

## **OFFICE OF THE COUNTY AUDITOR**

### **ANNUAL REPORT – FISCAL YEAR 2012-13**

#### **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.

Under the Kaua‘i County Charter, the audits include an independent annual or biennial audit of all county funds and accounts and 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 done 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 to the general public and 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 the 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 make certain that high quality government audits are conducted uniformly, with safeguards, and with competence, integrity, objectivity and independence.

Our audit work is itself audited every three years by a team of external auditors. This audit, called a “peer review,” makes certain that we have adequate and effective quality control and internal monitoring systems and procedures, and reviews 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 reports of all audits are public and posted on our website. This enables the community to have access to the same information we provide to the Council and the Mayor.

*Highlights and Activities:*

Pursuant to the County Charter Section 32.02 (4), [T]he 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 regulatory requirements, and
- b) Have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years.

The Office of the County Auditor engaged the services of the Association of Local Government Auditors (ALGA) to conduct the peer review. ALGA sent a team of two of its Peer Review volunteers, Mr. F. Michael Taylor, Director of Internal Audit Department, County of Hanover, State of Virginia and Mr. Bill Greene, City Auditor, City Auditor Department, City of Phoenix, State of Arizona. The Peer Review Team completed the peer review of the County of Kaua‘i, Office of the County Auditor, for the period of January 1, 2011 through December 31, 2012. In conducting the peer review, the Peer Review Team followed the standards and guidelines contained in the Peer Review Guide published by the Association of Local Government Auditors (ALGA). The Peer Review Team reviewed the internal quality control system of the Office of the Kaua‘i County Auditor and conducted tests in order to determine whether the internal control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The procedures followed by the Peer Review Team included the following:

- Reviewing the audit organization’s written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit engagements and working papers.
- Reviewing documents related to independence, training and development of auditing staff.
- Interviewing auditing staff to assess their understanding of, and compliance with, relevant quality control policies and procedures.

- Meeting with the Council Chair and Vice-Chair to provide information about the peer review process and get their perspective of the County Auditor's Office.

Based on the results of the Peer Review Team's review, it was their opinion that the County of Kaua'i, Office of the County Auditor's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits during the period of January 1, 2011 through December 31, 2012.

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

The status of the objectives for the fiscal year was as follows:

- Objective 1: Accomplished. The contract auditor, N&K CPA's Inc., issued a clean audit report for the fiscal year ending June 30, 2012. The full text of the consolidated annual financial report is on the web site of the Department of Finance at <http://www.kauai.gov/finance/reports>.
- Objective 2: Completed. GAS Required Tri-Annual Peer Review – Full Compliance.
- Objective 3: In-Process. Audit of the County's Take-Home Car Policy and Compliance.

### **Budget**

Approximately 13 percent of the budget in fiscal year 2012-2013 was designated for the County's comprehensive annual financial report (CAFR) and the single audit. The latter is an audit required by the Federal government of major programs receiving federal funding. Expert and consultant costs represented 13 percent of the budget. Personnel costs, including benefits, accounted for 33 percent of the budget; while other, office and equipment expenses were 5 percent of the budget,

Cost savings and budgeted dollars for an audit that was not undertaken, Economy and Efficiency Audit of the Department of Parks and Recreation represented 36 percent of the budget being unspent and lapsing to the general fund. The following chart shows how the funds were used this fiscal year.

## FY 2012-2013 Use of Funds

