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April 12, 2025

Ms. Sue Moss, CPA
Interim State Auditor
South Carolina Office of the State Auditor
1401 Main St., Suite 1200
Columbia, SC 29201

Re: Forensic Examination of the Town of Calhoun Falls, South Carolina

Dear Ms. Moss:

Our firm was engaged to perform an inquiry concerning the financial difficulties of the Town of Calhoun Falls, South Carolina (Calhoun Falls or Town). This inquiry was predicated on the lack of audited financial statements for the Town, as well as the Town's declining financial position. Attached is CRI Advisors, LLC's Forensic Examination Report detailing the procedures performed and the resulting findings.

We have performed this engagement in accordance with the Statement on Standards for Forensic Services No. 1 as promulgated by the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). While our work involved analysis of accounting records, our engagement did not constitute an audit in accordance with generally accepted auditing standards, an examination of internal controls, or any other attestation or review service in accordance with standards established by the AICPA. Had other procedures been performed, other matters may have come to our attention that may have affected the findings reported herein.

This report is intended solely for the use of the South Carolina Office of the State Auditor and should not be used for any other purpose without prior permission from CRI. We have no obligation, but reserve the right, to update this report for information that comes to our attention after the date of this report.

Sincerely,

CRI Advisors, LLC

CRI Advisors, LLC



Town of Calhoun Falls, South Carolina

Forensic Examination Report and Supplementary Information

April 12, 2025



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Executive Summary

CRI Advisors, LLC (CRI) was engaged to perform an inquiry concerning the financial difficulties of the Town of Calhoun Falls, South Carolina (Calhoun Falls or Town). This inquiry was predicated on the lack of audited financial statements for the Town, as well as the Town's declining financial position.

CRI performed certain procedures on the Town's books and records for July 1, 2019 through June 30, 2024 (review period). These procedures included, but were not limited to, interviews with key Calhoun Falls employees and council members, analysis of bank and credit card transactions, analysis of financial records and analysis of related supporting documentation. Summaries of CRI's major findings, based upon the investigative procedures performed, are listed below.

- **Inaccurate Financial Statements and Inadequate Financial Reporting**

The Town has been consistently delinquent in preparing and submitting mandatory audited financial statements. The Town's internal and external financial reporting notably deteriorated beginning with Mr. Holland's tenure as mayor. This has caused a withholding of state funds and loss of potential grant opportunities. The Town's payables and receivables are not consistently maintained and adjusted, which limits the Town's ability to accurately determine its financial position. Other errors or inaccurate postings were identified as well. Refer to Sections 2.1, 2.2, 2.3, 2.4, 4.1, 5.1 and 7.2 of this report.

- **Waste and Abuse of Town Funds**

The Town has expended funds on unnecessary expenses including meals, snacks, etc. This has resulted in a waste of the Town's funds. Certain Town employees also abused the lack of oversight related to the purchase of meals and snacks for their personal benefit. Refer to Section 5.3 of this report.

- **Utility Fund Deficits**

Continued operating losses within the Town's utility fund contributed substantially to the Town's deteriorating financial position. Current Town management has failed to adequately address or understand the root causes of the utility fund deficits. The Town has not increased its utility rates since the beginning of 2020 even though its direct costs have increased, and other surrounding utility systems have adopted rate increases. The Town has a significant number of malfunctioning or inoperable utility meters. These malfunctioning/inoperable utility meters in conjunction with the Town not complying with its Code for billing customers with these meters have caused the Town to underbill various utility customers (including commercial customers). The Town also appears to lose a significant amount of water that it purchases due to the deteriorating condition of its utility system. The Town has not prepared a plan to address or identify its significant water losses or to replace its inoperable or malfunctioning meters, which is responsible for between 40% and 50% of the Town's annual utility deficits. Refer to Section 7 of this report.

- **Degradation of Internal Controls**

The Town's internal controls were slowly degraded during the review period due in part to lack of effective management oversight. Policies and procedures were either not followed or were not adopted despite known issues. Certain financial transactions including credit card purchases, procurement, fuel purchases, etc. lacked appropriate documentation, authorization, and oversight.



▪ **Town Operational and Financial Mismanagement**

During Mr. Holland's tenure as mayor, the Town did not comply with various requirements within the Town's Code of Ordinances. The Town also did not adopt annual, balanced budgets as required by the South Carolina Constitution. Town management did not provide effective oversight or review of the Town's operational and financial needs, which in part allowed the waste and abuse of Town funds. Throughout the review period, the Town incurred significant late fees and interest costs due to untimely vendor payments, which has further fueled the Town's deficits.

Based on the investigative procedures performed, as well as the corresponding findings, the Town expended at least \$20,000 for expenditures that were considered waste or abuse of public funds. Due in part to the Town's mismanagement and degradation of the Town's internal controls, the Town is experiencing a significant fiscal deficit. As of June 30, 2024, the Town had accounts payable balances in excess of \$600,000 while its available cash was less than \$300,000. The Town's perceived overall risk of fraud was assessed as high. To address the waste, abuse, mismanagement and degradation of the Town's internal controls, we recommend that the Town consider implementing the 26 recommendations identified within this report as soon as possible. Prompt implementation of these recommendations is essential to stabilizing the Town's financial position. The procedures performed by CRI and the resulting findings are discussed in greater detail within the Forensic Examination Report. This executive summary is not intended to stand alone without the additional context included within the Forensic Examination Report.



Background

The Town of Calhoun Falls (Calhoun Falls or Town) is located in Abbeville County, South Carolina, situated along the South Carolina/Georgia border. Calhoun Falls was organized in 1891 and was incorporated in 1908.¹ The Town currently has approximately 1,700 residents.^{2, 3}



The Town operates as a municipal corporation and is governed by an elected Mayor and Town Council. The Town provides public safety, sanitation, water and sewer utility services to its residents. The Town Council has primary accountability for the Town's fiscal matters, as well as the power to designate management.⁴ Since 2018, the Town has elected two mayors, Mr. Chris Cowan and Mr. Terrico Holland. Mr. Cowan was elected as mayor in or around 2018. In or around January 2022, Mr. Holland was subsequently elected as mayor and still currently serves as the Town's mayor.

The Town has two funds: a governmental (general) fund and a proprietary (utility) fund. The primary source of revenue for the Town's general fund is various tax revenues and grant funding. The primary source of revenue for the Town's utility fund is the sale of water, sewer and sanitation services. The Town's expenses generally include the purchase of imported water, payroll, water/sewer repairs and other general/administrative costs.

Calhoun Falls has been experiencing a decline in its financial position. The Town has also historically been delinquent in submitting its audited financial statements to the South Carolina Office of the State Treasurer, with its last submitted audited financial statement covering fiscal year 2018-2019. Other concerns have arisen over untimely financial reporting to the Town Council, delayed payments to Town vendors and an increasing amount of arrears owed to the Town's water provider, Abbeville Public Utilities. The South Carolina State legislature adopted a proviso in its fiscal year 2025 budget, directing the State Auditor, in coordination with the State Inspector General, to contract for a forensic engagement to determine why the Town is experiencing financial difficulties.

In August 2024, the South Carolina Office of the State Auditor accepted proposals for forensic accounting services related to the Town of Calhoun Falls. Areas of concern included a lack of timely financial reporting, lack of timely payments to Town vendors, and a lack of audited financial statements for fiscal years subsequent to June 30, 2019. CRI was subsequently engaged in September 2024 to provide the requested forensic accounting services.

¹ Greater Abbeville Chamber of Commerce, <https://abbevillechamber.org/about-abbeville-county/our-towns/calhoun-falls>, accessed February 24, 2025.

² South Carolina Office of the State Auditor, Request for Proposal for Forensic Accounting Services.

³ Town of Calhoun Falls' Facebook page, accessed February 24, 2025.

⁴ Town of Calhoun Falls' 2018 Audited Financial Statements.



Scope

Our investigation was for the period beginning July 1, 2019 through June 30, 2024 (review period). Our work was limited to those specific areas identified by the South Carolina Office of the State Auditor, which included the following:

- Determine the completeness and accuracy of the books and records.
- Confirm the completeness, accuracy and timeliness of financial reporting, including to the Mayor and Town Council.
- Analyze the adherence to documented financial policies and procedures, including procurement of goods and services.
- Determine proper expenditure of revenues restricted as to use.
- Analyze the appropriateness or allowability of expenditures, including those made by purchasing cards.
- Determine the purpose and propriety of transfers between the general funds and the proprietary fund.
- Confirm the extent to which the Town is in arrears to vendors and why.
- Determine any other material drivers of the Town's financial issues.
- Prepare a written report of observations and findings.
- Present a report to the Office of the State Auditor and the Town's Governing Body.

On or around September 24, 2024, CRI prepared a documentation preservation letter that was disseminated to the relevant individuals within the Town's management. In this letter, CRI advised that no documents, records or data should be deleted, modified, destroyed, etc. until the completion of these forensic accounting services. CRI experienced numerous delays in the Town providing the requested documentation throughout the investigation, with the majority of the requested documentation not being provided until December 2024.

Certain information including receipts, invoices, etc. could not be located by CRI or the Town within its financial records. Had additional documents been provided to CRI or additional individuals interviewed, additional information may have been discovered that could impact the findings in this report. CRI does not believe that the missing records would substantively affect the findings and conclusions within this report.

Neither the South Carolina legislature nor the Town's Code of Ordinances appears to define the terms fraud, waste, abuse or mismanagement. For purposes of this report, the following definitions were considered in relation to fraud, waste, abuse and mismanagement.⁵



⁵ South Carolina Department of Transportation, <https://www.scdot.org/inside/auditor-fraud.html>, accessed March 12, 2025.



Approach

Our engagement was conducted in accordance with the Statement on Standards for Forensic Services No. 1 (SSFS), applicable professional standards promulgated by the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). The AICPA's SSFS does not specifically require or promote the use of certain methodologies, techniques, etc. for forensic engagements. This is due to the fact that no single standard can be extensive enough to consider all of the potential methodologies, techniques, etc. that could be applied to every forensic engagement.

Rather, this statement implements general standards that should be followed during a forensic engagement. These standards include that an AICPA member should have the professional competence to perform the engagement and exercise due professional care during the performance of the engagement. These standards were followed during the course of our engagement.

As indicated by the SSFS, "forensic accounting services generally involve the application of specialized knowledge and investigative skills by a member to collect, analyze, and evaluate certain evidential matter and to interpret and communicate findings." Due to the nature of the concerns involved, CRI was required by professional standards to conduct this engagement under SSFS. It should not be construed that attest standards (i.e., audit related engagements under the professional standards) would be more applicable to the subject engagement or yield a different/more reliable result. It should be noted that auditors conducting financial statement audits consider fraud, specifically as to whether it would result in a material misstatement of the financial statements.⁶ It is an organization's management that is responsible for the design, implementation of programs and controls to prevent, deter and detect fraud.⁷ The SSFS requires that practitioners "obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations." CRI obtained such sufficient relevant data to support the basis for its conclusions and recommendations.

We confirm that the authors and other professional staff involved in preparing this report acted independently and objectively. The fees for this engagement were based on professional time expended. Our fees were not contingent upon the final results, conclusions or resolutions.

Using the data provided to us, we performed the procedures enumerated in our engagement letter dated September 17, 2024 as delineated below. We also applied various commonly used forensic data mining techniques to the provided data to identify trends, patterns and funding misuse in the data provided. These techniques and the identified trends/patterns/funding misuse are outlined below.

(report continued on following page)

⁶ AU-C Section 240, *Consideration of Fraud in a Financial Statement Audit*.

⁷ Ibid.



Expert Qualifications

CRI Advisors, LLC (CRI) is a national accounting and consulting firm with roots going back to 1972. Currently ranked among the top 25 accounting firms in the United States, CRI is the South's largest regional firm. The CRI forensic team provides a spectrum of forensic and litigation services ranging from prevention to detection in response to fraud. The CRI forensic team include members who have received forensic accounting designations from the most widely recognized forensic accounting associations. These designations include Certified Public Accountant, Certified Fraud Examiner and Certified in Financial Forensics.

Ben Kincaid, CPA, CFE, CVA, CFF

Ben Kincaid has over 12 years of experience in public accounting and in providing a variety of forensic accounting services. These forensic accounting services include litigation support, financial fraud investigations, business valuations, lost profit calculations, etc. Mr. Kincaid has served as a consultant for several state, county and other local law enforcement agencies/governments and serves on the AICPA Forensic and Litigation Services Committee as well as other AICPA task forces.

Additionally, Mr. Kincaid is a Certified Public Accountant, which is the premier designation in the accounting industry. The Certified Public Accountant license is regarded as a symbol that an accountant has mastered the vital elements of the accounting profession and is a high standard that is globally recognized as an assurance of skill, dedication and quality. Mr. Kincaid has also received the Certified Fraud Examiner and Certified in Financial Forensics designations. These forensic accountant designations are considered to be the most valuable forensic certifications. Holders of these forensic accountant designations are required to demonstrate a high level of knowledge and competence within the field of forensic accounting. Mr. Kincaid is also a Certified Valuation Analyst, which is the most widely recognized business valuation credential. A summary of Mr. Kincaid's résumé and qualifications is included in Appendix A of this report.

Donna Melillo, CPA, CFE, CFF

Donna Melillo has over 7 years of experience in accounting and consulting services. She specializes in forensic accounting, fraud detection, and fraud prevention. Ms. Melillo has extensive experience performing forensic investigation and consulting services for a wide variety of clients including for-profit, nonprofit, and local governments. She also provides internal control consulting to clients.

Additionally, Ms. Melillo is a Certified Public Accountant, which is the premier designation in the accounting industry. The Certified Public Accountant license is regarded as a symbol that an accountant has mastered the vital elements of the accounting profession and is a high standard that is globally recognized as an assurance of skill, dedication and quality. Ms. Melillo has also received the Certified Fraud Examiner and Certified in Financial Forensics designations. These forensic accountant designations are considered to be the most valuable forensic certifications. Holders of these forensic accountant designation are required to demonstrate a high level of knowledge and competence within the field of forensic accounting. A summary of Ms. Melillo's résumé and qualifications is included in Appendix A of this report.



Summary of Procedures Performed

1. Conducted interviews with the following individuals to obtain an understanding of the Town's operations, books and records, and policies and procedures:
 - a. Terrico Holland, Mayor;
 - b. Wendi Lewis (formerly known as Wendi Alewine), Town Clerk;
 - c. Jamie Willoughby, former Utility Billing Clerk/Current Grant Administrator;
 - d. Timothy Richey, Police Chief;
 - e. Sherrie Bowie, former Town Clerk;
 - f. Chris Cowan, former Mayor;
 - g. LaSean Tutt, Council Member;
 - h. Sam Hill, Council Member;
 - i. Wane Postell, Council Member;
 - j. Christine Long, former Council Member;
 - k. Johnny Gilchrist, former Council Member;
 - l. Rhonda Cox, External Accountant, Cox Accounting Solutions; and,
 - m. Stephanie Copelan, Clerk of Court.
2. Analyzed the Town's financial statements and budgets for completeness, accuracy and timeliness of financial reporting.
3. Analyzed general ledgers and financial records and identified nonadherence with federal, state, local and Town laws, rules, regulations and policies.
4. Inspected bank statements, bank transfers and cancelled check images for unauthorized or questionable disbursements/transfers and prepared a list of such items.
5. Examined credit card statements and supporting documentation for unauthorized or questionable charges. Identified and quantified such charges.
6. Analyzed payments and outstanding accounts payable to Town vendors. Quantified and identified any abnormal or outstanding payments.
7. Analyzed the Town's utility revenues and expenditures to determine the source of financial shortfalls within the utility fund as well as any other material drivers of the Town's financial issues.

Source Documentation

We reviewed and relied upon the documentation listed in Appendix B of this report during our investigation. These documents included, but were not limited to, Town financial statements, bank statements, credit card statements and vendor invoices.



Results of Procedures Performed

1.1 Understanding

A background and history of the Town of Calhoun Falls (Calhoun Falls or Town) and its operations were obtained. The interviews provided an understanding of the Town's operations as a whole, but specifically the processes related to the Town's water and sewer sales, the procurement of goods/services, and the receipt and disbursement of Town funds.

The Town operates as a municipal corporation and is governed by an elected Mayor and Town Council. Calhoun Falls' adopted form of government is Council Form, where the mayor generally has no powers or responsibilities beyond the other council members. The Town operates under a Code of Ordinances (Code), and the most current version of the Code was passed on or around December 4, 2024.⁸ According to the Code, the Town Council is to be composed of a mayor and five, seven or nine elected Council members, including the mayor. The Town Council consisted of five council members (including the mayor) throughout the review period. The Town Council generally meets monthly, which was consistent throughout the review period. Each council member serves as a liaison for one of the Town's departments including, but not limited to, the fire department, police department, utility department, etc.

