

**AUDIT COMMITTEE MEETING**  
Kiawah Island Municipal Center  
Council Chambers  
April 13, 2017; 10:00 AM

**Minutes**

**I. Call to Order:** Mrs. Mezzanotte called the meeting to order at 10:00 am.

**II. Roll Call:**

Present: Diana Mezzanotte, Chairman  
Andrew Capelli  
Jim Williams  
Roland Hoffman

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

*Mrs. Mezzanotte made a motion to go into Executive Session to discuss the Greene, Finney & Horton contract. The motion was seconded by Mr. Hoffman and unanimously passed.*

**III. Executive Session:**

**A.** To discuss the Greene, Finney & Horton Contract

*Mr. Capelli made a motion to return to regular session. The motions was seconded by Mr. Hoffman and unanimously passed.*

Returning from executive session, Mrs. Mezzanotte stated that no decisions were made and no votes were taken.

**IV. Approval of Minutes:**

**A.** Minutes of the May 2, 2016 Audit Committee Meeting

*Mr. Capelli made the motion to approve the minutes of the May 2, 2016 Audit Committee meeting. The motion was seconded by Mr. Hoffman and unanimously approved as amended.*

**B.** Minutes of the September 6, 2016 Audit Committee Meeting

*Mr. Williams made the motion to approve the minutes of the September 6, 2016 Audit Committee meeting. The motion was seconded by Mr. Capelli and unanimously approved as amended.*

**V. Old Business:**

None

**VI. New Business:**

**Mr. Williams made a motion to move Item A. Review of the Town's New Accounting Policies and Procedures to Item C. The motion was seconded by Mr. Capelli and unanimously passed.**

**A. Discussion of the Treasurer's Report from the First Three Quarters ended 3/30/17**

Mrs. Szubert indicated the Ways and Means Committee requested quarterly reports and only monthly reports if there are any significant variances to the budget. The Monthly Budget to Actual Report is also reviewed and discussed at the monthly Department Heads meeting.

Mrs. Szubert presented the Town's Balance Sheet as of March 31, 2017 and Budget to Actual Report for the first three quarters. The Budget to Actual Report is compiled on the cash basis and all the funds are consolidated.

Overall, for the first nine months the Town's consolidated revenues of \$6.2M were approximately \$88K or 1% lower than budgeted. This variance is mostly attributed to the timing of the monthly collection of the Local Accommodation and Hospitality Taxes. As of completion date of this report, the Town has received funds for eight months. The building permits revenue has recovered in the third quarter, however, is still projected to carry a negative variance through the rest of the year and the total for the fiscal year 2017 is projected at \$1.1M compared to the \$1.25M budgeted. Another revenue source projected to fall under budget is interest revenue, as currently Town's investments are held at a very low investment return. These negative variances are partially offset by the positive variance of approximately \$140K in business license revenue that is expected to carry through the rest of the year. All other revenues appear reasonable for this time of the year and in line with the expectations.

With 75% of the year lapsed by the end of March, expenditures to date are approximately \$5.1M compared to \$4.6M budgeted. The negative variance of approximately \$500K or 11% is primarily driven by the cleanup cost after Hurricane Matthew that totaled, as of March 31, 2017, at \$626,597. Mr. Capelli questioned if there had been any reimbursement of the expenses submitted to FEMA (Federal Emergency Management Agency) that would mitigate some of the cleanup costs.

Another item attributing to the negative variance, which will carry through the end of the fiscal year, is rent expense. The actual prorated Town's share of the common area expenditures are significantly higher than budgeted. Committee members questioned the reason for the higher common area expenditures.

This negative variance is partially offset by the positive variance in the personnel cost of approximately \$100K lower than budgeted. This variance is attributed mostly to the reduction of one full-time position and a change in the Town's attorney employment status from a Town employee to an independent contractor. All other expenses appear to be reasonable and the variances are related to timing.

Capital expenditures are in line with the budget. From the inception through March 31, 2017, the new Municipal Center construction cost is approximately \$6.4M, of the \$9.25M budgeted. Members discussed the oversight of the Municipal Center Construction by the Municipal Center Committee and the change order approval process.

Members discussed the Timbers construction contract and the evaluation both the permit and business license fees, the format of the narrative and the investment policy.

#### **B. Pre-Audit Discussion**

Mr. Williams stated that working on lessons learned from the past, he would like the auditors to consider doing audit procedures for the Town that have been called “out of the box” when appropriate. Mrs. Sobczak indicated that though there are additional fees involved with procedures outside of the normal audit, but not the same procedures are done every year. She explained that the auditors would be asking members if there are any specific issues or concerns which need to be addressed, and then evaluate any other areas which may be at a greater risk. Members discussed the building department and business licensing as areas which may require additional procedures due to their higher risk.

Members discussed the project that had been undertaken by The Mercer Group, to do an Organization Review to evaluate the Town’s processes used to collect and account for revenue collected, and the Towns rules and regulations as it relates to Business Licenses, Building Permits, and Code Compliance. Following the review, a Classification and Compensation Study will be completed to evaluate new salary grades and ranges to be consistent with industry standards.

#### **C. Review of the Town’s New Accounting Policies and Procedures**

Members discussed the Town’s New Accounting Policies and Procedures and agreed that approval and implementation was extremely important. Mr. Capelli stated that in addition to the edits already noted in his copy he would be submitting to Mrs. Szubert, he suggested the manual also include a construction section under the debt section to include project progress and/or procedures controls. He also suggested a section on personal conduct to include ethical work activities.

Mr. Hoffman questioned if all employees were aware of the steps to follow if unethical behavior was detected, and that any suspicions could be reported to any member of the Audit Committee. Ms. Tillerson indicated a new employee handbook was near completion and would have the Town Attorney as the first point of contact.

Mr. Hoffman also questioned the status of the ongoing investigation of the allegations against the former Town Administrator and Treasurer. Members engaged in an in-depth discussion of the contact made with the federal investigators and they hope that an answer would be forthcoming.

Mrs. Szubert stated the basics of the Accounting Policies and Procedures are presently implemented and in force, however enhancements may be made in the future.

#### **VII. Chairman’s Comments: None**

VIII. Citizen's Comments:  
None

IX. Adjournment:

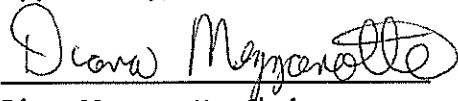
*Mr. Capelli made a motion to adjourn the meeting at 11:56 pm. The motion was seconded by Mr. Hoffman and was unanimously passed.*

Submitted by,



Petra S. Reynolds, Town Clerk

Approved by,



Diana Mezzanotte, Chairman

8/28/17

Date