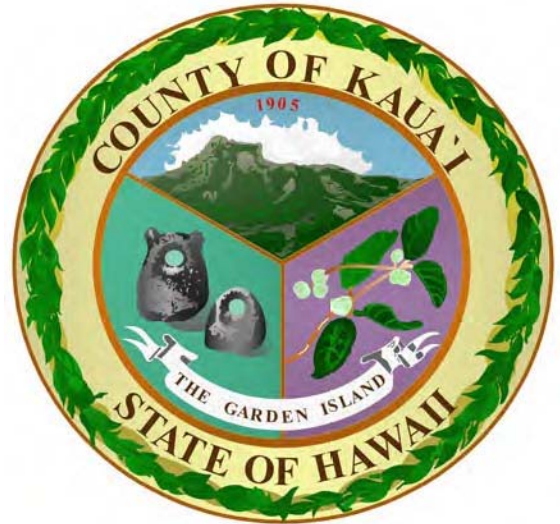


**SINGLE AUDIT REPORTS**  
**County of Kaua'i, Hawai'i**



**For the Fiscal Year Ended**  
**June 30, 2018**

December 18, 2018

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

We have completed our financial audit of the basic financial statements and other supplementary information of the County of Kaua'i (the County), as of and for the fiscal year ended June 30, 2018. Our report containing our opinion on those basic financial statements is included in the County's *Comprehensive Annual Financial Report*. We submit herein our reports on the County's internal control over financial reporting on compliance and other matters, the County's compliance for each major federal program, internal control over compliance and on the schedule of expenditures of federal awards.

## **OBJECTIVES OF THE AUDIT**

The primary purpose of our audit was to form an opinion on the fairness of the presentation of the County's basic financial statements as of and for the fiscal year ended June 30, 2018, and to comply with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). More specifically, the objectives of the audit were as follows:

1. To provide a basis for an opinion on the fairness of the presentation of the County's financial statements.
2. To report on internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
3. To report on internal control over compliance related to each major federal programs and an opinion on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major federal program in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance.

## SCOPE OF THE AUDIT

Our audit was performed in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. The scope of our audit included an examination of the transactions and accounting records of the County for the fiscal year ended June 30, 2018.

## ORGANIZATION OF THE REPORT


This report is presented in five parts as follows:

- Part I - Our report on internal control over financial reporting and on compliance and other matters.
- Part II - Our report on compliance for each major federal program and on internal control over compliance; and report on the schedule of expenditures of federal awards required by the Uniform Guidance.
- Part III - The schedule of findings and questioned costs.
- Part IV - The corrective action plan.
- Part V - The summary schedule of prior audit findings.

We wish to express our sincere appreciation for the excellent cooperation and assistance extended by the staff of the County.

Sincerely,

N&K CPAs, INC.



Blake S. Isobe  
Principal

COUNTY OF KAUA'I, HAWAI'I

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**PART I**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Kaua'i, Hawai'i (the County) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 18, 2018. Our report includes a reference to other auditors who audited the financial statements of the Department of Water, which is the County's discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2018-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The County's Response to the Finding**

The County's response to the findings identified in our audit is described in Part IV, Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

N&K CPAs, Inc.

Honolulu, Hawai'i  
December 18, 2018

**PART II**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for Each Major Federal Program**

We have audited the County of Kaua'i's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the fiscal year ended June 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

The County's management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2018.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit is described in Part IV Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a

timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-003, that we consider to be a material weakness.

The County's response to the internal control over compliance findings identified in our audit is described in Part IV Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 18, 2018, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the Department of Water, which is the County's discretely presented component unit, as described in our report on the County's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to

N&K CPAs, Inc.

ACCOUNTANTS | CONSULTANTS

the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

N&K CPAs, Inc.