As previously indicated, the Town had two separate mayors during the review period, Mr. Cowan (former mayor) and Mr. Holland (current mayor). The Code delegates certain duties and responsibilities to the mayor including the administration of the Town, submission of the Town's financial and administrative activities to the Town Council and approval of bids less than \$5,000. The Town also currently employs a full-time town clerk, utility clerk, grant administrator, various utility maintenance personnel, and police officers. The Town also has a volunteer fire department that responds to various emergencies.

While the Town does not have formal, written job descriptions or accounting policies and procedures currently in place, it was generally understood that the town clerk was responsible for processing invoices received by vendors, making credit card payments, making bank deposits, etc. It was generally understood that the utility clerk was responsible for processing and mailing the monthly utility bills, receiving customer utility payments and receiving other payments received by the Town from its residents. The Town outsourced certain accounting functions to Rhonda Cox of Cox Accounting Solutions. The Town also employs a clerk of court to handle payments and processes related to the Town's municipal court. These processes and Town functions are discussed further in subsequent sections of this report.

The Town's revenues/cash flows are primarily generated via water and sewer sales to local residents and businesses, tax payments received from the state, and various grants awarded to the Town. Multiple employees and council members noted that the Town has been experiencing a declining financial position, largely in part due to the deteriorating water infrastructure throughout the Town. The Town's water and sewer sales are discussed in greater detail in subsequent sections of this report.

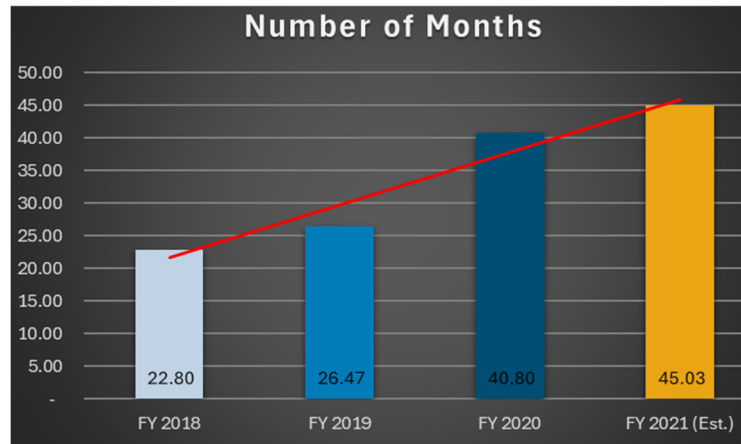
⁸ It should be noted that CRI obtained these Code ordinances through external sources, as the Town was unable to provide such information when requested.



2.1 Financial Statement and Budget Analysis

South Carolina state law generally requires municipalities within South Carolina to have annual financial statement audits performed. These audited financial statements are required to be submitted to the South Carolina Office of the State Treasurer. During the review period, three financial statement audits were completed by two separate auditing firms. Of these three financial statement audits, only one related to our review period. The remaining completed financial statement audits related to fiscal years preceding our review period. As of the date of this report, no financial statement audits have been completed for the fiscal years 2021, 2022, 2023 or 2024.

Both Mr. Cowen and Mr. Holland stated that the Town had historically been two years behind on its financial statement audits. Mr. Cowen stated that during his tenure as mayor, the Town had completed two financial statement audits (fiscal years 2018 and 2019) but remained consistently two years behind. During Mr. Holland's tenure as mayor (January 2022 through present), one financial statement audit (fiscal year 2020) was completed on



November 6, 2023. As shown in the above graph, the number of months between the fiscal year end and the audit issuance date increased significantly during Mr. Holland's tenure. Mr. Holland stated that during his tenure the Town had not been able to complete or catch up on its financial statement audits due to a lack of funds. This statement did not appear well supported in relation to Mr. Holland's initial tenure as mayor, as both the Town's bank accounts and financial reports reflected sufficient funds available. Per the Town's auditor, they were still waiting for documentation to be provided by the Town to complete the audit for fiscal year 2021.

South Carolina state law also generally requires the South Carolina Office of the State Treasurer to withhold certain state revenue from a municipality if the municipality does not submit its financial statement audits within the required time period. Other forms of federal and state funding may also not be awarded/paid due to a lack of financial statement audits. Due to the lack of timely financial statement audit submissions, the South Carolina Office of the State Treasurer has withheld at least \$90,000 (and increasing) in state funds from the Town. The Town has also been rejected funding for other projects due to the lack of financial statement audits. It is important to notate that although the fiscal year 2020 financial statement audit was completed in November 2023, the Town still has not submitted this financial statement audit to the South Carolina Office of the State Treasurer.

For both fiscal years 2018 and 2019, the Town received an adverse opinion in regards to the government (general fund) activities within the Town's financial statements.⁹ The Town's external auditor, McKinley, Cooper & Co., LLC, cited management's failure to record "certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets." In both years, the Town received an unmodified opinion for the business-

⁹ An adverse opinion indicates that the financial statements do not present fairly the financial position of the Town for government-related activities, meaning there are material errors within the books and records.



type (utility fund) activities of the Town, meaning the financial statements presented fairly the financial position of the utility fund. For the fiscal year 2020, the Town again received an adverse opinion regarding the government activities within the Town's financial statements, with Phillips CPAs and Advisors citing the same issue with management's failure to record assets and the corresponding depreciation expense. The Town received an unmodified opinion for the utility fund.

2.2 Financial Statement Analysis

An analysis of the Town's statements of net position for the review period reflect minimal to no changes in the Town's receivable and payable accounts. This indicates that the Town's receivable and payable accounts may not be adjusted on a regular basis. The Town's capital assets have had minimal changes, which indicates that the Town has not purchased or sold significant capital assets. The Town's general fund has provided an increasing amount of funds to the utility fund with the due from utility fund increasing by \$842,167 from fiscal year 2020 to fiscal year 2024. The Town's liabilities consist in part of net pension liabilities related to its employees, who participate in various state retirement systems. The Town's largest liabilities consist of revenue bonds payable related to the utility fund, which were provided by the U.S. Department of Agriculture Rural Utilities Service. A summary of the Town's historical statements of net position is presented in Schedule A of this report.

The Town's historical statements of revenues and expenditures for the general fund has shown continued increases in revenues, net operating income, and the overall fund balance. In fiscal years 2022 and 2023, the Town reported American Rescue Plan Act revenue of \$473,497 and \$473,450 respectively, which was the primary driver in increased revenue and general fund balance. In fiscal years 2023 and 2024, the Town's expenditures related to the police department increased substantially compared to prior years, with fiscal year 2023 representing a 74% increase compared to fiscal year 2022. The historical income statements for the Town's utility fund have shown consistent operating revenues and consistent operating losses, which has caused a continued decrease in the utility fund balance. Certain utility fund expenses show significant increases/decreases year-over-year, which were related to the timing of certain bill payments versus a true fluctuation of the underlying expenses. A summary of the Town's historical statements of revenues, expenses and changes in fund balances is presented in Schedule B of this report.

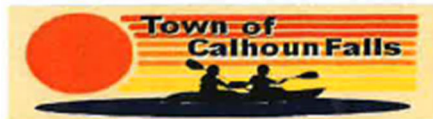
For the fiscal year ended June 30,	2020	2021*	2022*	2023*	2024*
General Fund					
Revenue	\$ 1,103,059	\$ 1,233,039	\$ 1,790,481	\$ 1,806,049	\$ 1,838,157
Expenses	1,223,638	1,170,787	1,194,257	1,577,199	1,584,633
Net Operating Income (Loss)	\$ (120,579)	\$ 62,252	\$ 596,224	\$ 228,850	\$ 253,524
Other Financing Sources	117,968	150,000	(23,917)	1,525	(128,000)
Pension and Long-Term Debt	66,991	-	-	-	-
Change in General Fund Balance	\$ 64,380	\$ 212,252	\$ 572,307	\$ 230,375	\$ 125,524
Utility Fund					
Revenue	\$ 892,097	\$ 970,922	\$ 1,014,903	\$ 965,715	\$ 978,219
Expenses	1,365,242	1,306,525	1,359,507	1,311,274	1,199,792
Net Operating Income (Loss)	\$ (473,145)	\$ (335,603)	\$ (344,604)	\$ (345,559)	\$ (221,573)
Nonoperating Revenues (Expenses)	293,691	70,984	5,887	15,601	(6,321)
Other Financing Sources	112,032	16,147	102,676	(96,240)	31,760
Change in Utility Fund Balance	\$ (67,422)	\$ (248,472)	\$ (236,041)	\$ (426,197)	\$ (196,134)
Total Change in Fund Balances	\$ (3,042)	\$ (36,220)	\$ 336,266	\$ (195,822)	\$ (70,610)

*Amounts presented are unaudited.



2.3 Analysis of Financial Statement Submissions to Council

The Town Code states that the mayor is responsible “to submit to the Council and make available to the public a complete report on the finances and administrative activities of the town at the end of each fiscal year.” CRI obtained and reviewed the Council agendas and meeting minutes throughout the review period. Between 2019 and 2021, the Council meeting minutes indicated that the Town Council reviewed and approved monthly financial reports. Certain meeting minutes also included cash balances by fund as well as the cash available for day-to-day operations. An example of this report is presented below.



Cash By Fund Balances as of January 31, 2020

General Fund

Operating Funds

Abbeville First Operations	33,050.39
Abbeville First Payroll	671.49
First Citizens Operations	-
Cash on Hand	-
Subtotal Operating Funds	33,721.88

Other Designated or Restricted Funds

FC - Recreation	204.87
FC - Victim's Advocate	57,206.33
FC - Lost Prop Tax Credit Fund	5,004.24
FC - Planning Commission	4,289.51
AF Police Fund	764.07
AF Criminal Bond Acct	553.48
Abbeville First - Court Fines	15,561.53
Abbeville First - HWY 72/81	-
Abbeville First - RIA Grant	1,136.24
	-
Subtotal	84,720.27

Total General Fund 118,442.15

Utility Fund

Operating Funds

First Citizens Operations	265.72
Abbeville First Operations	38,973.02
Cash & Checks in Drawer	3,660.22
Subtotal	42,898.96

Other Designated or Restricted Funds

FC - USDA Revenue Bonds 2002	16,648.37
FC - USDA Revenue Bonds 2004	15,200.95
FC - USDA Revenue Bonds	5,981.11
FC - USDA Revenue Bonds 2007	6,934.91
Abbeville First - SRO GRANT	295.41
Subtotal	45,060.75

Total Utility Fund 87,959.71

Total cash from all sources \$ 206,401.86

Cash Available for Day to Day Operations

Total Operating Funds (GF +UF) 76,620.84

Accounts Payable as of 01/31/2020

Utility Fund	213,305.13
General Fund	152,885.22
	366,190.35

Net Shortage of Operating Cash After Payables (289,569.51)

Total TAN Principle Due as of 01/31/2020 230,000.00



Per Mr. Cowan (former mayor), the third-party accounting firm assisting the Town with the bookkeeping and monthly financial reporting at the time would provide monthly financials to the Town, and Mr. Cowan would create copies for the other council members and include the financials within the monthly meeting agendas. CRI confirmed that the Town Council regularly received financial information during Mr. Cowan's term as mayor.

Beginning in February 2022, CRI noted that financial information was not presented regularly to the Town Council. The meeting minutes generally stated that the financials "would continue to be tabled until after tax season when we look for a new accountant," or "no new financials received from Accountant," etc. In or around August 2022, Mr. Holland notified the Town Council that the Town had re-hired the third-party accounting firm to assist the Town with its financials. The meeting minutes do not reflect whether the Town received bids from other accounting firms or whether the Town Council approved a contract with this accounting firm.

The July 2022 financials were presented to the Town Council in the November 2022 meeting for approval but were tabled to provide the Town Council time to review, and they were subsequently approved in December 2022. Throughout the remainder of the review period, limited financial information was provided to the Town Council, with groups of financials presented at irregular intervals. For instance, December 2022 through May 2023 financials were presented and approved in August 2023, and May 2023 through September 2023 were presented and approved in December 2023. No other financials were presented to the Town Council for the remainder of the review period (through June 30, 2024).

Various council members interviewed expressed concern regarding the lack of financial information provided to them. Former council member Christine Long stated that the Town was often behind on paying their accountant, which resulted in the lack of provided financial documentation. Ms. Long and other council members stated they were unable to get the financial information for the Town in a timely manner, even upon requests to Mr. Holland or other Town employees. The Town Clerk and other Town employees indicated that they did not participate in the Town's financial reporting, as the third-party accountant, Ms. Rhonda Cox of Cox Accounting Solutions, LLC, solely performs these duties. According to Mr. Holland, he recalled Ms. Cox performing accounting services for the Town, but that she stopped because the previous mayor started performing accounting services himself. Per Mr. Holland, at the beginning of his tenure, he attempted to find another accountant through the South Carolina Business Opportunities website but was not successful. Mr. Holland further stated that he and the Town Clerk subsequently reached an agreement with Ms. Cox to start providing services again for the Town. This agreement included paying Cox Accounting Solutions, LLC for overdue invoices that were not previously paid. The bookkeeping services provided by Ms. Cox are further discussed in subsequent sections of this report.

(report continued on following page)



2.4 Completeness and Accuracy of Financial Statements

The Town currently maintains their books and records within Accounting CS. Both the Town Clerk (Ms. Wendi Lewis) and Ms. Cox have access to Accounting CS with the same administrative rights and/or access. Ms. Lewis is generally responsible for the entries into the Town's books, and Ms. Cox is generally responsible for payroll entries, bank reconciliations, correcting any posting errors, etc. The Town has not historically maintained its receivables and payables on a regular basis. Instead, the receivable and payable balances are adjusted at year-end during preparation of the audited financial statements. The last adjustment to the Town's receivables and payables was for the year ending June 30, 2021.

This is not in conformity with generally accepted accounting principles and reduces the accuracy and reliability of the Town's monthly financial statements. As the Town's financial statements are essentially being kept on a cash basis of accounting, it also hinders the Town from being able to determine how much it is in financial arrears, determine whether the Town is in line with its budget, and make sound financial decisions. Throughout our work, CRI identified various other factors that negatively impacted the completeness and accuracy of the Town's financial statements. These factors are addressed in the subsequent sections of this report.

2.5 Budget Analysis

The South Carolina Constitution requires municipalities to adopt a balanced budget each year. The Town's Code also requires that the mayor prepare and maintain annual budgets for the Town, with the Town Council retaining the responsibility to adopt the Town's budgets. CRI requested the Town's budgets for the review period for analysis.

Per Mr. Cowan (former mayor), during his tenure, a third-party accountant would assist him with creating the annual budget for the Town. Mr. Cowan further stated that he worked with each department to develop the departmental budgets as well as the overall Town budget and utilized the prior year's revenues and expenses for comparison purposes. Upon completion of the annual budget, Mr. Cowan stated that the Town Council would vote on adopting the budget. The Town Council would also hold public budget workshops. CRI confirmed that during Mr. Cowan's tenure, Town budgets for fiscal years 2020 through 2022 were adopted by the Town Council prior to the beginning of the fiscal year.

No Town budgets were adopted for fiscal years 2023 and 2024. Per Mr. Holland, during his tenure, he created an annual Town budget, and budget meetings were held by the Town Council. Mr. Holland further stated that certain council members would not vote on a budget without current financial statements. As such, the Town does not currently have a formally adopted budget. Certain department heads indicated that they prepared budgets annually, but these were never approved/considered by the Town Council. Council members interviewed generally agreed that there was no or limited formal adoption of an annual budget during Mr. Holland's tenure and that the budget was not made available to the public. Certain council members stated they were not aware of any budget workshop meetings for the past several years. Other council members recalled a budget workshop being held, but due to limited attendance, no budgets were approved. No such budget workshops or budget discussions were noted by CRI within the Council meeting agenda summaries and minutes.



For the fiscal years with adopted budgets, CRI compared the adopted budgets to the actual revenues and expenditures. For the Town's general fund, the budgeted revenues and expenditures were fairly aligned with the actual revenues and expenditures. The Town's adopted and actual revenues and expenditures were also fairly consistent from year to year with the exception of 2022 due to receipt of funds related to the American Rescue Plan Act. For the Town's utility fund, the budgeted revenues and expenditures had wide variations from the actual revenues and expenditures. The largest budget-to-actual variations related to payroll costs and imported water costs, with the actual costs being significantly higher than the budgeted costs. The increased payroll costs were largely due to the addition of unbudgeted positions. These increased costs caused significant shortfalls in the Town's utility fund, which appeared to be unaddressed by Town management. These costs are discussed in greater detail in subsequent sections of this report.

It should be noted that the Town's Code states: "Whenever it shall happen that the ordinary expenses of the town for any year shall exceed the income of the town, the Council shall provide for levying a tax in the ensuing year sufficient, with other sources of income, to pay the deficiency of the preceding year together with the estimated expenses for the ensuing year." CRI noted no such tax discussed or approved during the review period, even with the Town's deteriorating financial position.

