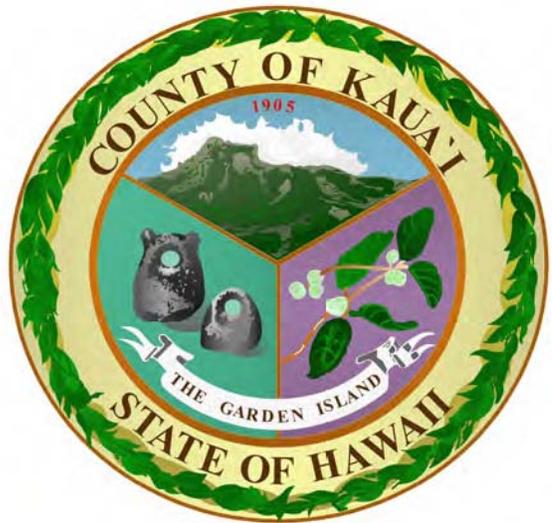


# MANAGEMENT ADVISORY REPORT

County of Kauaʻi, Hawaiʻi



For the Fiscal Year Ended  
June 30, 2019

**COUNTY OF KAUA'I**

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To the Chair and Members of the County Council  
County of Kaua'i  
Lihue, Kaua'i, Hawai'i

In planning and performing our audit of the financial statements of the County of Kaua'i, State of Hawai'i (the County) as of and for the fiscal year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this report summarizes our finding and recommendation regarding this matter. We previously communicated to you about the County's internal control in our report dated December 20, 2019. This letter does not affect our report dated December 20, 2019, on the financial statements of the County.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various County personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of management, County council, and others within the County, and is not intended to be, and should not be, used by anyone other than these specified parties.

*N&K CPAs, Inc.*

Honolulu, Hawai'i  
January 3, 2020

**County of Kaua'i, Hawai'i**  
**CURRENT FINDINGS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2019**

**2019-001 Perform Timely User Access Reviews**

**Condition:** During our audit, we noted that the County did not perform a timely review of departmental user access to the County's software systems. The Information Technology department periodically sends out a listing of users and their level of access for review to department heads who make changes to software that the department manages. However, this review was not performed during the fiscal year ended June 30, 2019.

**Criteria:** Annual reviews of user access granted within all of the software systems in use at the County should be performed. User access reviews will identify individuals that have inappropriate access in departmental software such as those due to new positions, terminations, or other changes in employment and job duties. The reviews should be performed by, or include an individual separate from department heads to verify that user access provided to employees are appropriate and are not excessive for their position.

**Cause:** The County did not specify a timeframe to implement a review of employees' user access for software used by each department.

**Effect:** Untimely reviews of user access in the County's software may increase the risk of unauthorized usage or misuse of software functions.

**Recommendation**

The County should strengthen procedures to ensure annual user access reviews for software used in each department. Any changes to access, if any, should be determined by department heads and a separate secondary review should be completed to verify that employee user access remains appropriate.

**Views of Responsible Officials and Planned Corrective Action**

The County agrees with the finding and the recommendation. See Corrective Action Plan on page 10.

## **STATUS OF PRIOR YEAR'S RECOMMENDATIONS**

**County of Kaua'i, Hawai'i**  
**STATUS REPORT**  
**Fiscal Year Ended June 30, 2019**

This section contains the current status of our prior audit recommendations. The recommendations are referenced to the pages of the management advisory report for the fiscal year ended June 30, 2018, dated December 18, 2018.

<u>Recommendations</u>	<u>Status</u>
<p><b>2018-001 IMPROVE INTERNAL CONTROLS OVER PCARD PURCHASES</b> (page 4)</p> <p>The County should continue to strengthen internal controls over the use of the pCard. The monitoring of pCard transactions by the Division of Purchasing should include the implementation of formal violation reports and consequences for departments and agencies not following the established procedures, including the revocation of pCards.</p>	<p>Accomplished.</p>
<p><b>2018-002 REMOVE TERMINATED EMPLOYEES FROM AUTHORIZED CHECK SIGNERS</b> (page 6)</p> <p>The County should implement procedures to verify that authorized signers for its bank accounts have been properly updated when changes in personnel occur.</p> <p>The County currently utilizes a 'Departmental Employee Separation Checklist' (Checklist) in an employee's personnel file that is held by the Department of Human Resources (HR). The Checklist notates termination procedures for an individual. HR should be informed that a notation be included if an employee is an authorized signer. Upon termination, the County should promptly and formally inform the bank of the removal of the individual as an authorized signer.</p> <p>The County should also maintain a current listing of authorized check signers to ensure proper authorization of all disbursements and update it as necessary. The bank should be promptly and formally notified of any change in signers.</p>	<p>Accomplished.</p>