Honolulu, Hawai'i  
December 18, 2018

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Current Year Federal Expenditure Amount	Amount Provided to Subrecipient
<b>EXECUTIVE OFFICE OF THE PRESIDENT PROGRAMS</b>				
Office of National Drug Control Policy				
High Intensity Drug Trafficking Areas Program:				
High Intensity Drug Traffic, Fiscal Year 2017			\$ 48,828	\$ --
High Intensity Drug Traffic, Fiscal Year 2018			<u>71,090</u>	<u>--</u>
Total High Intensity Drug Trafficking Areas Program	95.001		<u>119,918</u>	<u>--</u>
<b>TOTAL EXECUTIVE OFFICE OF THE PRESIDENT PROGRAMS</b>			<u>119,918</u>	<u>--</u>
<b>DEPARTMENT OF AGRICULTURE PROGRAMS</b>				
Pass-Through State of Hawai'i - Child Nutrition Programs--				
Summer Food Service Program for Children:				
Summer Fun Meals FY 2014		370S13240E72304429	<u>47,488</u>	<u>--</u>
Total Summer Food Service Program for Children	10.559		<u>47,488</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE PROGRAMS</b>			<u>47,488</u>	<u>--</u>
<b>DEPARTMENT OF COMMERCE PROGRAMS</b>				
Passed Through Office of State Planning--				
Coastal Zone Management Program Administration Awards--				
Coastal Zone Management Administration Awards:				
Fiscal Year 2016-2017		B17-01CZM	(38,864)	--
Fiscal Year 2017-2018		B17-01CZM S#1	<u>222,940</u>	<u>--</u>
Total Coastal Zone Management Administration Awards	11.419		<u>184,076</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF COMMERCE PROGRAMS</b>			<u>184,076</u>	<u>--</u>
<b>DEPARTMENT OF EDUCATION PROGRAMS</b>				
Passed Through State of Hawai'i Department of Human Services--				
Rehabilitation Services - Vocational Rehabilitation Grants to States:				
Summer Youth Employment		DHS-17-VR-4142	<u>21,309</u>	<u>--</u>
Total Rehabilitation Services - Vocational Rehabilitations Grants to States	84.126		<u>21,309</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF EDUCATION PROGRAMS</b>			<u>21,309</u>	<u>--</u>
<b>ENVIRONMENTAL PROTECTION AGENCY PROGRAMS</b>				
Direct Award--				
Congressionally Mandated Projects:				
Water Infrastructure Waimea			<u>(929)</u>	<u>--</u>
Total Congressionally Mandated Projects	66.202		\$ <u>(929)</u>	\$ <u>--</u>

The accompanying notes are an integral part of this schedule.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Current Year Federal Expenditure Amount	Amount Provided to Subrecipient
<b>ENVIRONMENTAL PROTECTION AGENCY PROGRAMS (Continued)</b>				
Passed Through State of Hawai'i Department of Health--				
Capitalization Grants for Clean Water State Revolving Funds:				
Ele'ele WWTP - Sewer Revolving Funds		C150050 11	\$ 34,882	\$ --
Kekaha LF LE Cell 2		NPS0047 12	133,461	--
Total Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>168,343</u>	<u>--</u>
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY PROGRAMS</b>			<u>167,414</u>	<u>--</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS</b>				
Passed Through State Executive Office on Aging--				
Aging Cluster				
Special Programs for the Aging - Title III, Part C, Nutrition Services:				
C1 AEA FY 2014		KA2014N03	7,143	--
C1 AEA FY 2016		KA2016N03	22,044	--
C1 KEO 2016		KA2016N03	6,944	6,944
C2 KEO 2016		KA2016N03	94,209	94,209
C1 CONG FY 2017		KA2017N03	87,373	87,373
C2 HOMED FY2017		KA2017N03	92,487	92,487
Total Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		<u>310,200</u>	<u>281,013</u>
Special Programs for the Aging - Title III, Part B:				
Grants for Supportive Services and Senior Centers:				
AEA AREA FY 2016		KA2016N03	1	--
AEA AREA FY 2016		KA2016N03	77,620	77,620
B AEA AREA SVS 2017		KA2017N03	94,425	--
B AEA AREA INHOME		KA2017N03	1,304	--
B AEA AREA SVS 2018		KA2018N03	63,585	--
Total Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		<u>236,935</u>	<u>77,620</u>
Passed Through State Executive Office on Aging--				
Administration on Aging - Nutrition Services Incentive Program:				
Food Distribution:				
NSIP 2017		KA2017N03	50,474	50,474
Total Nutrition Services Incentive Program	93.053		<u>50,474</u>	<u>50,474</u>
Total Aging Cluster			<u>\$ 597,609</u>	<u>\$ 409,107</u>