3.1 General Ledger and Financial Record Analysis

CRI analyzed Calhoun Falls' general ledgers and various related financial records for the review period. As outlined in the following sections of this report, the general ledgers and associated financial records were analyzed for compliance with state and Town laws, rules, regulations, ordinances, policies, etc. The Town's Code does not have specific policies and procedures outlined for the receipt and disbursement of Town funds. It is generally understood that the town clerk posts and cuts checks for the Town's vendors, records bank and fund transfers and makes bank deposits. Ms. Cox is generally responsible for correcting any posting errors, payroll entries, bank reconciliations, etc.

3.2 General Fund and Grant Revenue Analysis

The Town's general fund revenue is primarily generated from property taxes, insurance tax program, local option sales tax, franchise fees, state shared revenue, grants, etc. As previously indicated, the Town's annual general fund revenues were consistent each year with the largest variations occurring due to receipt of the American Rescue Plan Act funding and due to the lack of accrual adjustments. The Town's utility fund also received various grant funding related to infrastructure improvements during the review period. The vast majority of the Town's revenues are collected by third-party entities including, but not limited to, the South Carolina Office of the State Treasurer, Municipal Association of South Carolina, Abbeville County, etc. These third-party entities then periodically remit payment to the Town for its appropriate share of the collected revenue. Approximately 60% of the Town's general fund revenue is direct deposited into the Town's bank accounts. This indicates a low fraud risk for the Town's general fund revenues.

With the exception of certain grant revenues, the Town's general fund revenues were largely unrestricted, which means that the Town can utilize the funds for any legal purpose the Town deems necessary. CRI compared the Town's revenue with third-party reports and data for accuracy. Although certain timing differences were identified, no variances were identified in this analysis with the exception of the Clerk of Court's revenues, which is discussed in subsequent sections of this report.



3.3 Payroll Analysis

Calhoun Falls has adopted various policies and procedures related to employment within the Town's Employee Handbook. The Employee Handbook was last updated in July 2019. The policies and procedures within the Employee Handbook generally relate to employment status, employee leave policies, benefits, safety/health policies, etc.

The Town has both salaried and hourly employees, with the majority of its employees being hourly. All employees are paid bi-weekly, generally through direct deposit. The Town Council and the Mayor also receive monthly stipends. The Town uses an outside payroll provider, CBIZ, to process its payroll. According to Town employees, the town clerk will send the bi-weekly payroll information to Ms. Cox, and Ms. Cox will inform Ms. Lewis how much to transfer to the Town's payroll bank account to ensure there are sufficient funds to cover the Town's payroll. According to Ms. Lewis, Ms. Cox provided this service to the Town throughout the review period, even during periods when she was not actively handling the Town's financial reporting, bank reconciliations, etc.

According to the Town Code, it is the Town Administrator's responsibility to "recommend and administer personnel policies, classification, compensation, and evaluation for all town employees." The Town did not employ a Town Administrator during the review period. Both Mr. Cowan and Mr. Holland stated they were serving as the "acting" Town Administrator during their respective tenures. No such title or authority was granted to Mr. Cowan or Mr. Holland by the Town Council to serve in this capacity. The Town Code does provide that the mayor is to direct and supervise the Town employees with certain limitations. CRI requested and obtained the Town's payroll data for analysis purposes.

Within the provided payroll data, there were various pay increases identified throughout the review period for various Town employees. Per Mr. Cowan (former mayor), he would discuss pay raises with the department heads and present the potential raises to the Town Council. Mr. Cowan indicated that these discussions were separate discussions from the Town budgeting process, but they were generally around the same time as the Town was working on the annual budget. Upon review of the Council meeting minutes, CRI did not note any discussions of employee raises during Mr. Cowan's tenure as mayor. During the November 2022 Council meeting, there were lengthy discussions regarding potential raises for Town employees, but no votes/decisions were made. During the December 2022 Council meeting, Mr. Holland stated that he had gone to surrounding towns to get a general idea of the wages their employees were receiving. He recommended a \$2.00 hourly raise for each employee, but to give everyone \$1.00 hourly raise to start with. When asked how the Town would fund these wage increases, Mr. Holland stated, "we should be able to support it through American Rescue funds for at least 2 years." After subsequent discussion regarding the source of raises, the Council approved a motion to "approve \$2.00 but we will determine at a later time how much each employee receives, starting with the maintenance crew. The rest of the employees will follow with approval of mayor, department head and council." No additional discussions regarding employee wages were noted within the Council meeting minutes for the remainder of the review period. The identified pay increases generally aligned with the increases discussed in the Council meeting minutes. No pay increases appeared abnormal or unusual in nature. It should be noted that these pay increases were not factored into the Town's adopted budget for fiscal year 2022, and the Town did not increase its charges for its various services to offset these increased costs.



Per Town employees, only the maintenance crew is typically eligible to receive overtime. No written policies were adopted that limited overtime pay to certain positions or departments. Various overtime payments to individuals outside the maintenance crew were identified throughout the review period. The majority of the overtime related to the utility maintenance, wastewater treatment and police departments. As noted in the table below, the total overtime paid to Town employees reduced each year during the review period. These reductions were primarily due to the addition of new employees within the utility department and the police department.

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Overtime Payments	\$ 57,261	\$ 53,465	\$ 43,497	\$ 28,615	\$ 27,171

In addition to employee compensation, the Town's mayor and council members receive compensation for their service to the Town. Per the Town Code, "The Mayor and Council shall receive salaries as fixed by Council." Throughout the review period, the council members received \$250 per month, and the mayor received \$450 per month. No discrepancies were noted within these payments. The Town Code does not specify whether or not the monthly compensation for the mayor and Town Council is contingent on the appearance of the mayor and council members at the Town's monthly meetings. The Town currently pays the mayor and council member's compensation regardless of their appearance at the monthly meetings. There were numerous absences noted during CRI's analysis of the Town Council's meeting minutes.

The Town also provided various bonuses to its employees throughout the review period. During fiscal year 2020, Town employees received \$100 bonuses totaling \$2,000. The volunteer firefighters were separately paid \$100 bonuses during fiscal year 2020 totaling \$2,600. No bonuses were paid for fiscal year 2021. During fiscal year 2022, the Town provided one-time bonuses to full-time employees, with one employee receiving a \$250 bonus, ten employees receiving a \$1,500 bonus, and eleven employees receiving a \$3,000 bonus, for a total of \$48,250. Per Town personnel, the fiscal year 2022 bonuses were related to premium pay for working during the COVID-19 pandemic and were funded in part by the American Rescue Plan Act funding. During fiscal year 2023, 54 individual bonus payments ranging from \$150 to \$950 totaling \$20,450 to employees and volunteer firefighters were paid directly to the individual and not through payroll. This same process was repeated in fiscal year 2024, where 57 individuals received bonus payments ranging from \$50 to \$1,350 totaling \$10,065. By issuing payments outside of the payroll process, the Town underreported its wages and payroll taxes for fiscal years 2023 and 2024. In total, the Town issued bonus payments during the review period totaling \$83,365.

The Town's Employee Handbook outlines the benefits available to Town employees including health insurance and retirement. During the review period, there were various benefits-related payments to vendors for health insurance, life insurance, etc. CRI analyzed the Town's payroll reports and employment/termination dates for Town employees and compared them to various invoices. There were minimal instances where insurance payments were made on behalf of an employee who had terminated their employment with the Town. These payments were typically made shortly after the date of termination and were not included on subsequent invoices. As such, these payments were not considered questionable.



3.4 Volunteer Firefighter Payment Analysis

The Town operates a volunteer fire department to respond to a variety of emergencies including fire alarms, medical calls, accidents and other emergencies. The Town has not adopted any formal policies and procedures within the Town Code or elsewhere regarding payments made to volunteer firefighters. It was generally understood that fire department volunteers receive a payment of \$10 for each call they respond to, as well as \$2 for each meeting/training they attend. The volunteer fire chief receives a fixed payment every six months for his service to the Town. When the volunteer firefighters respond to an emergency, a “fire call” sheet is completed, listing the date, call type, call location, call out time, call clear time, and the signatures of all volunteer firefighters who responded to the call. A similar sheet is completed for each meeting or training within the fire department. These call sheets are collected and combined every six months, typically around June and November. The total number of calls, meetings and trainings for each firefighter is tallied, and a total amount for each firefighter is provided on a sheet of paper titled “Call Pay.” Checks are subsequently issued to the volunteer firefighters.

CRI analyzed the “Call Pay” payments made throughout the review period and noted an increase in the payment amounts. Per Mr. Holland, there were occasions where people were written down on the sign-in sheet who did not respond to the call. These individuals should not have received a payment but were issued payment anyways. There is no limit to the number of individuals who can receive payment for a call. If a volunteer firefighter arrives at the scene, they are paid for that call. Mr. Holland indicated that this has been discussed as a potential financial strain on the Town, but no changes have been implemented. Mr. Holland recalled an instance where a limb was down and across the road, and 19 firefighters showed up to assist and were paid. CRI noted similar instances within the analyzed supporting documentation. Mr. Holland also noted that certain volunteer firefighters show up but do not provide any assistance. Mr. Holland believes they would save the Town “a few dollars” if they instituted some policies, but he was concerned about impacting future emergencies.

3.5 Property Sale Analysis

According to the Town Code, it is the Council’s duty to pass ordinances including those to “Sell or lease or contract to sell or lease any lands of the town.” Throughout the review period, various discussions were noted within the Council meeting minutes regarding the potential sale of Town property. On or around January 25, 2024, during a Special Call Council Meeting, the Council presented a motion to accept an offer on “Mobile Home Park Land.” No information was presented within the meeting minutes regarding the buyer or underlying sale price. The motion did not pass. During the same Council meeting, the Council voted to accept an offer on “Old Hickory Point” and “Land from Comcast.” No information was presented within the meeting minutes regarding the buyer or underlying sale price for either of these properties.¹⁰

On or around February 26, 2024, the Council meeting included a “second reading” of the offer on Mobile Home Park Land. The motion to accept the offer on the mobile home park land was approved three to zero, as two of the Council members did not vote. No information was presented within the meeting minutes regarding the buyer or underlying sale price. Additionally, no information was presented regarding discussions between Council members as to whether or not the property was sold at fair market value. Per public records, the property located at 501 Seneca Street in Calhoun Falls was sold for \$4,500 to Padgett & Moore Development on or around May 24, 2024. No entries were recorded into the Town’s books and records related to this sale.

¹⁰ According to the meeting minutes for April 24, 2024, the buyer for the Old Hickory Point property backed out at closing, and the Council agreed to re-list the property.



4.1 Bank Statement Analysis

During the review period, the Town maintained various bank accounts including an operating account and a utility account with Abbeville First Bank, which were the primary bank accounts for Calhoun Falls. The Town maintained other bank accounts with Abbeville First Bank throughout the review period, which included accounts for payroll, the police department and other various checking and savings accounts.

CRI analyzed the Town's bank accounts for the review period including cancelled check images. During this analysis, CRI accounted for all internal account transfers, and no unknown bank accounts were identified. CRI also compared the deposits and disbursements within the bank statements to the general ledger records, and limited discrepancies were identified. These discrepancies generally related to the municipal court, which will be discussed further in a subsequent section of this report.

Town employees indicated that funds received at Town Hall via cash or check are deposited into the appropriate bank account for either the Town's general fund or utility fund, depending upon the purpose of the payment. The Town's utility clerk typically serves walk-in customers at the front desk in Town Hall and accepts payments for various Town purposes including, but not limited to, utility payments, facility rentals, business licenses, etc. Payments are typically received via cash, check, money order or credit card. The main office has one credit card machine, which processes both utility-related and non-utility related payments. The Town also has a drop box where payments can be left when the Town Hall is closed. The clerk of court maintains a separate credit card machine and separately processes cash, check and credit card payments for court-related matters.

At the end of each business day, the Town's cash drawer is counted by the utility clerk, and the deposit is matched to the daily log of funds received. The following day, the town clerk verifies that the deposit amount matches the funds received the prior day and subsequently deposits the funds into the appropriate bank accounts. All credit card payments are deposited into the utility fund bank account, and a transfer is made to the general fund bank account for any credit card payments not related to the Town's utility fund. CRI obtained the utility payment receipts report for the review period and compared it to the utility fund bank statements. Limited discrepancies were identified, which were primarily related to deposit timing issues, funds erroneously deposited to the general fund (and then corrected), or other miscellaneous utility funds received. CRI also sampled five months of the daily log reports for analysis, and limited discrepancies were identified. These limited discrepancies were similar in nature to those previously identified. As such, no further analysis was considered necessary.

The Town's clerk of court accepts payments for court-related matters on behalf of the Town's municipal court. Payments are typically received via cash, check, money order or credit card. The clerk of court maintains a separate credit card machine, and credit card payments are deposited directly to the Town's Court Fines checking account. The Town's clerk of court, Stephanie Copelan, indicated to CRI that she typically deposits cash received throughout the week on Friday, unless she receives a large amount throughout the week, in which case she would make a mid-week deposit to keep the amount maintained in the office to a minimum. The Town's bank statements support this statement. Per Ms. Copelan, she typically maintains approximately \$200 in a lock box within the municipal court office to serve as a change drawer for future cash payments.



CRI obtained the clerk of court's receipt report for the review period and compared it to the municipal court's bank statements. Through fiscal year ending in 2022, limited discrepancies were identified, which were primarily related to deposit timing. Beginning in fiscal year 2023, there were regular, recurring discrepancies between the cash/check/money order transactions and the amount of funds deposited to the Town's Court Fines checking account. For the fiscal years 2023 and 2024, the cash discrepancy totaled \$2,473.89 and \$1,234.72, respectively.

In an interview with the clerk of court, Ms. Copelan stated that upon the new administration (Mr. Holland) taking office, it became increasingly hard to order supplies for the municipal court. When supplies needed to be obtained, including printer ink, toner cartridges, paper, files, postage stamps, etc., she often had to wait long spans of time to receive the items if she requested them through the town clerk. It also became harder to get checks signed, as the Court Fines account also requires a dual signature from the mayor and town clerk. Because of the need to obtain the necessary supplies in a timely manner, Ms. Copelan stated she began holding back cash from her deposits in order to have a "petty cash" type fund to purchase the requisite supplies.

Ms. Copelan indicated that she had not tracked the cash held back to be used for supplies, nor did she keep a running ledger of expenditures made with municipal court cash. Ms. Copelan did maintain the receipts for the supplies purchased on behalf of the municipal court and subsequently provided copies of the receipts to CRI for our review. Certain receipts could not be located to support the usage of these funds. Because the cash received was not deposited, the corresponding revenue was not reported within the Town's books and records. The expenditures made using the held-back cash are also not reported within the Town's books and records.

The Town's Code does not specify any policies and procedures regarding check signing authority or a dual signature requirement for bank disbursements. It was generally understood that checks required a dual signature. During the review period, the current town clerk, mayor and mayor pro tempore typically had signature authority and access to the Town's bank accounts. Ms. Cox also has online viewing access for the Town's bank accounts as well. Ms. Lewis also maintains debit cards for the Town's various grant bank accounts. Per Ms. Lewis, checks are not cut from the grant bank accounts. Instead, both the grant funds and grant disbursements are transacted from the general fund bank account, and the Town transfers the requisite amount of funds between the general fund bank account and the appropriate grant bank account.

CRI analyzed the Town's canceled check images and noted that the majority of the checks were signed with dual signatures with limited exceptions. During Mr. Cowan's tenure as mayor, the majority of the checks were signed by Mr. Cowan (former mayor) and Ms. Bowie (former town clerk). These signatures were wet-ink signatures, and no signature stamps were used. During Mr. Holland's tenure as mayor, the majority of the checks were signed by Mr. Holland (current mayor) and Ms. Lewis (current town clerk). Mr. Holland's signature appeared to be a wet-ink signature through February 2023. In or around March 2023, Ms. Lewis began using a signature stamp of Mr. Holland's signature, as approved by Mr. Holland. Per Ms. Lewis, this signature stamp is used on Mr. Holland's behalf if he is not there to sign checks in-person. Per Mr. Holland, Ms. Lewis calls him for approval prior to utilizing the signature stamp. During analysis of the check signatures, CRI noted Mr. Holland's signature stamp was used almost exclusively for the remainder of the review period. The use of a signature stamp reduces the effectiveness of having a dual check signature requirement/control. Per Mr. Holland, the bank statements (including cancelled check images) are currently reviewed by himself and Ms. Lewis monthly. Ms. Lewis indicated that this review process is less frequent.



4.2 Bank Reconciliation Analysis

The Town's Code does not specify any policies and procedures regarding bank reconciliations. It was generally understood that the Town's external accountant, Ms. Cox, performed the monthly bank reconciliations and sent the completed reconciliations to the town clerk. CRI requested and obtained the Town's bank reconciliations for the review period. During this process, CRI noted that bank reconciliations are only performed for the "general fund" and "utility fund" checking accounts. No other bank reconciliations were regularly prepared by the Town or Ms. Cox for the Town's various other bank accounts.

