

## **OFFICE OF THE COUNTY AUDITOR**

### **ANNUAL REPORT – FISCAL YEAR 2014-15**

#### **Mission Statement**

The mission and vision of the office is to promote honest, efficient, effective and accountable government for the County of Kaua'i through carefully selected audits of critical areas.

Pursuant to the Kauai County Charter, the audits conducted by the office should include an independent annual or biennial audit of all county funds and accounts, in addition to performance audits having the purpose of ensuring and determining whether government services are being efficiently, effectively and economically delivered.

#### **Department Goals**

The goals of the department are:

- To serve as a catalyst for positive change throughout county operations;
- To encourage efficiency and effectiveness of county programs;
- To inspire public trust by safeguarding the county's financial integrity by having annual financial audits performed by outside auditors and conducting in-house performance audits; and
- To help ensure that the county's scarce resources are used effectively, efficiently and economically.

#### **Program Description**

Like other government auditing offices, we conduct audits and analyses designed to identify opportunities for significant efficiencies and savings, as well as improving transparency for the general public, while helping to ensure that their tax dollars are being spent ethically, competently and appropriately.

Our audits provide factual information to county policymakers and the public. The financial audits tell us the financial condition of the county. The performance audits provide information necessary to evaluate specific programs, as well as identify inefficiencies, fraud and other risks.

We conduct audits in accordance with government auditing standards, as required by the Kaua'i County Charter. The standards are also referred to as Generally Accepted Government Auditing Standards (GAGAS) or the Yellow Book. The GAGAS standards deal with the independence of the audit function and quality control of fieldwork and reports, and are designed to ensure that high quality government audits are conducted uniformly, with appropriate safeguards in place, and are delivered with competence, integrity, objectivity and independence.

Our audit work is subjected to being audited every three (3) years by a team of external auditors. This type of audit, is referred to as a “peer review,” and makes certain that adequate and effective quality control and internal monitoring systems and procedures are in place. Peer reviews also evaluate our audit reports to determine if the audits were conducted properly and in compliance with our quality control procedures. Based on the experience of other government organizations, the three-year requirement means that the auditor’s office will be audited more often than any other county department or function.

The final reports of all audits are public information and are posted on our County website. The availability of our audits enables the community to have access to the same information that we provide to the County Council and the Mayor.

*Department Objectives:* The department objectives for each fiscal year are stated in the audit work plan, which is filed with the County Council by the County Auditor before the end of each fiscal year. The objectives for the 2014-2015 fiscal year were:

- Complete the financial audit of the County of Kaua’i for the fiscal year that ended on June 30, 2014 (contract audit); and
- Complete one to two performance audits.

*Highlights and Activities:*

Pursuant to the Kauai County Charter Section 32.02 (4), the county auditor shall conduct or cause to be conducted all audits in accordance with government auditing standards. Government Auditing Standards (Yellow Book) Section 3.82 requires that each audit organization performing audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) must:

- (a) Establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with the necessary regulatory requirements, and
- (b) Have an external peer review performed at least once every three (3) years by auditors who are independent of the audit organization that is being reviewed. This external peer review was successfully completed in June 2013.

### **Program Measures – Accomplishments and Evaluation**

The objectives for the fiscal year have been met.

- Objective 1: Accomplished. The contract (external) auditor, N&K CPA’s Inc., issued a clean audit report for the fiscal year ending June 30, 2014. The full text of the consolidated annual financial report is available on the website of the Office of the County Auditor at <http://www.kauai.gov/Government/County-Council/Office-of-the-County-Auditor/Reports>

- Objective 2: Accomplished. (1) Audit of the County's Hiring Practices. The contract auditor PKF Hawai'i LLP (PKF) examined the County's hiring procedures from January 1, 2009 to December 31, 2013. The audit was designed to answer whether the County is in compliance with applicable rules and regulations relating to the hiring of civil service and exempt personnel and whether the County has sufficient controls in place to ensure fair, uniform and transparent selection of the best qualified employee for a particular position.

(2) Audit of the County Payroll System. This audit was conducted by PKF to determine the following: 1) Whether the County's controls and policies related to payroll activities adequately and appropriately operating to ensure that the County is in compliance with applicable rules and regulations 2) Whether the County's policies and procedures are uniformly and consistently applied throughout the County to ensure that pay and benefits are accurate, appropriate, earned, and paid to its employees 3) Has the County established appropriate rules, policies and procedures to safeguard County assets, provide appropriate checks and balances and ensure the accountability of government.

The above referenced audit reports are available on the website of the Office of the County Auditor at <http://www.kauai.gov/Government/County-Council/Office-of-the-County-Auditor/Reports>

## Budget

Expense Type	FY 2015 Appropriation	FY 2015 Actual
Salaries and Wages	\$ 493,505.00	\$ 349,602.00
Operations	\$ 991,739.00	\$ 474,589.90
Total	\$ 1,485,244.00	\$ 824,191.90

\*Note: Mr. Ernesto G. Pasion, County Auditor retired on August 31, 2015. Pursuant to the Kauai County Charter, the County Council is tasked with hiring a new County Auditor, at the time of this printing (October 1, 2015), the County Council is in the process of filling this position.