The accompanying notes are an integral part of this schedule.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Current Year Federal Expenditure Amount	Amount Provided to Subrecipient
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS (Continued)</b>				
National Family Caregiver Support, Title III, Part E:				
Cooperative Agreements to States and Territories:				
3E 2016 CARE ELDER		KA2016N03	\$ 8,262	\$ 8,262
E ELDER CARE FY 2017		KA2017N03	20,166	20,166
E GRGC FY 2017		KA2017N03	1,567	1,567
E ELDER CARE FY 2018		KA2018N03	5,661	5,661
E GRGC FY 2018		KA2018N03	<u>3,588</u>	<u>3,588</u>
Total National Family Caregiver Support, Title III, Part E	93.052		<u>39,244</u>	<u>39,244</u>
Special Programs for the Aging - Title III, Part D:				
Disease Prevention and Health Promotion Services:				
D HP3D FY 2017		KA2017N03	<u>4,950</u>	<u>4,950</u>
Total Title III, Part D, Disease Prevention and Health Promotion Services	93.043		<u>4,950</u>	<u>4,950</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance:				
Passed Through State of Hawai'i Department of Health--				
PFS Prevention Grant Year One		ASO 16-161	149	--
PFS Prevention Grant Year Two		ASO 16-161	39,487	--
PFS Prevention Grant Year Three		ASO 16-161	<u>76,922</u>	<u>--</u>
Total SAMHSA Projects Regional and National Significance	93.243		<u>116,558</u>	<u>--</u>
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke:				
Passed Through State of Hawaii Department of Health--				
Complete Street Training & Capacity Building for Planning Dept.		PPB 004	<u>2,411</u>	<u>--</u>
Total State Public Health Actions to Prevent and Control Diabetes, Obesity, and Associated Risk Factors and Promote School Health Financed in Part by Prevention and Public Health Funding (PPHP)	93.757		<u>2,411</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS</b>			<u>760,772</u>	<u>453,301</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS</b>				
Passed Through State Department of Business, Economic Development and Tourism--				
Home Investment Partnerships Program:				
Fiscal year 2006		M06SG150101	26,477	--
Fiscal year 2007		M07SG150101	18,695	--
Fiscal year 2008		M08SG150100	43,076	43,076
Fiscal year 2013		M13SG150100	147,806	147,806
Fiscal year 2016		B-16-DH-15-001	1,584,821	1,562,088
HOME - Program Income			<u>187,318</u>	<u>--</u>
Total Home Investment Partnerships Program	14.239		<u>\$ 2,008,193</u>	<u>\$ 1,752,970</u>

The accompanying notes are an integral part of this schedule.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Current Year Federal Expenditure Amount	Amount Provided to Subrecipient
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS (Continued)</b>				
Housing Trust Fund--				
Koa'e Workforce Housing		F16-SG150100	\$ 6,422	\$ --
Total Housing Trust Fund	14.275		<u>6,422</u>	<u>--</u>
Direct Programs:				
Lower Income Housing Assistance Program--				
Section 8 - Housing Choice Vouchers (252 Fund)			7,326,398	--
Total Section 8 Housing Choice Vouchers	14.871		<u>7,326,398</u>	<u>--</u>
Family Self Sufficiency Program (FSS)--				
Family Self Sufficiency Program FY 2017			56,894	--
Family Self Sufficiency Program FY 2018			73,433	--
Total Family Self Sufficiency Program (FSS)	14.896		<u>130,327</u>	<u>--</u>
Community Development Block Grants--				
State's Program and Non-entitlement Grants in Hawai'i:				
CDBG - Disaster Program Income			849,731	228,309
CDBG - Program Income			1,613,555	82,383
Fiscal year 2012			5,829	5,829
Fiscal year 2013			3,920	3,920
Fiscal year 2014			2,000	2,000
Fiscal year 2015			168,107	158,069
Fiscal year 2016			296,027	47,747
Fiscal year 2018			564,603	543,613
Passed Through State Department of Business, Economic Development and Tourism--				
Program Income - NSP		PEO-09-02	96,053	--
Total CDBG / State's Program and Non-Entitlement Grants in Hawai'i	14.228		<u>3,599,825</u>	<u>1,071,870</u>
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS</b>			<u>13,071,165</u>	<u>2,824,840</u>
<b>DEPARTMENT OF INTERIOR PROGRAMS</b>				
Passed Through State of Hawai'i Department of Land and Natural Resources:				
Historic Preservation Fund Grants-In-Aid:				
Certified Local Government (CLG) Hanapepe Bridge		P17AF00003	2,000	--
Total Historic Preservation Fund Grants-In-Aid	15.904		<u>2,000</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF INTERIOR PROGRAMS</b>			<u>\$ 2,000</u>	<u>\$ --</u>

The accompanying notes are an integral part of this schedule.