Based on interviewees' statements, the Town's bank reconciliations were not consistently performed in a timely manner. During Ms. Bowies' tenure as town clerk, she noted that the bank reconciliations and financial reporting would often lag a couple of months. Ms. Lewis also stated that the bank reconciliations were generally several months behind. The bank reconciliation process is a key internal control. This process helps ensure that the books are accurately maintained and helps identify potential questionable transactions/entries, etc. The bank reconciliations contained various stale (in excess of 365 days) transactions that had not cleared the bank with at least one duplicate payment entry. The bank reconciliations also included transactions that could not be located in the general ledger. These transactions were related to open transactions and were ultimately deleted or voided in the Town's books.

4.3 Transfer Analysis

According to the Town's Code, "The Mayor and Council may authorize the transfer of appropriated funds within and between departments as necessary to achieve the goals of the budget." The Town implemented fund transfer approval forms, which would document the transfer, the transfer purpose and the transfer approvals. Limited instances of fund transfer approval forms were located for the transfers that occurred during Mr. Cowan's tenure, and the majority of the located fund transfer approval forms did not have any approval signatures. Ms. Bowie (former town clerk) indicated that the funds were generally just transferred as needed. Per Mr. Cowan, transfers between funds during Mr. Cowan's tenure would be reflected in the financial reports and presented to the Town Council for retroactive approval. No specific votes/approvals related to the transfers were identified in the Town Council meeting minutes.

Per Mr. Holland, the Town currently does not have a specific policy regarding interfund transfers; rather, funds are moved between bank accounts/funds if a bank account gets low. Mr. Holland stated that he reviewed these transfers on the last Thursday of every month. CRI inspected the fund transfer approval forms for transfers that occurred during Mr. Holland's tenure. These forms were generally signed using Mr. Holland's signature stamp, rather than physically approved and signed by him. There was no discussion, votes or approvals of the fund transfers identified within the meeting minutes.

Throughout the review period, there were numerous interfund/bank account transfers. These transfers primarily related to normal, recurring transfers to account for the utility fund's portion of payroll or to account for deposits/disbursements paid into/out of the wrong account. (This was generally due to the Town paying bills out of whichever bank account had the available funds.) The transfers were appropriately recorded into the Town's books. Overall, due to recurring deficits in the utility fund, the general fund transferred a net amount of \$842,167 to the utility fund as an interfund loan. This was primarily funded via the American Rescue Act Plan funds.



5.1 Credit Card Analysis

During the review period, Calhoun Falls maintained a credit card account with multiple authorized users. These credit cards were assigned to the mayor, town clerk, police chief and fire chief. The Town's Code does not contain any policies or procedures regarding credit card usage, and both Mr. Holland and Ms. Lewis confirmed that the Town does not have a formal policy for credit card usage. It was generally understood that the Town's credit cards were to be used for small purchases, fuel for out-of-town trips, etc. Although the Town credit cards are assigned to specific users, Town employees indicated that the credit cards are often provided to other employees who need to make a purchase. There is no documentation or notations as to who actually made the purchase.

Per Ms. Lewis, the town clerk receives the credit card statements each month and has online access to the credit card account. Ms. Lewis stated that she asks for receipts for all credit card purchases, but she hardly receives any supporting documentation. Ms. Lewis further stated that 9 out of 10 receipts are not turned in, with the mayor (Mr. Holland) and the police chief (Mr. Richey) being the "worst offenders." Ms. Lewis then reviews the credit card statements for irregularities and contacts the cardholder if there appear to be any questionable charges based on historical spending. Ms. Lewis subsequently pays the credit card bill online, and Ms. Cox subsequently enters the payment into the Town's accounting system while performing the bank reconciliations.

Mr. Holland stated that both he and Ms. Lewis review the credit card statements before each council meeting. Ms. Lewis separately stated that Mr. Holland does not request copies of the credit card statements nor does he review them. Based on other statements made by Mr. Holland, it was clear that Mr. Holland did not regularly review the Town's credit card statements. During Ms. Lewis' interview, CRI asked how the credit card charges are coded into the Town's books without the supporting documentation. Ms. Lewis stated that the credit card information is provided to Ms. Cox and Ms. Cox codes the charges accordingly. Based on the general ledger details, the Town's credit card payments are generally posted in the books as "Other Expenditures/Contingency" under non-departmental expenses. The individual credit card charges are not recorded in the Town's books or allocated to the proper departments/funds/expense accounts. At year-end, an adjusting journal entry is posted to "true-up" the credit card payable. As previously indicated, the last adjusting journal entry for the Town's payables/receivables was for fiscal year 2021. This process renders any department budget versus actual comparisons unreliable, as various department expenditures are not being posted accurately.

During the review period, the Town charged a total of \$186,566.91 on its credit cards. CRI analyzed the Town's credit card statements and the applicable supporting documentation located within the Town's files. CRI also utilized open-source intelligence methods to obtain additional supporting documentation related to certain credit card charges. The majority of the Town's credit card charges were associated with Amazon purchases, meals, lodging, training events, and other various supplies. Beginning with Mr. Holland's tenure as mayor, the Town's credit card charges almost doubled compared to Mr. Cowan's tenure as mayor. This is supported by the below table, which reflects the annual credit charges by fiscal year and the corresponding percentage of increase. Meals, lodging and training events accounted for some of the largest increases.

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total
Annual Credit Card Charges	\$ 23,845.30	\$ 29,567.56	\$ 30,458.65	\$ 48,668.12	\$ 54,027.28	\$ 186,566.91
Annual Increase	N/A	24.00%	3.01%	59.78%	11.01%	



5.2 Supporting Documentation Analysis

As previously indicated, the Town has lax to no policies and procedures related to submitting the supporting documentation for Town credit card charges. This significantly increases the risk of potential unauthorized charges. Out of the \$186,566.91 in credit card charges during the review period, CRI selected and reviewed the applicable supporting documentation for \$151,174.53 (or 81%) of these credit card transactions. During Mr. Cowan's tenure as mayor, the Town had supporting documentation for 98% of the selected transactions. During Mr. Holland's tenure as mayor, the amount of supporting documentation decreased significantly, as the Town only had supporting documentation for 56% of the selected transactions. As indicated by Ms. Lewis, Mr. Holland and Mr. Richey had the least amount of supporting documentation with 62% and 57% missing support, respectively. Ms. Lewis followed with 35% of her transactions missing support.

The transactions without supporting documentation primarily related to meal purchases, supply purchases and various recurring charges. As indicated in the subsequent sections of this report, a portion of these charges represent waste and abuse of Town funds. It does not appear that these charges were unauthorized, as they were consistent and similar in nature to the other charges.

5.3 Meals Analysis

During interviews with Mr. Holland and other Town employees, CRI questioned the level of meals (i.e., dining out) and applicable Town policies and procedures. Per interviewees, the Town has not adopted any policies and procedures related to meals, and meals are typically only allowed when a Town employee travels out of Town for supplies, events, etc. Mr. Holland also stated that he would occasionally approve the administrative employees to purchase lunch since they were working hard. Mr. Holland indicated that the amount of meal expenses had been reduced recently. When CRI inquired as to why they had been reduced and when, Mr. Holland indicated that "when you are broke, you do not go out to eat, you make a ham sandwich." Due to the Town's lack of funds, he had decided to reduce their amount of meal expenses, and this occurred in October/November 2024 (which is approximately when CRI initiated its documentation requests).

Out of the \$17,481.15 in identified meal purchases, \$11,578.51 (or 66%) occurred in Calhoun Falls. Although Mr. Holland and Town employees indicated that these charges were authorized, these charges are incongruent with meals generally being allowed only when a Town employee is traveling. Both Ms. Lewis and Mr. Holland indicated that some of their meal purchases were for employee appreciation for the administrative employees. Between Ms. Lewis and Mr. Holland's meal charges for fiscal year 2024, the meal purchases totaled 278 transactions. When compared to the approximate 260 average working days in a year, it appears the Town is paying for certain employees' meals every workday. A summary of the meal purchases by fiscal year and cardholder is presented below.

Cardholder	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total
Wendi Lewis	\$ -	\$ -	\$ 26.56	\$ 2,605.75	\$ 4,311.59	\$ 6,943.90
Terrico Holland	-	-	619.02	1,946.05	3,585.76	6,150.83
Tim Richey	-	-	307.48	1,389.28	1,789.63	3,486.39
Darrell Manning	67.85	21.49	83.92	226.17	161.64	561.07
Sherrie Bowie	59.89	-	109.36	-	-	169.25
LV Rudder	100.47	28.75	-	-	-	129.22
Chris Cowan	-	-	40.49	-	-	40.49
Meals Totals	\$ 228.21	\$ 50.24	\$ 1,186.83	\$ 6,167.25	\$ 9,848.62	\$ 17,481.15



Further analysis of these meal charges indicated that the out-of-town meal purchases were generally related to Town employees picking up supplies for the Town from a nearby city (i.e., Greenwood, Abbeville, etc.) versus out-of-town conferences/trips. Often, apart from the meal purchase itself, there would only be one credit card charge that day for a minimal amount. This indicated that Town employees were making “out-of-town” supply runs primarily so they could eat out on the Town’s money. This was supported by employee conversations overheard by CRI during our fieldwork, where one employee stated that they needed to find something to pick-up in town so they could eat at a specific restaurant for lunch.

Based on the available supporting documentation, CRI also identified another \$2,536.73 in credit card charges which primarily related to the purchase of drinks, snacks and meals. These credit card charges occurred at Dollar General, Family Dollar, 7-Eleven, Food Lion, etc. Per the supporting documentation, these credit card charges were primarily for snacks, drinks and convenience meals for the Town’s administrative office. These purchases primarily occurred during Mr. Holland’s tenure as mayor and Ms. Lewis’ tenure as town clerk. The frequency, purchase types, and amounts appeared excessive for a town the size of Calhoun Falls and appeared to serve no public purpose.

As Mr. Holland stated, “when you are broke, you do not go out to eat.” Mr. Holland and the Town (primarily its administrative employees) did not follow this sage advice. As such, based on the foregoing information, the Town’s meal purchases were considered both waste and abuse of the Town’s funds.

5.4 Fuel Analysis

During the review period, the Town utilized various methods to track and account for fuel used by Town employees. At the beginning of the review period, the Town had an account at a local gas station which would charge the Town monthly for the fuel purchased. The individual fueling a Town vehicle would complete a form at the gas station, which included the date, number of gallons, the price per gallon, the total charge and the individual’s name. The gas station employee would also sign the form. The Town would subsequently receive a monthly invoice from the gas station, along with the individual receipts. The town clerk subsequently prepared an allocation of the fuel charges to each department/fund.

CRI obtained and inspected the gas station invoices and related supporting documentation. Limited instances were identified where the Town was billed for fuel that was not purchased by the Town, and the fuel purchases related to other gas station customers. The supporting documentation reflected that the Town identified these billing errors and adjusted the payment to the gas station accordingly. The Town’s fuel charges were primarily allocated to the police department, the fire department, the street department and the utility fund/department. Although certain limited fuel charges related to other Town departments, the fuel charges were not allocated to these departments.

In or around August 2023, the Town began to utilize fuel cards. Per Town employees, fuel cards are assigned on an individual basis with their own unique PIN. Fuel card expense reports reviewed by CRI indicates fuel cards are assigned to individual vehicles, rather than individual users. CRI identified a total of 25 fuel cards assigned to 25 town vehicles and 18 individual users. The fuel cards were



generally assigned to the police, fire and utility department vehicles. The Town does not have a formal fuel card policy in place. CRI analyzed the fuel charge allocations within the Town's general ledgers. Beginning in or around the implementation of the fuel card program in August 2023, the fuel charges associated with the fuel card program were solely allocated to the general fund despite the numerous fuel charges being related to the utility fund/department. As illustrated in the below table, this caused a significant decrease in the utility fund's fuel expenses and a significant increase in the general fund's fuel expenses. Per the fuel card data, there were \$11,894.72 in fuel charges related to the utility fund/department that were recorded as general fund expenditures in fiscal year 2024.

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General	\$ 22,467.67	\$ 21,347.22	\$ 31,049.64	\$ 52,331.45	\$ 61,328.05
Utility	8,333.93	13,126.22	24,919.31	19,398.65	6,149.52
Total Vehicle Operating Expense	\$30,801.60	\$34,473.44	\$55,968.95	\$71,730.10	\$67,477.57

Per Town employees, before fueling, fuel card users are prompted to enter their unique PIN and the odometer reading of the vehicle. When used properly, fuel reports would indicate a steady increase in mileage for the vehicle assigned to that specific fuel card. This would allow management to identify misuse or any anomalies regarding fuel card usage. CRI analyzed the fuel card data for the review period and noted that the fuel cards are often used across multiple vehicles rather than their assigned vehicle, and odometer entries are often entered erroneously by Town employees. The fuel card reports are also not regularly reviewed by the applicable department heads. This reflects a lack of control and oversight related to the fuel card usage, which could lead to abuse and unauthorized usage of the fuel cards. An illustration of fuel card charges with erroneous odometer entries is presented in the table below.

Vehicle ID	Department	Location	Odometer	Date	Original Cost
PD09	Department 10	7-ELEVEN 36851 CALHOUN FALLS, SC	12,704	08/28/23	\$ 70.38
PD09	Police	7-ELEVEN 36851 CALHOUN FALLS, SC	72,126	08/30/23	\$ 61.31
PD05	Police	STOP-A-MINIT #30 GREENWOOD, SC	110,000	12/12/23	\$ 22.00
PD05	Police	STOP-A-MINIT #30 GREENWOOD, SC	110,000	12/16/23	\$ 24.01
PD05	Police	STOP-A-MINIT #30 GREENWOOD, SC	110,000	12/17/23	\$ 20.03
PD05	Police	7-ELEVEN 36851 CALHOUN FALLS, SC	110,000	12/21/23	\$ 27.00
PD05	Police	7-ELEVEN 36851 CALHOUN FALLS, SC	171,323	01/12/24	\$ 45.00
U08	Utility	7-ELEVEN 36851 CALHOUN FALLS, SC	309,999	05/02/24	\$ 78.48
U08	Utility	7-ELEVEN 36851 CALHOUN FALLS, SC	1,235	05/07/24	\$ 25.94
U08	Utility	7-ELEVEN 36851 CALHOUN FALLS, SC	1,235	05/07/24	\$ 12.69
U08	Utility	7-ELEVEN 36851 CALHOUN FALLS, SC	132,547	05/08/24	\$ 40.01
U08	Utility	7-ELEVEN 36851 CALHOUN FALLS, SC	298,960	05/09/24	\$ 47.00
U08	Utility	7-ELEVEN 36851 CALHOUN FALLS, SC	8,129	05/13/24	\$ 8.25

Throughout the review period, there were additional fuel charges on the Town's credit cards. These fuel charges typically corresponded to travel outside Calhoun Falls or individuals who did not have a fuel card and/or utilized their personal vehicles for Town business including Mr. Holland and Ms. Lewis. As previously indicated, many of the credit card fuel charges lacked sufficient supporting documentation.



6.1 Vendor Analysis

The Town's Code has various policies and procedures related to the Town's procurement of goods/services. These ordinances outline the Town's purchasing policies and procedures including informal purchasing and bidding procedures, formal bidding procedures, sole source purchasing and emergency purchases. Per the Town Code, purchase orders are to be utilized for all informal purchasing of goods and/or services in excess of \$500. Purchases exceeding \$500, but less than \$1,500, require a purchase order that is signed by the department head and submitted to the Town Administrator/Mayor. Purchases exceeding \$1,500, but less than \$3,000, do not require a formal bidding process, but the department may obtain three oral or written quotes. The final decision for these purchases rests with the Town Administrator/Mayor and committee chair (i.e., council member assigned to that department). Purchases exceeding \$3,000, but less than \$7,500, require at least three formal quotes. The names of the vendors and solicited quotes are required to be listed on the purchase order. Additionally, the recommended award, along with a copy of the purchase order, is to be included on the Town Council meeting agenda for consideration and approval. All purchases above \$7,500 are required to go through a formal bidding process. The Town Code also provides that the mayor may "review and approve on behalf of the town any **competitive bid** for services from a third-party that the mayor believes is in the town's best interest in an amount less than \$5,000. Any bids for services above such amount require approval by Town Council" (emphasis added).

