorney but receipt was not acknowledged by FEMA. She stated that she and Mrs. Szubert would follow-up but felt that reconsideration was doubtful.

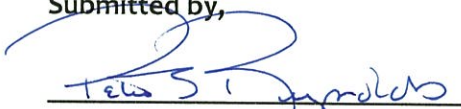
VI. Chairman's Comments:
None

VII. Citizen's Comments:
None

VIII. Adjournment:

Mr. Capelli made a motion to adjourn the meeting at 10:10 pm. The motion was seconded by Mr. Hoffman and was unanimously passed.

Submitted by,


Petra S. Reynolds, Town Clerk

1.22.2017
Date