**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Current Year Federal Expenditure Amount	Amount Provided to Subrecipient
<b>DEPARTMENT OF JUSTICE PROGRAMS</b>				
Passed Through Office of State Attorney General:				
Crime Victim Assistance:				
VOCA FY 2013 - Supplemental		15-VA-3	\$ 307,211	\$ --
VOCA FY 2014		14-VA-3	<u>1,129</u>	<u>--</u>
Total Crime Victim Assistance	16.575		<u>308,340</u>	<u>--</u>
Violence Against Women Formula Grants:				
Stop Violence Against Women - 2017		2015-WF-AX-0024	15,744	--
Stop Violence Against Women Supp - 2014		14-WF-05	25,460	--
Stop Violence Agains Women - 2016		2016-WF-AX-0022	5,308	--
Stop Violence Against Women - 2013		13-WF-05	7,086	--
Stop Violence Against Women - 2014		14-WF-05	32,806	--
VAWA - SANE Exams		2015-WF-AX-0024	<u>17,403</u>	<u>--</u>
Total Stop Violence Against Women Grants	16.588		<u>103,807</u>	<u>--</u>
Edward Byrne Memorial Justice Assistance Grant Program:				
JAG Local Solicitation		2014-DJ-BX-1099	3,965	--
JAG Local Solicitation FY 2015		2015-DJ-BX-0557	9,858	--
JAG Local Solicitation FY 2016		2016-DJ-BX-0356	(6,291)	--
Sex Assault Prosecution		2014-DJ-BX-0910	40,981	--
JAG Drug Nuisance		2015-DJ-BX-0342	91,102	--
Sex Assault Prosecution Unit FY 2016		2016-DJ-BX-0089	58,989	--
SMEFT FY 2017		2015-DJ-BX-0342	40,729	--
Hawai'i Narcotics Task Force		2015-DJ-BX-0342	12,565	--
Statewide Multi-Jurisdictional Drug Task Force		2016-DJ-BX-0089	11,515	--
RMS & HI JIS State of Hawaii Attorney General		2013-DG-BX-K010	<u>33,552</u>	<u>--</u>
Total Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>296,965</u>	<u>--</u>
Direct Award - Public Safety and Community Policing Grants:				
COPS Hiring			<u>552,143</u>	<u>--</u>
Total Public Safety Partnership and Community Policing Grants	16.710		<u>552,143</u>	<u>--</u>
Passed Through State Department of Human Services Office of Youth Services:				
Juvenile Accountability Block Grants:				
JABG FY 17 Hale Opio Kaua'i Inc.		DHS-16-OYS-624	14,076	--
JABG FY 18 Hale Opio Kaua'i Inc.		DHS-16-OYS-624 S#2	<u>12,102</u>	<u>--</u>
Total Juvenile Accountability Block Grants	16.523		<u>26,178</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF JUSTICE PROGRAMS</b>			<b>\$ 1,287,433</b>	<b>\$ --</b>