During interviews, Town employees and council members were unable to identify any specific purchasing thresholds or procedures with certainty. One council member stated that they were not aware of any amount threshold that would require Town Council approval. Another council member indicated that the Town did not have a formal procurement policy in place at all. A third council member believed that the mayor had power to make purchases without Council approval. Mr. Cowan (former mayor) stated that there should be a resolution and/or ordinance for every purchase made by the Town, as he would bring purchases to the Town Council for approval. Mr. Cowan also stated that he did not have time for formal bid solicitations. Mr. Holland (current mayor) stated he was not aware of any limitations for purchase approvals, but he believed a purchase above \$4,500 would need to be presented to the Council for approval, as well as any contracts for purchasing goods and/or services. Mr. Holland also stated that regular town bills (i.e. utilities, telephone, etc.) did not require Council approval. Town employees generally agreed that \$5,000 was an appropriate threshold for purchasing, and any purchases above that amount would need Council approval. Ms. Lewis stated that the Town typically gets three quotes and goes with the lowest quote for service; however, the Town "rarely has a need for outside work to be done." This lack of understanding of Town policies and procedures was apparent within the books and records of Calhoun Falls.

CRI analyzed various vendor purchase orders, invoices and backup documentation within the Town's records for the review period. Very limited instances of purchase orders were noted, and these limited purchase orders generally related to items procured by the Town's volunteer fire chief. It does not appear that the Town utilized purchase orders as required by the Town Code. As previously indicated, vendor payments are generally approved by the mayor and are paid by the town clerk. The Town Code provides a list of duties for the Town Clerk which states, "The Clerk and Treasurer shall...pay all bills owed by the municipality when approved by the Council." The Council meeting minutes do not indicate approval of bills as required. Council members and Town employees also stated that the bills were not reviewed monthly by the Town Council.



The Town's vendor invoices generally did not include any supporting documentation or approval signatures that indicated that the invoiced goods/services were actually provided to the Town. In numerous instances, the payment supporting documentation retained by the Town consisted of past due statements, which did not reflect any descriptions of the goods/services that were provided.

Individuals interviewed indicated that they were not aware of any conflicts of interest with the Town's vendors and there were no unusual vendor relationships. CRI analyzed the vendor payments during the review period for potential conflicts of interest and questionable payments. Certain Town employees, council members and both mayors received payments from the Town outside of the payroll process. Some of these payments related to the previously delineated bonus payments. The other payments primarily related to expense reimbursements, where the individual personally paid for certain Town expenses and received a reimbursement from the Town for this expense. CRI analyzed the corresponding supporting documentation for these reimbursements. The supporting documentation reflected that similar meals and snack expenses as previously delineated within this report were directly reimbursed to Town employees. These expense reimbursements were similarly considered waste and abuse of the Town's funds. The Town also issued mileage reimbursements for employees utilizing their personal vehicle for Town business, but the Town mileage reimbursement rates are below the Internal Revenue Service's mileage reimbursement rates. No other questionable payments were noted.

6.2 Vendor Solicitation Analysis

Town ordinances state that the vendor selection process is determined by the value of purchases for supplies, services, goods or construction. Town employees generally indicated that most purchases were made at the sole discretion of the mayor. Individuals interviewed indicated that they would generally obtain various quotes prior to ordering the goods/services. CRI did not locate these competitive quotes within the Town's files. There were also payments for goods/services that required a competitive solicitation process under the Town's Code where it appeared that a competitive solicitation process did not occur.

During the review period, the Town received various grant funds for various construction projects including water and sewer infrastructure repairs and/or upgrades. These construction projects were generally subject to a competitive solicitation process with the exception of Dunn & Shirely, LLC's services. CRI analyzed the Council meeting minutes and related supporting documentation for selected vendors to determine how vendors were selected for various projects. Limited information was available in the Council meeting minutes for most purchases made by the Town including the construction projects. Resolutions that were approved by the Town Council would often not include vendor names; rather, they would authorize the mayor to enter into contracts for the services that were requested. An example of this limited information is presented below.

Resolution 2019-07 – Waste Water Treatment Plant – Per Mayor Cowan, this Resolution will allow him to obtain a professional service contract and to provide oversights to the waste water treatment plant. Motion was made by Councilman Mindy Rogers to approve Resolution 2019-07 and was seconded by Councilman Johnny Gilchrist. Motion passed 4-0 and 1 absent.



The Council meeting minutes are brief and lack sufficient detail. There were numerous instances where the Town Council approved the purchase of goods and/or services without an apparent discussion or proper documentation regarding the funding availability, funding source or whether there were sufficient budgeted funds to pay for the items. For example, in the February 2023 Council meeting, the Town Council approved a solar panel project. The meeting minutes state, “Mayor stated that approving this project would save us approximately \$40K per year.” The mayor then asked for a motion to approve and the motion was subsequently approved 4-0. No information appeared to be presented nor was there any discussion delineated within the meeting minutes regarding the cost of the solar panel project or what funds would be used to purchase the solar panels.

The documentation maintained by the Town related to its construction projects was limited but generally included check images, invoices and construction draw requests. CRI requested copies of the solicitation documentation related to these services, and the Town was unable to provide the requested information. Instead, CRI acquired this documentation through external sources. Certain solicitations that occurred during Mr. Holland’s tenure as mayor did not appear to be approved by the Town Council as required. It appears that the Town Council was aware of these construction projects.

6.3 Vendor Payment and Balance Analysis

Historically, the Town has not paid vendors on a timely basis. Per Town employees, this was mostly attributed to the general lack of funds available to pay vendors. This is supported by the need for the Town to obtain Tax Anticipation Notes each year to “bridge the gap” in the Town’s funds. Per Mr. Holland (current mayor), due to a lack of financial statement audits, the Town has been unable to obtain additional tax anticipation notes after fiscal year 2022, and it has exacerbated the Town’s ability to pay its vendors. According to Ms. Willoughby, the prior mayor [Mr. Cowan] and town clerk [Ms. Bowie] would review payables together and issue checks regularly. Currently, payments that are issued by the Town are decided on a case-by-case basis. Per Mr. Holland, the Town’s payroll takes priority over all other bills or outstanding invoices. After payroll is made, the Town prioritizes payments to Fortiline, the Town’s vendor for materials and supplies needed to repair water lines. Any remaining funds are paid to the next “most urgent” vendor, which was often Abbeville Public Utilities. Per individuals interviewed, there are certain Town vendors who currently will not serve the Town until they catch up on their outstanding invoices. These vendors are often given priority so the Town can continue to order goods/services from that vendor.

CRI analyzed various invoices paid by the Town throughout the review period. There were often large variances between the invoice date and the payment date. This indicates that vendors were not paid in a timely manner. A sample of invoices that were not paid in a timely manner is presented in the below table. As indicated below, the untimely vendor payments were pervasive throughout the review period regardless of the mayoral administration.



Vendor	Invoice Date	Paid Date	Days Past Invoice
W.S. Darley & Co.	03/11/19	08/28/19	170
Supply Logistics Warehouse Inc.	09/16/19	03/13/20	179
Smith's Termite and Pest Control, Inc.	09/24/19	01/17/20	115
Computer Consultants & Merchants, Inc.	08/18/20	11/17/20	91
Pettigrew Hardware	09/30/20	11/25/20	56
JCI Jones Chemicals, Inc.	01/27/21	03/30/21	62
Nicholson Business System	01/01/22	03/31/22	89
Georgia Stone Products	03/03/22	04/11/22	39
JCI Jones Chemicals, Inc.	04/07/22	08/19/22	134
Pettigrew Hardware	04/27/22	06/24/22	58
Tencarva	02/10/23	05/31/23	110
D&S Sanitation, Inc.	11/01/23	01/08/24	68
Golden West Industrial Supply	11/30/23	03/07/24	98
A-1 Tire of Abbeville, LLC	12/21/23	02/26/24	67
Average Days Past Invoice Date			95

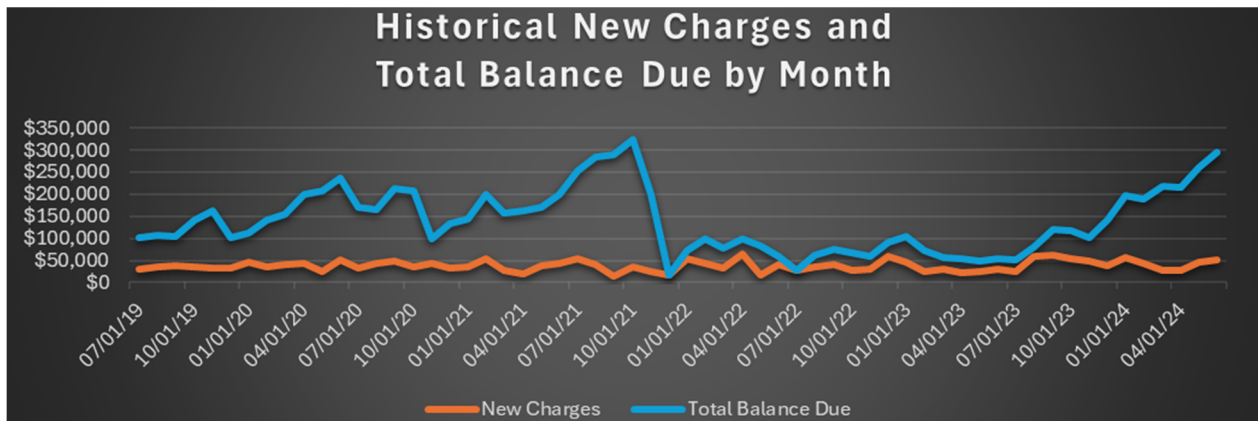
Historically, the Town's largest vendor charges and largest accounts payable balances related to Dominion Energy and Abbeville Public Utilities. As such, CRI obtained and analyzed the vendor invoices for both Dominion Energy and Abbeville Public Utilities. Dominion Energy is the Town's energy provider, which provides power to the wastewater treatment plant, streetlights, and various departments and buildings throughout Calhoun Falls. The applicable energy costs are allocated to both the general fund and the utility fund. As part of an agreement between Calhoun Falls and Dominion Energy, the Town (general fund) receives an annual franchise fee from Dominion Energy for allowing Dominion Energy to place certain infrastructure within the Town. The following Dominion Energy franchise fees were paid during the review period:

- Fiscal Year 2020 - \$89,315.99
- Fiscal Year 2021 - \$88,754.53
- Fiscal Year 2022 - \$93,002.60
- Fiscal Year 2023 - \$98,811.44
- Fiscal Year 2024 - \$105,111.98

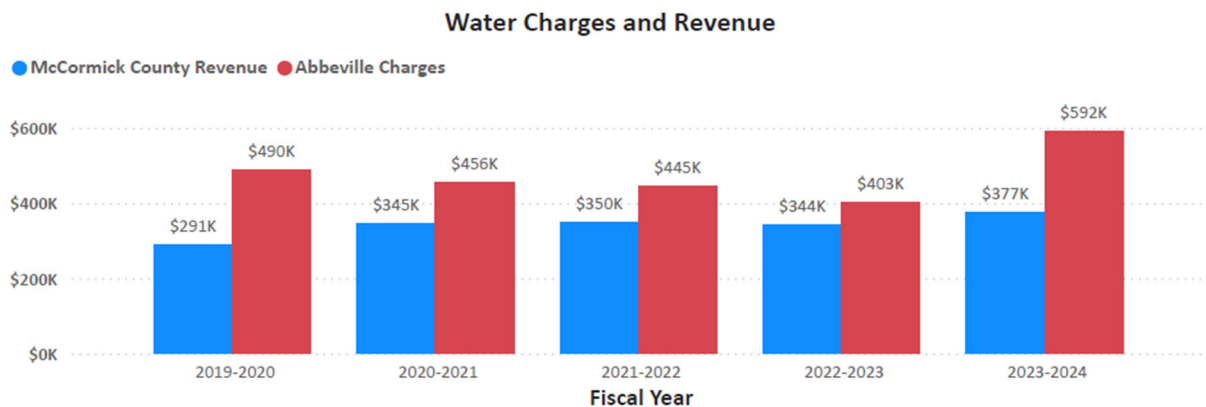
Per Mr. Cowan and Mr. Holland, the Town generally utilized the franchise fees (general fund) to pay its utility bills (general and utility fund) from Dominion Energy. The utility bills confirmed this practice. The utility bills also reflected that the Town generally does not make payments for its utility bills until the franchise fees are received, even though the Town was billed monthly. By not paying Dominion Energy when the bills were due, **the delay in payment caused significant late fee charges totaling \$88,604.17 during the review period.** In or around August 2021, Dominion Energy notified the Town that it would be forgiving all electric-related charges that were more than 60 days past due as of May 31, 2021, in accordance with S.C. Public Service Commission Order No. 2021-570. The total amount credited to the Town's outstanding invoices was \$115,388.93. This was the only occurrence during the review period that the Town did not have an outstanding balance with Dominion Energy. **As of June 30, 2024, the total balance due to Dominion Energy was \$255,053.28.**



Abbeville Public Utilities provides water to the Town, which the Town subsequently sells to its various utility customers including McCormick County. Abbeville Public Utilities' monthly charges ranged from \$14,397.92 to \$65,848.56 during the review period, with an average monthly charge of \$38,236.26. Although payments to Abbeville Public Utilities were more consistent than Dominion Energy, the payments became less frequent during the latter half of fiscal year 2024. The delay in payment caused late fees totaling \$1,200 during the review period. Similar to Dominion Energy, the Town consistently carried an overdue balance each month with two exceptions: December 2021 and July 2022. Per Mr. Cowan (former mayor) and CRI's analysis of the vendor payments, the Town was able to pay off its balance due during this period due to funding from the American Rescue Plan Act. It was not due to the Town generating recurring revenue, limiting expenses or being more fiscally responsible. Prior to the American Rescue Plan Act funds, the balance due to Abbeville Public Utilities was \$288,230.60. **As of June 30, 2024, the total amount due to Abbeville Public Utilities was \$294,845.49.**¹¹ A graphical summary reflecting the monthly charges and total monthly balance due is presented below.



Per individuals interviewed, it was the collective belief that the water revenue generated from McCormick County covered the Town's monthly bill due to Abbeville Public Utilities. CRI determined that the revenues generated from McCormick County were *not* sufficient to cover Abbeville Public Utilities' monthly bill as reflected within the below graph. These incorrect assumptions have created confusion related to the Town's ability to pay its bills and the source of the Town's financial distress.



¹¹ Subsequent to the review period, the City of Abbeville filed a complaint in the Abbeville County Court of Common Pleas against the Town of Calhoun Falls, et al, under Case #2025-CP-01-00036 on or around February 7, 2025. In the complaint, the City of Abbeville alleged that no payments have been made since September 6, 2024, and the current amount owed (exclusive of interest) as of January 1, 2025 was approximately \$404,743.64.



As previously delineated, the Town does not regularly record its accounts payable; rather, the Town's external accountant, Ms. Cox, compiles a list of amounts owed by the Town when closing the Town's books at the end of a fiscal year in preparation for the annual financial audit. Per Ms. Cox, the accounts payable accounts were last adjusted for the fiscal year ended June 30, 2021. As of October 2024, the Town had not compiled a list of accounts payable for the fiscal years ended June 30, 2022, 2023, or 2024. Based on the foregoing, as of June 30, 2024, the Town owed \$549,898.77 to its two primary vendors, Dominion Energy and Abbeville Public Utilities. When considering other Town vendor accounts payable balances and the Town's credit card balance, the Town has vendor account balances due in excess of \$600,000 as of June 30, 2024.

(report continued on following page)



7.1 Utility Fund Analysis

The Town maintains a water, sewer and sanitation utility service for residents and commercial users both inside and outside Town limits.¹² The Town also sells water directly to McCormick County, South Carolina. To facilitate water service to its residents, the Town purchases water from Abbeville Public Utilities and distributes the water to the Town's residents, surrounding areas and McCormick County. The utility revenue generated is generally used to pay Abbeville Public Utilities for the water consumed by the Town's customers, as well as the repairs and maintenance, salaries, etc. that are needed to maintain the utility system. Generally, proprietary funds such as the Town's utility fund should be self-sufficient, meaning the revenues received from services provided by business-type activities should cover all expenses incurred by providing such services.

The Town charges various rates for the water, sewer and sanitation services based on the customer type (residential, commercial or industrial), inside versus outside Town limits, and the number of gallons used by the customer. Per Town employees, the utility rates have not changed since 2019 and remained consistent throughout the review period. A schedule of these rates is presented below.

Calhoun Falls' Water/Sewer/Sanitation Rates		
Water	Residential Inside Town	Residential Outside Town
First 1,000 Gallons	\$ 14.83	\$ 21.78
Next 1,000 Gallons	3.50	4.80
All Over 2,000 Gallons	4.85	6.81
Water	Commercial Inside Town	Commercial Outside Town
First 1,000 Gallons	\$ 15.00	\$ 25.00
Next 1,000 Gallons	3.75	5.00
All Over 2,000 Gallons	5.00	7.00
Water	Industrial Inside Town	Industrial Outside Town
First 1,000 Gallons	\$ 250.00	\$ -
All Over 10,000 Gallons	5.00	-
Sewer	Residential Inside Town	Residential Outside Town
First 1,000 Gallons	\$ 18.75	\$ 24.31
Next 1,000 Gallons	4.50	5.38
All Over 2,000 Gallons	4.00	4.88
Sewer	Commercial Inside Town	Commercial Outside Town
First 1,000 Gallons	\$ 23.75	\$ 29.31
Each Additional 1,000 Gallons	4.50	5.00
Sanitation	Inside Town	Outside Town
Trash Pickup	\$ 13.00	\$ -
McCormick Water Rates		
Up to 9,000,000 Gallons		\$ 24,932.50
Each Additional 1,000 Gallons		2.40

¹² The Town includes its sanitation revenues and expenses as part of the general fund. It is unclear why the sanitation revenues and expenses are not included as part of the utility (proprietary fund). Based on pronouncements from the Governmental Accounting Standards Board, the sanitation revenues and expenses should be reported under the utility (proprietary) fund.