**County of Kaua'i, Hawai'i**  
**STATUS REPORT (Continued)**  
**Fiscal Year Ended June 30, 2019**

Recommendations	Status
<p><b>2018-003    PERFORM QUARTERLY CASH COUNTS</b> (page 7)</p> <p>The County should implement monitoring procedures to ensure that the necessary cash counts and certified report as required by the County Charter is submitted to the Mayor and Council on a timely basis.</p>	<p>Accomplished.</p>
<p><b>2018-004    INTERNAL CONTROLS OVER TREASURY ADJUSTMENTS</b> (page 9)</p> <p>Adequate internal controls should be maintained to ensure that adjustments are accurately recorded in the iNovah cashing system. A secondary review and approval should be documented and signed off by an employee with the necessary knowledge of the adjustments to identify errors and maintained in the County's records.</p>	<p>Accomplished.</p>
<p><b>2018-005    REVIEW REAL PROPERTY TRUST ACCOUNT</b> (page 10)</p> <p>The County should implement procedures to periodically review amounts held in the Real Property Trust Fund and document the review to determine that all payments back to an individual or entity are made and if any funds should be transferred to the general fund for closed appeals.</p>	<p>Accomplished.</p>

## **CORRECTIVE ACTION PLAN**



DEPARTMENT OF FINANCE  
THE COUNTY OF KAUAI

DEREK S. K. KAWAKAMI, MAYOR  
MICHAEL A. DAHLIG, MANAGING DIRECTOR

REIKO MATSUYAMA  
DIRECTOR

MICHELLE L. LIZAMA  
DEPUTY DIRECTOR

January 3, 2020

Blake S. Isobe  
N & K CPA's Inc.  
1001 Bishop Street, Suite 1700  
Honolulu, HI 96813-3696

Dear Mr. Isobe:

Attached are the County of Kauai's responses and corrective action plans related to your fiscal year 2019 audit report *Management Advisory Report's* Current Findings and Recommendations. We appreciate the opportunity to comment on the audit report.

Sincerely,

Reiko Matsuyama  
Director of Finance

Attachment

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**County of Kaua'i, Hawai'i**  
**CORRECTIVE ACTION PLAN**  
**Fiscal Year Ended June 30, 2019**

**2019-001      Perform Timely User Access Reviews**

**Auditor's**

**Recommendation:** The County should strengthen procedures to ensure annual user access reviews for software used in each department. Any changes to access, if any, should be determined by department heads and a separate secondary review should be completed to verify that employee user access remains appropriate.

**Corrective  
Action:**

Department Supervisors must complete an account deletion request for every employee who leaves employment under their direct/indirect supervision by submitting an Add/Delete/Change User Account form (ADC) to IT. This form must be completed and submitted to IT prior to the terminated employee's last day and must state the effective date for the account deletion. If this is not possible, the ADC form must be completed and submitted to IT on the employee's last day of work. All completed ADC forms should be submitted to the IT Help Desk for processing.

Routine account maintenance will be performed to identify network accounts and mailboxes that have not been used for more than 3 months. The IT Help Desk will periodically generate a report of these inactive accounts. Individual reports will be sent via email to each Department Head & Deputy Department Head having employee accounts identified as being inactive for more than 3 months, along with a request that they submit an ADC form to delete the accounts. The Department Head & Deputy Department Head are responsible for forwarding the report onto affected Department Supervisors as appropriate.

All accounts identified as inactive for more than 3 months will be deleted 1 month after sending the associated departmental email notifications. At the end of this 1 month grace period, IT will verify that the identified accounts have remained inactive and only delete those accounts that still have no activity. These account deletions will be processed regardless of whether or not an ADC has been provided, and no additional account access will be possible unless a specific request is made via the ADC form.

Routine maintenance will be performed on all active user accounts to ensure that only valid and authorized employees have access to County systems. The IT Help Desk will generate a report every three months detailing active accounts sorted by department. This report will contain any known information about which systems, functions or applications each employee has access to. The report will be distributed to the proper Department Head or Supervisor who will subsequently review each employee listed. When it is determined that an account needs to be updated or removed, an ADC form will be submitted to IT by the Department Head or Supervisor with direction on what action needs to be taken.

**County of Kaua'i, Hawai'i**  
**CORRECTIVE ACTION PLAN (Continued)**  
**Fiscal Year Ended June 30, 2019**

**2019-001      Perform Timely User Access Reviews (Continued)**

**End Date:**                      On-going

**Responding  
Person(s):**                      Del Sherman, IT Manager, Finance Department, Information Technology  
Division. Phone: (808) 241-4295