The accompanying notes are an integral part of this schedule.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Current Year Federal Expenditure Amount	Amount Provided to Subrecipient
<b>DEPARTMENT OF LABOR PROGRAMS</b>				
Passed Through State Department of Labor and Industrial Relations:				
WIAO Cluster				
Workforce Investment Act (WIA):				
Adult Program FY 2017		WIOA-16-AP-K	\$ 105,337	\$ 96,780
Total WIA/WIOA Adult Program	17.258		<u>105,337</u>	<u>96,780</u>
Dislocated Workers, FY 2017 - WIA-16-DWP-K		WIOA-16-DWP-K	85,891	78,728
Total WIA/WIOA Dislocated Workers Formula Grants	17.278		<u>85,891</u>	<u>78,728</u>
Youth Programs 2017		WIOA-16-YP-K	(270)	--
Youth Programs 2017		WIOA-16-YP-K	(27)	--
Total WIA/WIOA Youth Activities	17.259		<u>(297)</u>	<u>--</u>
Administrative, PY 2017		WIOA-16-LAC-K	12,222	--
Total WIA Administrative	17.000		<u>12,222</u>	<u>--</u>
Total WIOA Cluster			<u>203,153</u>	<u>175,508</u>
<b>TOTAL DEPARTMENT OF LABOR PROGRAMS</b>			<u>203,153</u>	<u>175,508</u>
<b>DEPARTMENT OF TRANSPORTATION PROGRAMS</b>				
Passed Through State Department of Transportation:				
Federal Transit Cluster				
Federal Transit - Capital Investment Grants:				
FTA Section 5309, FY 2009-2010		HI-04-0004	15,202	--
FTA Section 5309, FY 2012 (Supplemental)		HI-04-0013	32,242	--
Total Federal Transit - Capital Investment Grants	20.500		<u>47,444</u>	<u>--</u>
Bus and Bus Facilities Formula Program:				
FTA Section 5339 FFY13		HI-34-0001	65,472	--
FTA Section 5339 FFY16		HI-2016-002-00	16,613	--
FTA Section 5339 FFY17		HI-2017-003-00	4,061	--
Total Bus and Bus Facilities Formula Program	20.526		<u>86,146</u>	<u>--</u>
Total Federal Transit Cluster			<u>133,590</u>	<u>--</u>
Formula Grants for Rural Areas--				
Formula Grants for Rural Areas:				
FTA Section 5311 FFY 13		HI-18-X031	346,796	--
FTA Section 5311 FFY 16		HI-2016-004-00	302,517	--
FTA Section 5311 FFY 17		HI-2017-004-00	168,245	--
Total Formula Grants for Rural Areas	20.509		<u>\$ 817,558</u>	<u>\$ --</u>

The accompanying notes are an integral part of this schedule.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Current Year Federal Expenditure Amount	Amount Provided to Subrecipient
<b>DEPARTMENT OF TRANSPORTATION PROGRAMS (Continued)</b>				
Metropolitan Transportation Planning & State and Non-Metropolitan Planning and Research:				
FTA Section 5304 FFY110		HI-80-0019-00	\$ 38,908	\$ --
Total Metropolitan Transportation Planning & State and Non-Metropolitan Planning and Research	20.505		<u>38,908</u>	<u>--</u>
Highways Planning and Construction:				
Bridge Replacement - Off System:				
Hanapēpē Bridge Repair BR-0545(1)		BR-0545(1)	96	--
Puuopae Bridge Repair BR-0700(59)		BR-0700(59)	39,545	--
Kapahi Bridge Replacement BR-0700(53)		BR-0700(53)	184,586	--
Opaekaa Bridge Design BR-0700(60)		BR-0700(60)	76,678	--
Bridge Inspection BR-NBTS(065)		BR-NBTS(065)	51,717	--
Bridge Inspection and Appraisal BR-NBIS(072)		BR-NBIS(072)	1,038	--
Statewide Transportation Improvement Program:				
Ahukini/Lydgate		STP-0700(51)	3,575	--
Kuna Bay - Anahola Bike & Pedestrian Path - CMAQ-0700(56)		CMAQ-0700(56)	(3,911)	--
Lydgate-Kapa'a Bikepath CMAQ-0700(49)		CMAQ-0700(49)	16,546	--
Lydgate/Kapa'a Bikepath STP-0700(61)		STP-0700(61)	(2,030)	--
Lydgate/Kapa'a Bikepath Phase C STP-0700(64)		STP-0700(64)	99,192	--
Nawiliwili Ahukini Bike Path CMAQ-0700(57)		CMAQ-0700(57)	9,455	--
Safe Improvements Kūhiō to Rice St. STP-5720(1)		STP-5720(1)	4,279	--
Resurface Various Collector Roads STP-0700(68)		STP-0700(68)	4,943	--
Safe Routes Kawaihau, Hau'ala, Mailehuna Rd. STP-0700(071)		STP-0700(071)	123,899	--
Kōloa Safety Improvements HHRP-0530(001)		HHRP-0530(001)	1,768	--
Hanapēpē Road Improvements STP-0545(2)		STP-0545(2)	2,002	--
Puhi Road Ultra Thin Layer STP-5010(1)		STP-5010(1)	378,736	--
Puhi Road Rehabilitation Phase II STP-5010(002)		STP-5010(002)	64,053	--
Safe Routes To School - Koloa Phase 2		SRS-1500(86)	32,977	--
Safe Routes To School - King Kaumualii - Phase 2		SRS-1500(86)	42,830	--
Safe Routes To School SRS-1500(086)		SRS-1500(86)	2,278	--
Poipu road STP-520(4)		STP-520(4)	228,450	--
Kawaihau Elevated Boardwalk STP-0700(69)		STP-0700(69)	106,434	--
Safe Routes to School - Kalaheo School Ph 1 STP-0700(077)		SRS-0700(077)	148	--
Island Wide - Safe Routes to School SRS-0700(074)		SRS-0700(074)	4,740	--
Total Highways Planning and Construction	20.205		<u>\$ 1,474,024</u>	<u>\$ --</u>