As previously indicated, the utility fund's primary expenditures include the water purchased from Abbeville Public Utilities and the utility department's payroll costs, as well as repairs and maintenance related to the utility system. The water purchases from Abbeville Public Utilities comprised between 42% and 60% of the Town's total operating revenue for the utility fund. The Town's payroll cost for the utility fund comprised between an additional 39% and 45% of the Town's total operating revenue for the utility fund. In fiscal year 2024, the combined water purchase cost and payroll cost *exceeded* the Town's operating revenue for the utility fund by 5%. This indicates that the Town is not generating enough utility revenue to offset its utility costs. Town council members, both mayors and Town employees expressed that the residents of Calhoun Falls experience a high level of poverty. Due to the high level of poverty, the Town attempts to keep its utility rates as low and as affordable as possible.

7.2 Utility Rate Analysis

Per Mr. Cowan, he engaged an engineering firm to conduct a water study during his tenure as mayor. The result of this water study prompted Mr. Cowan and the Town Council to increase the utility rates. These utility rate increases were meant to cover the costs associated with repairing and maintaining the Town's utility system. A copy of the leak report was not available for CRI's review. CRI reviewed the Town Council's meeting minutes, and the Town Council did not approve any increase to the utility rates since fiscal year 2020. This was confirmed by Town employees. The Town Council also approved a utility service charge for its customers in January 2020.

CRI also analyzed the utility rates charged by Abbeville Public Utilities to Calhoun Falls. In or around November 2022, Abbeville Public Utilities increased their water utility usage rate by \$0.03 per thousand-gallon, or 1.3%. The Town did not pass these additional direct costs on to its customers. As such, the Town incurred an additional \$10,624.14 in costs between November 2022 and June 2024 without passing on these direct costs to its utility customers. As previously indicated, the Town provided increased compensation for its utility department employees, but again did not pass these direct costs on to its utility customers. This has in part caused the utility fund to further decrease its fund balance.

CRI obtained and analyzed water and sewer utility rates from utilities surrounding Calhoun Falls.¹³ Between 2022 and 2024, 8 out of 10 utilities raised their water utility rates, and 6 out of 10 utilities raised their sewer utility rates. The average water utility rate increase was 7%, and the average sewer utility rate increase was 3%. These increased rates were likely due to increased costs of providing these services. Calhoun Falls also experienced increased costs during this same time period, but the Town failed to account for these costs, attempt to increase utility rates, or attempt to limit its costs. A summary of these utility rates (including Calhoun Falls) is presented on the following page.

(report continued on following page)

¹³ South Carolina Rural Infrastructure Authority, Water & Sewer Rate Survey Summaries.



Water Inside Residential Customer*			
Utility	2022	2024	Rate Increase
Abbeville	\$ 29.80	\$ 30.20	1%
Calhoun Falls	32.88	32.88	0%
Donalds	41.38	51.52	25%
Edgefield	33.57	35.97	7%
Greenwood	18.81	21.11	12%
Iva	30.25	30.25	0%
Johnston	33.57	35.97	7%
Ninety Six	31.08	32.66	5%
Saluda County	34.82	36.94	6%
West Anderson	35.11	39.25	12%
McCormick	37.50	37.50	0%
Average Rates	\$ 32.62	\$ 34.93	7%

Sewer Inside Residential Customer*			
	2022	2024	Rate Increase
	\$ 35.93	\$ 37.54	4%
	35.25	35.25	0%
	N/A	N/A	N/A
	36.65	37.37	2%
	48.81	50.87	4%
	43.00	43.00	0%
	36.65	37.37	2%
	31.14	32.72	5%
	40.98	44.59	9%
	N/A	N/A	N/A
	57.50	57.50	0%
	\$ 40.66	\$ 41.80	3%

*Based on 5,000 gallon usage

The Town contracts with a third-party vendor for its sanitation pick-up/disposal. The Town then bills its utility customers a fixed monthly rate for this service. Per interviewees, the fixed monthly rate the Town charges its utility customers should cover the cost of this service. Per the utility billing reports, the sanitation revenue is generally sufficient to cover these costs. As previously indicated, the Town includes the sanitation revenue and related direct cost as part of the Town's general fund. Each month an entry is posted that moves the sanitation revenue from the utility fund to the general fund. As indicated by the below table, the posted sanitation revenue entries do not correspond to the Town's sanitation revenue billed per the utility system even when accounting for the lack of accrual entries. This indicates that the Town's utility revenues/utility fund are being overstated, and the Town's sanitation revenue/general fund are being understated.

Description	FY 2020	FY 2021*	FY 2022*	FY 2023*	FY 2024*
Sanitation Revenues per Financials	\$ 96,615	\$ 120,094	\$ 89,234	\$ 100,157	\$ 92,315
Sanitation Revenues per Utility Data	(114,087)	(145,951)	(136,899)	(133,472)	(118,339)
Variance	\$ (17,472)	\$ (25,857)	\$ (47,665)	\$ (33,315)	\$ (26,024)

*Unaudited financials. Fiscal year 2024 does not include the June 2024 data.

7.3 Utility Readings Analysis

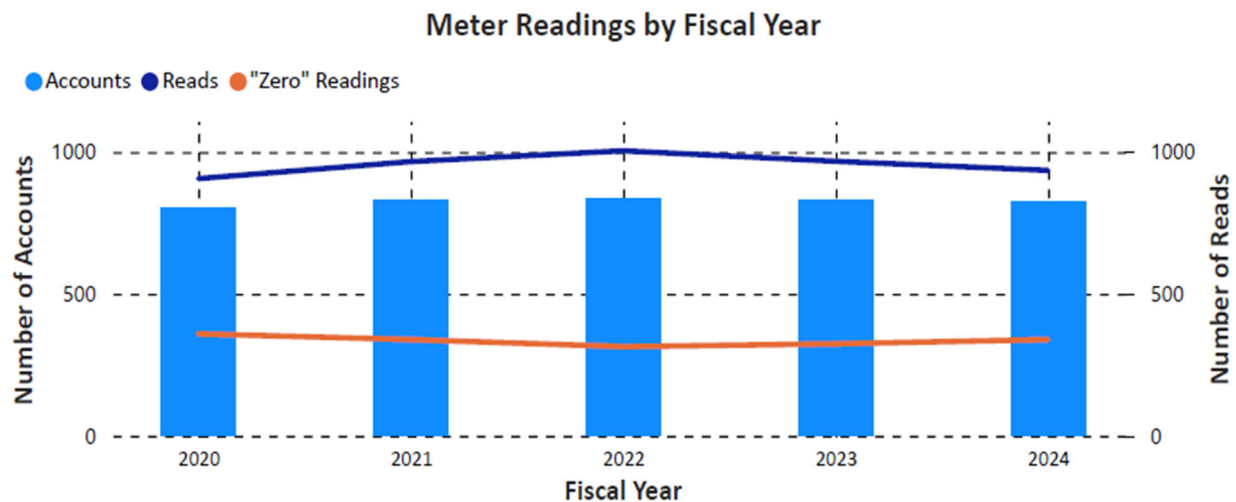
On or around the third of each month, the Town reads the utility meters to record each customer's water/sewer consumption in order to prepare the monthly customer utility bills in its utility billing system, QS/1. The Town uses an automatic meter reading device to read the majority of the Town's meters. Per Town employees, the Town has approximately 850 meters within their system. Of these 850 meters, approximately 90-100 do not read properly using the meter reading device, and these meters are manually read by the Town. An additional approximate 100 meters are considered "no read" meters, meaning that the meter does not work properly and does not track utility usage.

During interviews, Town employees also indicated that some meters gave artificially high readings, causing the utility bill for that customer to be exorbitantly high, some in excess of \$100,000. These meters would be subsequently re-read or manually read to obtain the accurate usage, and the customer's bill would be adjusted to reflect the actual usage. Per Ms. Jamie Willoughby (former utility billing clerk), the utility bills are manually reviewed each month to look for errors due to these meter reading issues.



The Town maintains working meter lists, which are adjusted over time as utility department personnel make repairs, swap meters, notice when meters are reading/not reading, etc. Town employees indicated that faulty meters were replaced or “swapped” with locations that were deemed higher priority based on levels of consumption. Interviewees indicated that the Town could not afford to replace all of the various non-working meters and recognized that money was being lost due to the lack of reliable, functioning meters.

CRI obtained and analyzed various reports from the Town’s utility billing system. During this analysis, CRI confirmed that the Town has numerous nonworking or malfunctioning meters, where the meters were consistently reading zero consumption, illogical consumption amounts, etc. There were also multiple instances where certain meters were read numerous times within the same month, with many of those reads indicating hundreds of thousands of gallons of water were consumed or there was zero consumption. There would subsequently be one meter reading that appeared consistent with the prior months’ readings. Based on the utility meter reading data, the average meter reading for the *functioning* utility meters was inaccurate 39% of the time. A summary of these average monthly meter readings by fiscal year is presented in the below chart.



7.4 Utility Meter Charges Analysis

CRI analyzed the utility customer billings and adjustments for each month. The utility customer billings and adjustments in the reports provided by the Town varied greatly from year to year and indicated a decrease in both charges and adjustments during the review period. The reports further highlighted the overwhelming lack of reliable meter readings. The cumulative amounts billed and adjustments for each fiscal year are presented below.

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Charges	\$ 166,269,211.40	\$ 56,469,909.47	\$ 73,493,086.31	\$ 27,458,559.18	\$ 16,611,509.96
Adjustments	(165,126,762.63)	(55,344,252.27)	(72,415,589.07)	(26,545,101.83)	(15,550,889.64)
Net Total Charges	\$ 1,142,448.77	\$ 1,125,657.20	\$ 1,077,497.24	\$ 913,457.35	\$ 1,060,620.32

It should be noted that the above net amounts do not reconcile to the Town’s reported utility revenues. This is in part due to the Town generally recording its utility revenues on a cash basis until fiscal year-end. An accounts receivable adjustment is then recorded at year-end to “true-up” the utility revenues. As previously indicated, these adjustments have not occurred for fiscal years 2022



through 2024. Additionally, per the utility data, the bill adjustments are not always recorded in the correct periods. CRI identified numerous instances where the bill adjustments were posted in months or even years other than the period that the error occurred in. As such, the above data was not considered reliable for analysis purposes.

According to Town employees, utility customers who have “no read” meters on their property are charged the base water/sewer price of \$49.08 (\$14.83 residential water + \$18.75 sewer + \$13.00 sanitation + \$2.50 service charge) even though their historical usage may be higher. Within the utility data, there were several zero readings for the Town’s commercial customers. CRI inquired if any commercial accounts had faulty, “no read” meters. While some interviewees indicated that all commercial meters were operational, Ms. Willoughby indicated that certain commercial meters were not operational or did not always read correctly. CRI confirmed that these commercial accounts were often charged the base utility charges even though their usage was likely higher. Per Town Code, if a meter becomes defective, “the customer shall be charged an amount equal to the average meter usage for the three previous months.” The Town does not follow this policy, which has likely resulted in the Town underbilling various utility customers that have “no read” meters.

As reflected above, due to the frequency of the meter reading errors, there is a significant number of billing adjustments in the Town’s utility billing system. During the review period, there were over 5,600 billing adjustments, which is the equivalent of 3 adjustments per day. The majority of these adjustments appeared directly related to meter reading errors. When entering the adjustments, the Town generally only adjusts the dollar amount of the bill versus the consumption amounts. The Town also generally makes the entire adjustment to the water revenue line items instead of the applicable revenue line items (i.e., water, sewer, sanitation, etc.). This process prevents an effective analysis related to the reasonability and accuracy of these adjustments.

Per Town Code, a customer’s utility service will be discontinued “by reason of nonpayment of bills *only after notice and a meaningful opportunity to be heard on disputed bills*” (emphasis added). The Code also states that if the customer’s bill is not paid by the due date stated on the bill, then services will be disconnected on the fifth of the following month. The Code further states, “Requests for delays or waiver of payment ***will not be entertained; only questions of proper and correct billing will be considered***” (emphasis added). For service to be restored, the Town Code requires that all bills for service then due must be paid, along with a reconnect fee of \$30 (or \$50 for an after-hours reconnection).

Per Town employees, the Town reviews the “master list for payment arrangements” prior to disconnecting service to a customer. Ms. Willoughby (former utility billing clerk) stated that the Town typically gives customers leeway if the customer was behind with smaller amounts. The Town also provides leeway when natural disasters affect the area. Other Town employees stated similar procedures for disconnections. Limited disconnection or reconnection fees were identified within the utility data or the general ledgers. Based on the Town’s utility data, there were approximately 28 utility accounts with balances in excess of \$200, which were more than one month in arrears on their utility bills. These accounts represented 67% of the Town’s total estimated utility accounts receivable as of June 30, 2024. It does not appear that these accounts have been disconnected. Two of these accounts related to two separate Town employees, with one of the account’s balances appearing due to utility billing errors that have not been corrected in the almost two years since it occurred. Based on the foregoing information, the Town has not consistently implemented its utility billing policies.



7.5 Potential Water Loss Analysis

Town employees, the current and former mayors and council members indicated that the Town's utility system has been in a constant state of needed repair including, but not limited to, faulty water meters, leaky pipes and a backlog of other needed repairs. Per Mr. Cowan, the engineering firm that conducted a water study in or around 2019 had estimated that the Town was losing approximately 10% of its water. In interviews, CRI inquired regarding whether the Town had prepared a more recent water loss study/estimate or engaged a firm to prepare one. No such study has been performed, but the interviewees generally acknowledged that the water loss was a well-known issue.

CRI analyzed the Town's water consumption reports in relation to the Abbeville Public Utilities' water consumption readings to ascertain the potential impact of the water loss on the Town's utility fund. As previously delineated, the Town's consumption reports include a wide range of incorrect readings, making it necessary to normalize these consumption reports and remove the estimated impact of these incorrect readings. CRI normalized these consumption reports by removing any identified no-reads and individual meter readings in excess of 99,999 gallons (with the exception of McCormick County's reading). As reflected in the below table, CRI then compared the normalized water consumption amounts to Abbeville Public Utilities' water consumption reading. This analysis reflects a significant disparity between these water consumption readings with the normalized water consumption amounts being far less than the water consumption amounts charged by Abbeville Public Utilities.

Water Consumption (gallons)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024*
Abbeville Public Utilities	194,796,000	205,439,000	180,332,000	170,496,000	219,999,000
Town of Calhoun Falls	132,575,000	140,599,000	136,652,000	109,799,000	140,415,000
Water Consumption Variance	62,221,000	64,840,000	43,680,000	60,697,000	79,584,000
Estimated Leakage/Unbilled Consumption	32%	32%	24%	36%	36%
Abbeville Billing Rate (per thousand gallons)	\$ 2.32	\$ 2.32	\$ 2.32	\$ 2.34	\$ 2.35
Estimated Leakage/Unbilled Consumption Cost	\$ 144,400	\$ 150,400	\$ 101,300	\$ 142,000	\$ 187,000

*Data does not include June 2024

Generally, there should be minimal differences between these water consumption amounts. If the full difference is attributed to potential leaks with Calhoun Falls' utility system, this would represent an average water leakage rate of 32% or 62.2 million gallons annually. As previously indicated, a portion of this water consumption variance is likely due to the Town's malfunctioning meters. If this estimated water loss is applied to the utility rate charged by Abbeville Public Utilities, this would represent an average loss of \$145,000 per year or \$725,100 during the review period whether due to leakage or the Town underbilling various utility customers with malfunctioning meters. This accounts for between 40% and 50% of the Town's annual utility fund deficit.

(report continued on following page)



Summarized Findings, Effects and Recommendations

Based on the aforementioned observations and findings, the Town of Calhoun Falls should consider implementing the following recommendations for improving its internal controls. The perceived risk related to each of these findings is also described below.

Rating	Description
High	Items are of immediate concern due to weak internal controls, prevalence of findings, or other risk factors. Items could cause significant financial issues or allow fraud to occur if not addressed soon.
Medium	Items should be addressed as soon as possible, as they either pose a financial, fraud and/or budgeting risk to the Town or the risk of reoccurrence is likely.
Low	Items could escalate into financial issues or fraud but can be addressed through the normal course of conducting business; risk of reoccurrence is low.

1. Lack of Policies and Procedures

Risk Rating: Medium

Finding: The Town does not have formal, written policies and procedures.

Effect: Employees may be unaware of the proper policies and procedures. Policies and procedures may not be complied with, and policies and procedures may not be updated.

Recommendation: The Town should require that all policies and procedures be documented and approved by the Town Council. The Town should also implement a regular review of its policies and procedures for adequacy and relevance.

2. Lack of Timely Financial Statements

Risk Rating: High

Finding: The Town's financial statements (including audited financial statements) are not prepared on a timely basis. The Town's audited financial statements for fiscal year 2020 were not submitted to the Office of the State Treasurer as required.

Effect: The untimely preparation of the Town's financial statements and the untimely closing of the Town's books and other financial reporting may result in the Town making financial decisions based on inaccurate or outdated financial information. The Town may be unaware of its current financial position and/or its current financial performance.

Recommendation: The Town should ensure that its internal financial statements and the audited financial statements are prepared on a timely basis. The Town should also ensure that its books are timely closed at the end of each fiscal year.

3. Lack of Financial Information Presented to the Council

Risk Rating: High

Finding: The Town did not regularly present its financial statements and/or budget-to-actual results to the Town Council. The Town also did not present bills to the Town Council for approval as required by the Town's Code.

Effect: Failure to provide financial information including budget-to-actual results limits the Town Council's ability to ensure that the Town is well-managed and limits the Town Council's ability to make sound financial decisions. Goods and/or services may be purchased without proper funding or approval.

Recommendation: The Town should ensure that appropriate financial information including budget-to-actual results are presented to the Town Council each month as required.



4. Failure to Prepare and Approve an Annual Budget

Risk Rating: High

Finding: The Town Council did not adopt an annual budget for fiscal years 2023 and 2024 as required by the Town Code and the South Carolina Constitution.

Effect: The Town may not be in compliance with its Code and the South Carolina Constitution. Failure to prepare and approve a budget limits the Town Council's ability to ensure that the Town is fiscally well-managed, limits the Town Council's ability to make sound financial decisions and may result in the Town expending funds without proper authorization.

Recommendation: The Town should prepare and approve a balanced budget on an annual basis in accordance with its Code and the South Carolina Constitution.

5. Unrecorded Accounts Receivable and Accounts Payable

Risk Rating: Medium

Finding: The Town does not regularly maintain its accounts receivable and accounts payable in its books and records. The Town's receivable and payable balances have not been updated since June 30, 2021. As such, the Town's financials are not in conformity with generally accepted accounting principles.

Effect: The Town's financials are not prepared in accordance with generally accepted accounting principles, which may reduce the accuracy and reliability of the Town's financial statements. This may limit the Town's ability to determine how much it is owed and how much it owes to other parties. This also limits the Town's ability to make sound financial decisions.

Recommendation: The Town should consistently and regularly maintain its receivable and payable balances within its books and records. The Town should also present receivable and payable aging reports to the Town Council as part of its monthly financial reporting process.

6. Approval of Pay Raises without Sufficient Funding Analysis

Risk Rating: Medium

Finding: The Town provided various pay raises to its employees during the review period. These pay raises were not part of the Town's budget process, and no budget amendments were made. The Town's analysis of its funding was flawed and resulted in the Town increasing its expenses without increasing its charges for various services to offset these increased costs.

Effect: Budgets may be outdated and not reflect all expenditures approved by the Town Council. Not utilizing the budget tool process may cause the Town to approve expenditures that are beyond the Town's funding constraints.

Recommendation: The Town should ensure that any expenditures approved post-budget adoption should include a funding analysis and appropriate budget amendments.

7. Elected Officials Compensation

Risk Rating: Low

Finding: The Town pays its elected officials a monthly stipend for their service to the Town. This monthly stipend is paid regardless of whether the elected officials attend the Town's monthly meetings.

Effect: Payment of elected officials' monthly stipend regardless of meeting attendance may lead to decreased accountability and governance.

Recommendation: The Town should consider implementing a policy related to the payment and attendance of its elected officials. The Town should consider prorating or not paying the stipends for elected officials who are not in attendance at the Town's meetings.



8. Unreported Bonus Compensation

Risk Rating: Medium

Finding: The Town issued certain bonus payments to its employees outside of the payroll process. This caused the Town to underreport its wages and payroll taxes for fiscal years 2023 and 2024.

Effect: The Town may not properly withhold payroll taxes and/or pay the required payroll taxes to the respective tax authorities.

Recommendation: The Town should ensure that any bonus payments issued to its employees are processed through its payroll provider.

9. Lack of Policies Related to Firefighter Call Pay

Risk Rating: Low

Finding: The Town has not established policies and procedures related to its volunteer firefighter call pay.

Effect: Firefighters may be paid regardless of whether they provided any active assistance to the emergency call. This may cause waste of the Town's limited financial resources.

Recommendation: The Town should adopt policies and procedures related to its volunteer firefighter call pay. These policies and procedures should include specific eligibility criteria for volunteer firefighter call payments.

10. Unreported Municipal Court Revenues and Expenditures

Risk Rating: High

Finding: Due to untimely responses from Town Hall, the Clerk of Court for the Town has withheld certain cash payments and utilized the cash for expenditures related to the Municipal Court. Both the cash payments and cash expenditures were not reported in the Town's books. This has caused unreported revenues and expenditures.

Effect: The Town's revenues and expenditures may be underreported. Town funds may be utilized for unauthorized purposes.

Recommendation: The Municipal Court and the Town should ensure that all receipts are appropriately accounted for and deposited into the appropriate bank account. The Town should also ensure that all uses of funds are appropriately tracked, supported and documented. The Town should implement a reconciliation between the Clerk of Court billing collection reports and the bank deposits.

11. Degradation of Internal Controls Related to Check Signing

Risk Rating: High

Finding: The Town has a dual check signature requirement/internal control, where both the Town Clerk and the Mayor have to sign Town checks. The Town Clerk has unrestricted access and routinely utilizes a signature stamp for the mayor's signature.

Effect: Checks may be issued without proper oversight or authorization.

Recommendation: The Town should either eliminate the signature stamp or restrict the usage of the signature stamp to the mayor (not the Town Clerk). This will help ensure that there is proper oversight and authorization of the Town's checks.



12. Bank Reconciliations not Performed Timely

Risk Rating: Medium

Finding: The Town does not require that bank reconciliations be completed within a designated time period after the end of the month, and bank reconciliations were not always timely completed.

Effect: Bank reconciliations may not be completed on a timely basis, and any differences between the book and bank balances may not be investigated in a timely manner.

Recommendation: The Town should require that all bank reconciliations be completed within a designated time period after the end of the month, and any exceptions should be immediately reported to the mayor and/or Town Council for appropriate action.

13. Lack of Bank Reconciliations for Other Town Accounts

Risk Rating: Medium

Finding: The Town did not perform monthly bank reconciliations for the Town's payroll bank account, grant bank accounts or other Town restricted-use cash/investment accounts.

Effect: The Town may not properly manage funds related to payroll, grants or restricted-use cash/investment accounts. Inaccurate information in the books may lead to poor financial decisions by the Town. Unauthorized transactions may also be undetected.

Recommendation: The Town should ensure that monthly bank reconciliations are completed for all Town bank and/or investment accounts within a designated time period after the end of the month, and any exceptions should be reported to the mayor and/or Council for appropriate action.

14. Inadequate Controls and Oversight of Interfund Transfers

Risk Rating: Medium

Finding: The Town does not regularly implement the use of its fund transfer approval forms, and it does not consider whether or not the funds being transferred may be restricted funds.

Effect: Restricted funds may be transferred and utilized by the Town for unallowable purposes.

Recommendation: The Town should evaluate its interfund transfers to ensure that the funds being transferred do not include restricted funds.

15. Ineffective Controls and Oversight of Credit Card Charges

Risk Rating: High

Finding: The Town has not established any policies and procedures related to the use of the Town's credit cards. Through its credit card charges, the Town has wasted funds on unnecessary purchases and abused the usage of its credit cards. The Town does not ensure or require that all supporting documentation for its credit card charges are submitted or reviewed.

Effect: Goods and/or services may be obtained without proper authorization, and credit cards may not be used effectively or appropriately. Credit cards may be misused, and Town funds may be wasted.

Recommendation: The Town should develop policies and procedures related to its credit cards and ensure that all policies and procedures are developed and implemented in a timely manner. The Town should also ensure that all receipts, invoices, etc. related to a credit card charge are submitted and reviewed in a timely manner.



16. Inaccurate Posting of Credit Card Charges

Risk Rating: Medium

Finding: The Town inaccurately posts all of its credit card charges to a miscellaneous expense account and does not post the credit card charges to the appropriate expense accounts, departments or funds.

Effect: The Town's financial statements may be inaccurate and misleading. Budget to actual comparisons may also be inaccurate and misleading. This may also cause departments to believe that they have more funding available and may lead to unbudgeted expenditures.

Recommendation: The Town should ensure that its credit card charges are posted to the proper expense accounts, departments and funds on a regular basis.

17. Lack of Oversight of Fuel Purchases

Risk Rating: Medium

Finding: The Town's fuel card purchases are not reviewed or approved. The Town has also not adopted a formal policy regarding the usage of Town vehicles and related fuel charges.

Effect: Employees may charge personal or unauthorized fuel purchases to the Town. Employees may also utilize Town vehicles for unauthorized purposes.

Recommendation: The Town should adopt a formal policy regarding the allowable usage of Town vehicles and related fuel purchases. The Town should also provide each department with the department's fuel usage by employee and/or vehicle and require the department head to approve the fuel usage on a monthly basis.

18. Untimely Payments Made to Vendors

Risk Rating: Medium

Finding: The Town did not timely pay vendors for goods/services procured by the Town.

Effect: The Town may be subject to late fees that exceed the Town's financial ability to pay.

Recommendation: The Town should review its monthly financial position in accordance with its Code. Payments made to vendors should be issued in a timely manner. Should funds be unavailable to make a timely payment, the Town take action to implement payment plans with the vendor to limit late fees and interest charges.

19. Lack of Understanding of Procurement Policies and Procedures

Risk Rating: Medium

Finding: There is a general lack of understanding within the Town regarding the Town's procurement policies and procedures and approval limitations.

Effect: The Town may not be in compliance with its own policies and procedures. Goods and/or services may be improperly procured.

Recommendation: The Town should provide procurement policies and procedures training to employees, the mayor and council members on a regular basis.



20. Failure to Utilize Purchase Requisitions and Purchase Orders

Risk Rating: Medium

Finding: The Town's Code requires purchase orders to be completed prior to obtaining goods/services over \$500. The purchase orders are to include the item's description, quantity, price, etc. No such information was included in the Town's vendor purchase and/or invoice documentation with limited exceptions.

Effect: The Town may purchase goods or services that have not been approved/reviewed by the appropriate manager, the mayor or Town Council. Purchase orders may lack the requisite information to properly review and approve payment.

Recommendation: The Town should enforce the use of purchase requisitions/orders.

21. Lack of Competitive Solicitation and Town Council Approval for Certain Contracts

Risk Rating: Medium

Finding: Certain goods/services that were not subject to a competitive solicitation process as required. Certain contracts were not approved by the Town Council as required. The Town has also not implemented any policies and procedures related to bid evaluations.

Effect: The Town may not be in compliance with its Code. Goods and/or services may be improperly procured and/or not be approved by the Town Council.

Recommendation: The Town should consider implementing policies and procedures related to bid evaluations. The Town should also ensure that the goods/services in excess of the competitive solicitation threshold are subject to a competitive solicitation process and the Town Council approves the resulting contracts.

22. Failure to Document Required Information for Procurement

Risk Rating: Medium

Finding: The Town's Code requires certain information be documented when procuring goods and services. This required information was not documented and/or maintained within the Town's procurement and vendor documentation.

Effect: The Town may not be in compliance with its Code. Goods and/or services may be improperly procured.

Recommendation: The Town should take proper actions to ensure that it is complying with procurement requirements including retaining any mandatory documentation.

23. Ineffective Management and Analysis of Utility Rates

Risk Rating: High

Finding: The Town has not updated its utility rates since fiscal year 2020 despite incurring significant additional direct costs related to its utility fund and despite other local utilities increasing their rates during this same period. These additional direct costs included Abbeville Public Utilities increasing their utility rates in November 2022. This ineffective management has in part caused the Town's increasing utility fund deficit.

Effect: The Town's utility rates may be set below the costs of providing the utility services and may result in recurring fund deficits.

Recommendation: The Town should annually evaluate its utility rates in relation to its costs and it should consider raising its utility rates to offset its increased costs of providing these same services.



24. Inaccurate Recording of Sanitation Revenues

Risk Rating: Low

Finding: The Town's sanitation revenues are deposited into the utility fund, and entries are posted within the Town's books to move the sanitation revenues to the general fund. The sanitation revenue entries were understated, which caused the utility revenues/fund to be overstated and the Town's sanitation revenues/general fund to be understated.

Effect: The Town's financial statements and fund balances may be inaccurate.

Recommendation: The Town should regularly reconcile its utility revenues (including sanitation) to its utility billing reports to ensure the accuracy of its reported revenues.

25. Ineffective Management and Oversight of Utility Meters/Charges

Risk Rating: High

Finding: Numerous Town utility meters are inoperable or unreliable. The Town generally bills these utility customers (including commercial customers) the base utility rates, which has led to underbilling of the Town's utility customers. The Town has also not consistently implemented service disconnections for nonpayment. This is not in compliance with the Town's Code. The Town does not properly record its utility adjustments in its billing system.

Effect: The Town may overcharge or undercharge customers for their utility usage. The Town may not be in compliance with its Code related to billing customers. The Town's utility billing and consumption reports may be unreliable.

Recommendation: The Town should develop a plan to replace its inoperable or unreliable utility meters. The Town should also ensure that it calculates the charges based on the historical usage versus the base billing rates for inoperable or unreliable meters. The Town should also ensure that it properly records its utility adjustments in its utility billing software. The Town should further ensure that all customers are treated similarly and in accordance with the Town Code for any service disconnections.

26. Significant Financial Impact due to Water System Leakage and Metering Issues

Risk Rating: High

Finding: The Town's water system has been in a constant state of needing repairs. It is well known within the Town that it has been losing water throughout its system. No water study has been conducted to determine the extent of the water loss. Based on the Town's utility reports, there was an average water leakage rate of 32% or 62.2 million gallons annually. If this estimated water loss is applied to the utility rate charged by Abbeville Public Utilities, this would represent an average loss of \$145,000 per year, or \$725,100 during the review period, whether due to leakage or the Town underbilling various utility customers with malfunctioning meters.

Effect: The Town may incur costs for water that is leaked throughout the utility system. This may significantly increase the Town's utility costs without providing any benefits for its customers.

Recommendation: The Town should develop a plan to identify the water leaks and address the water leakage in its system in a timely manner. This plan should identify the highest volume water leaks and prioritize these leaks accordingly.



Conclusion

Based upon the foregoing information, the Town of Calhoun Falls was mismanaged during Mayor Holland's tenure. This mismanagement included, but was not necessarily limited to, noncompliance with the Town's Code of Ordinances, noncompliance with the South Carolina Constitution for budget adoptions, lack of effective management of the Town's utility system, failure to timely prepare and submit financial statements, inaccurate financial statements, etc.

During the review period, there was also a slow degradation of the Town's internal controls. This degradation primarily occurred during Mayor Holland's tenure. The degradation included, but was not limited to, failing to require supporting documentation for credit card charges, waste and abuse of the Town's funds, untimely financial statements, lack of reconciliations for the Town's bank accounts and billing systems, lack of purchase orders, lack of management oversight and review, etc.

This degradation and lack of internal controls has contributed to a high-risk environment of fraud within the Town. Various Town employees including Mayor Holland have engaged in waste and abuse of Town funds totaling at least \$20,000. This waste and abuse were primarily related to excessive meal and snack charges. As Mr. Holland stated, "when you are broke, you do not go out to eat." Mr. Holland and the Town (primarily its administrative employees) did not follow this sage advice.

Due in part to the Town's mismanagement and degradation of the Town's internal controls, the Town is experiencing a significant fiscal deficit. As of June 30, 2024, the Town had accounts payable balances in excess of \$600,000, while its available cash was less than \$300,000. Due to late and untimely payments to its vendors, the Town has been incurring significant late fees and interest costs. The Town's failure to ensure current audited financial statements and submit the audited financial statements to the South Carolina Office of the State Treasurer has resulted in the withholding of vital state funds and loss of grant opportunities, which has exacerbated the Town's fiscal deficit.

The Town's overall fiscal deficit is primarily caused by the mismanagement of its utility fund. Current Town management has failed to adequately address or understand the root causes of the utility fund deficits. This includes management failing to adopt utility rate increases when its direct costs increased (either through third-party cost increases or by employee raises). The Town has not prepared a plan to address or identify its significant water losses or to replace its inoperable or malfunctioning meters, which is responsible for between 40% and 50% of the Town's annual utility deficits. The Town has also underbilled various utility customers (including commercial customers) with malfunctioning meters by billing these customers the base utility rates versus the historical usage rate required by the Town Code.

To address the waste, abuse, mismanagement and degradation of the Town's internal controls, we recommend that the Town consider implementing the 26 recommendations identified within this report as soon as possible. Prompt implementation of these recommendations is essential to stabilizing the Town's financial position.



Supplementary Information

Town of Calhoun Falls, South Carolina
Forensic Examination Supplementary Information
Schedule A - Historical Statements of Net Position

For the fiscal years ending June 30,	2020	2021*	2022*	2023*	2024*
Assets					
Current Assets					
Cash	\$ 101,969	\$ 153,616	\$ 478,820	\$ 332,662	\$ 293,196
Accounts Receivable	106,699	119,954	119,954	119,954	119,954
Prepaid Expense	-	-	16,456	-	-
Due from Utility Fund	11,722	131,822	359,900	713,590	853,889
Due from Other Governments	110,324	277,257	277,257	277,257	277,257
Restricted - Cash	94,382	3,067	3,067	3,067	3,067
Total Current Assets	\$ 425,096	\$ 685,716	\$ 1,255,454	\$ 1,446,530	\$ 1,547,363
Capital Assets					
Water and Sewer System	\$ 9,519,821	\$ 9,519,822	\$ 9,519,822	\$ 9,519,822	\$ 9,519,822
Buildings	1,008,637	1,008,637	1,008,637	1,008,637	1,008,637
Equipment	254,223	227,302	227,302	227,302	227,302
Vehicles	232,178	232,178	232,178	242,003	242,003
Water and Sewer System CIP	341,754	341,754	341,754	341,754	341,754
Office Equipment	-	26,920	26,920	26,920	26,920
Less Accumulated Depreciation	(4,607,703)	(4,668,819)	(4,729,937)	(4,791,054)	(4,852,171)
Total Capital Assets	\$ 6,748,910	\$ 6,687,794	\$ 6,626,676	\$ 6,575,384	\$ 6,514,267
Total Assets	\$ 7,174,006	\$ 7,373,510	\$ 7,882,130	\$ 8,021,914	\$ 8,061,630
Deferred Outflows of Resources					
Pension Related	\$ 186,350	\$ 77,915	\$ 77,915	\$ 77,915	\$ 77,915
Total Deferred Outflows of Resources	\$ 186,350	\$ 77,915	\$ 77,915	\$ 77,915	\$ 77,915
Total Assets and Deferred Outflows	\$ 7,360,356	\$ 7,451,425	\$ 7,960,045	\$ 8,099,829	\$ 8,139,545
Liabilities					
Current Liabilities					
Accounts Payable	\$ 305,731	\$ 357,169	\$ 357,169	\$ 357,169	\$ 357,169
Accrued Liabilities	81,563	179,883	123,450	105,066	75,092
Compensated Absences	5,048	4,186	4,186	4,186	4,186
Due to General Fund	11,722	131,822	359,900	713,590	853,889
Due to Others	4,807	4,807	5,517	5,517	5,517
Restricted - Revenue Bonds Payable	46,155	38,215	38,215	38,215	38,215
Miscellaneous	-	-	-	301	301
Total Current Liabilities	\$ 455,026	\$ 716,082	\$ 888,437	\$ 1,224,044	\$ 1,334,369
Noncurrent Liabilities					
Net Pension Liability	\$ 945,209	\$ 393,136	\$ 393,136	\$ 393,136	\$ 393,136
Revenue Bonds Payable	1,432,959	1,378,176	1,378,176	1,378,176	1,378,176
Total Noncurrent Liabilities	\$ 2,378,168	\$ 1,771,312	\$ 1,771,312	\$ 1,771,312	\$ 1,771,312
Total Liabilities	\$ 2,833,194	\$ 2,487,394	\$ 2,659,749	\$ 2,995,356	\$ 3,105,681
Deferred Inflows of Resources					
Pension Related	\$ 157,918	\$ 65,682	\$ 65,682	\$ 65,682	\$ 65,682
Total Deferred Inflows of Resources	\$ 157,918	\$ 65,682	\$ 65,682	\$ 65,682	\$ 65,682
Total Net Position	\$ 4,369,244	\$ 4,898,349	\$ 5,234,613	\$ 5,038,790	\$ 4,968,181
Total Liabilities, Deferred Inflows and Net Position	\$ 7,360,356	\$ 7,451,425	\$ 7,960,044	\$ 8,099,828	\$ 8,139,544

*Balances presented are unaudited.

Town of Calhoun Falls, South Carolina
Forensic Examination Supplementary Information
Schedule B - Historical Statements of Revenues, Expenses and Changes in Fund Balances

For the fiscal years ending June 30,	2020	2021*	2022*	2023*	2024*
General Fund					
Operating Revenue					
Property Taxes	\$ 336,102	\$ 361,574	\$ 382,057	\$ 357,989	\$ 413,386
Franchise Fees, Licenses and Permits	412,723	414,357	436,323	421,333	481,985
Motor Carrier	5,642	15,532	16,965	17,885	18,281
Sanitation Fees	96,615	120,094	89,234	100,157	101,251
State Revenues	47,513	48,424	100,744	79,809	42,485
Fines	20,350	19,436	21,786	42,112	41,078
Interest	7	1	-	-	700
Other	184,107	253,621	269,875	313,314	331,491
American Rescue Funds	-	-	473,497	473,450	-
Loan Proceeds	-	-	-	-	407,500
Total Operating Revenue	\$ 1,103,059	\$ 1,233,039	\$ 1,790,481	\$ 1,806,049	\$ 1,838,157
Operating Expenses					
Current					
General Government	\$ 167,708	\$ 167,054	402,447	321,101	321,337
Police	342,819	328,701	340,229	592,848	662,041
Victim Advocate	15,920	18,746	15,427	13,421	15,560
Fire	53,213	50,243	41,389	57,542	31,735
Streets and Sanitation	200,591	204,353	223,529	216,875	337,441
Airport	282	77	-	-	-
Recreation	2,075	890	2,796	12,896	18,832
Library	3,141	1,351	264	5,995	291
Ellison Center	3,475	2,595	2,143	13,710	1,650
Civic Center	40,016	9,177	9,786	17,823	14,658
Non-Departmental	152,655	150,312	126,047	168,955	163,838
Debt service					
Principal	230,000	237,288	30,200	156,033	17,250
Interest	11,743	-	-	-	-
Total Operating Expenses	\$ 1,223,638	\$ 1,170,787	\$ 1,194,257	\$ 1,577,199	\$ 1,584,633
Net Operating Income (Loss)	\$ (120,579)	\$ 62,252	\$ 596,224	\$ 228,850	\$ 253,524
Other Financing Sources (Uses)					
Debt Proceeds	\$ 230,000	\$ 225,000	\$ 175,000	\$ -	\$ -
Transfer in from Proprietary Fund	-	-	-	1,525	-
Transfer to Proprietary Fund	(112,032)	(75,000)	(198,917)	-	(128,000)
Total Other Financing Sources	\$ 117,968	\$ 150,000	\$ (23,917)	\$ 1,525	\$ (128,000)
Change in General Fund Balance	\$ (2,611)	\$ 212,252	\$ 572,307	\$ 230,375	\$ 125,524
Proprietary Fund					
Operating Revenue					
Water Revenue	\$ 665,544	\$ 664,088	\$ 768,094	\$ 688,121	\$ 704,577
Sewer Revenue	205,941	281,773	213,062	233,068	232,833
Penalties and Fees	20,612	25,061	33,747	44,526	40,809
Total Operating Revenue	\$ 892,097	\$ 970,922	\$ 1,014,903	\$ 965,715	\$ 978,219
Operating Expenses					
State Permits	\$ 4,837	\$ -	\$ -	\$ -	\$ -

See Forensic Examination Report.

Town of Calhoun Falls, South Carolina
Forensic Examination Supplementary Information

Schedule B - Historical Statements of Revenues, Expenses and Changes in Fund Balances

For the fiscal years ending June 30,	2020	2021*	2022*	2023*	2024*
Vehicle Expense	8,464	13,126	24,919	19,399	6,150
Salaries and Benefits	373,546	409,946	411,710	377,239	439,800
Materials and Supplies	45,686	67,232	55,964	102,208	124,735
Telephone	6,301	5,760	818	2,277	-
Postage and Printing	559	5,899	5,875	5,464	6,732
Insurance	20,881	17,741	-	-	-
Utilities	98,640	129,117	4,231	185,652	19,094
Repairs and Maintenance	11,884	36,843	60,924	17,737	33,936
Other Expenses	54,333	20,772	46,865	49,599	22,464
Professional Fees	19,928	19,177	11,761	35,643	2,253
Water Purchases	452,367	477,039	643,419	404,921	453,203
Dues and Subscriptions	625	50	-	4,381	1,178
Travel	56	30	-	-	-
Uniforms	10,255	10,329	14,682	17,970	3,230
Other Equipment & Improvements	-	32,347	10,121	12,367	-
Contractual Services	-	-	7,101	15,300	25,900
Depreciation	256,880	61,117	61,117	61,117	61,117
Total Operating Expenses	\$ 1,365,242	\$ 1,306,525	\$ 1,359,507	\$ 1,311,274	\$ 1,199,792
Net Operating Income (Loss)	\$ (473,145)	\$ (335,603)	\$ (344,604)	\$ (345,559)	\$ (221,573)
Nonoperating Revenues (Expenses)					
Interest Income	\$ -	\$ 15	\$ 6	\$ -	\$ 199
Fees	-	(7,450)	(4,965)	(1,954)	(9,404)
Sewer Grant	311,753	950,265	618,376	640,852	-
Sewer Grant Expenses	-	(950,265)	(618,376)	(640,852)	-
Other Income	42,038	78,419	10,846	17,555	2,884
Interest Expense	(60,100)	-	-	-	-
Total Nonoperating Revenues (Expenses)	\$ 293,691	\$ 70,984	\$ 5,887	\$ 15,601	\$ (6,321)
Other Financing Sources (Uses)					
Debt Service	\$ -	\$ (58,853)	\$ (96,240)	\$ (96,240)	\$ (96,240)
Transfer in from General Fund	112,032	75,000	198,916	-	128,000
Total Other Financing Sources	\$ 112,032	\$ 16,147	\$ 102,676	\$ (96,240)	\$ 31,760
Change in Proprietary Fund Balance	\$ (67,422)	\$ (248,472)	\$ (236,041)	\$ (426,197)	\$ (196,134)

*Amounts presented are unaudited.



Ben Kincaid, CPA, CFE, CFF, CVA
Partner, Forensic Accounting and Dispute Services Group
(850) 837-3141 phone BKincaid@CRIadv.com

Experience

Known for his data analytics and translating the data into defensible, investigative results, Ben Kincaid has over 12 years of experience in providing forensic accounting, litigation support and business valuation services across CRI's footprint. These services have included investigating compliance, employee malfeasance, hidden asset schemes, breach of contract claims, business interruption losses, economic damages, due diligence and valuation disputes. Ben has provided these services to a wide range of clients and industries; such as state, county and local governments as well as private companies, non-profit organizations and publicly traded companies.

Ben speaks regularly on the topics of fraud prevention, fraud detection and business valuations. Ben has also worked with various law firms and law enforcement on civil and criminal matters and presented findings to various law enforcement agencies including the FBI, FDLE, DOJ and GBI. Ben also provides expert witness services and has qualified as an expert witness in various state courts. Ben is a graduate from Pensacola Christian College with a Bachelor of Science Degree in Business with a double concentration in Accounting and Finance. Ben serves on the AICPA Forensic and Litigation Services Committee.

Education, Licenses & Certifications

- BS, Business, Pensacola Christian College
- Certified Public Accountant (CPA) - Indiana (2014) and Florida (2020)
- Certified Fraud Examiner (CFE) - 2016
- Certified Valuation Analyst (CVA) - 2016
- Certified in Financial Forensics (CFF) - 2018

Professional Affiliations

- American Institute of Certified Public Accountants (AICPA)
- Florida Institute of Certified Public Accountants (FICPA)
- Association of Certified Fraud Examiners (ACFE)
- National Association of Certified Valuators and Analysts (NACVA)

Professional Awards

- 2021 AICPA Forensic and Valuation Services Standing Ovation Award Recipient
-

Town of Calhoun Falls, South Carolina
Forensic Examination Supplementary Information
Appendix A – Expert Qualifications



Donna Melillo, CPA, CFE, CFF

Manager, Forensic Accounting and Dispute Services Group

(850) 837-3141 phone

DMelillo@CRIadv.com

Experience

Donna has over seven years of experience in accounting and forensic accounting services. Her forensic experience includes investigating employee malfeasance, breach of contract claims, grant compliance, digital forensic investigations and divorce litigation assistance. She has managed forensic and consulting engagements for school districts, for-profit and non-profit entities, state agencies and local governments across CRI's footprint.

Donna specializes in forensic accounting, fraud detection and fraud prevention. She has also provided internal control consulting to clients and testified as an expert witness. She is a certified Public Accountant (CPA), Certified Fraud Examiner (CFE) and is Certified in Financial Forensics (CFF).

Donna is a graduate from the University of West Florida with a Bachelor of Science degree in Business with a concentration in Professional Accountancy. She also holds dual degrees in Mathematics and Business Education. Donna serves on the FICPA's Valuation, Forensic Accounting & Litigation Services Knowledge Resource Group as well as various AICPA committees and task forces.

Education, Licenses & Certifications

- BS, Accounting, University of West Florida
- BS, Mathematics Education, Pensacola Christian College
- BS, Business Education, Pensacola Christian College
- Certified Public Accountant (CPA) - Florida 2022
- Certified Fraud Examiner (CFE) - 2023
- Certified in Financial Forensics (CFF) - 2024

Professional Affiliations

- American Institute of Certified Public Accountants (AICPA)
- Florida Institute of Certified Public Accountants (FICPA)
- Association of Certified Fraud Examiners (ACFE)

Professional Committees/Achievements

- FICPA – Valuation, Forensic Accounting, and Litigation Services Knowledge Resource Group Member
 - AICPA – CFF Credential Exam Study Group Task Force Member and FVS Conference Planning Committee
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Town of Calhoun Falls, South Carolina
Forensic Examination Supplementary Information
Appendix B – Source Documentation



We reviewed and relied upon the following documentation during our investigation:

- Employee Handbook for Calhoun Falls (2019);
- Calhoun Falls Council Meeting Agendas and Meeting Minutes;
- Calhoun Falls Code of Ordinances (2025);
- Calhoun Falls Chart of Accounts;
- Calhoun General Ledger Detail Reports for fiscal years ending 2020-2024;
- Calhoun Falls Budgets for fiscal years ending 2019-2022;
- Calhoun Falls Financial Statements and Audit Report by McKinley, Cooper & Co., LLC for the fiscal year ending June 30, 2018 and June 30, 2019;
- Calhoun Falls Financial Statements and Audit Report by Phillips CPAs and Advisors for the fiscal year ending June 30, 2020;
- Calhoun Falls Municipal Court Independent Accountant's Report on Applying Agreed-Upon Procedures for the year ended June 30, 2021 performed by Brown CPA, LLC;
- Calhoun Falls Monthly Financial Statements compiled by Cox Accounting Solutions for July 31, 2022 through June 30, 2024;
- Calhoun Falls Trial Balances for the fiscal years ending 2020 through 2024;
- Calhoun Falls Accounts Payable Reports for the fiscal years ending 2020 and 2021;
- Calhoun Falls Accounts Receivable Reports for the fiscal years ending 2020 and 2021;
- Calhoun Falls bank statements and cancelled check images for July 1, 2019 through June 30, 2024;
- Calhoun Falls bank reconciliations for general and utility fund checking accounts for the fiscal years ending 2020 through 2024;
- Available loan documentation for Calhoun Falls for the fiscal years ending 2020 through 2024;
- Water and sewer rates for various towns and counties located in South Carolina for 2022 through 2024;
- Calhoun Falls Water and Sewage Rates and Fees;
- Calhoun Falls water consumption, adjustments, billing reports and billing register for the fiscal years ending 2020 through 2024;
- Town of Calhoun Falls Clerk of Court Receipts for the fiscal years ending 2020 through 2024;
- Credit card statements for Calhoun Falls for the fiscal years ending 2020 through 2024;
- Calhoun Falls fuel card reports from August 2023 to June 2024;
- Available Calhoun Falls grant agreements, draw requests and other supporting documentation for fiscal years ending 2020 through 2024;
- Available Calhoun Falls vendor invoices, bids, contracts, agreements and other supporting documentation for fiscal years ending 2020 through 2024; and,
- Calhoun Falls Employee List and Payroll Reports for the fiscal years ending 2020 through 2024.