The accompanying notes are an integral part of this schedule.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Current Year Federal Expenditure Amount	Amount Provided to Subrecipient
<b>DEPARTMENT OF TRANSPORTATION PROGRAMS (Continued)</b>				
State and Community Highway Safety:				
OPA DOT Highway Safety 2017		AL17-02(04-S-01)	\$ 23,811	\$ --
OPA DOT Highway Safety 2018		AL18-02(04-S-01)	108,550	--
KPD Distracted Driver - FY 2017		DD17-10(04-K-01)	1,375	--
KPD Youth Deterrence FY 2017		AL17-02(06-K-01)	15,896	--
KPD Traffic Records - FY 2017		TR17-03(07-K-01)	305	--
KPD Roadblock Grant - FY 2017		AL17-02(01-K-04)	32,519	--
KPD Speed Enforcement - FY 2017		SC17-06(01-K-04)	34,911	--
KPD Traffic Enforcement - FY 2017		PT17-01(04-K-01)	17,077	--
KPD Highway Safety - FY 2017		OP17-03(01-K-04)	7,624	--
KPD Distracted Driver - FY 2018		DD18-10(04-K-01)	14,345	--
KPD DOT Traffic Records - FY 2018		AL18-02(06-K-01)	770	--
KPD Highway Safety Grant - FY 2018		AL18-02(01-K-04)	33,294	--
KPD Speed Enforcement - FY 2018		SC18-06(01-K-04)	25,842	--
KPD Traffic Services - FY 2018		PT18-01(04-K-01)	6,355	--
KPD Highway Safety Plan - FY 2018		PT18-01(04-K-01)	31,440	--
Total State and Community Highway Safety	20.600		<u>354,114</u>	<u>--</u>
National Priority Safety Programs				
KPD Pedestrian Enforcement Project		PT17-09(05-K-01)	3,267	--
Total National Priority Safety Programs	20.616		<u>3,267</u>	<u>--</u>
Direct Program--				
National Infrastructure Investments:				
TIGER Discretionary Grants:				
Lihue Town Core Mobility and Revitalization Project			499,275	--
Total National Infrastructure Investments	20.933		<u>499,275</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF TRANSPORTATION PROGRAMS</b>			<u>3,320,736</u>	<u>--</u>
<b>CORPORATION FOR NATIONAL SERVICE PROGRAMS</b>				
Direct Program--				
Retired and Senior Volunteer Program:				
Title II, Part A, Older Americans Volunteer Program:				
RSVP - CY 16 - 15SRPHI003			2,924	--
RSVP - CY 17 - 15SRPHI003			49,225	--
RSVP - CY 18 - 15SRPHI002			16,398	--
Total Retired and Senior Volunteer Program	94.002		<u>68,547</u>	<u>--</u>
<b>TOTAL CORPORATION FOR NATIONAL SERVICE PROGRAMS</b>			<u>\$ 68,547</u>	<u>\$ --</u>

The accompanying notes are an integral part of this schedule.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Current Year Federal Expenditure Amount	Amount Provided to Subrecipient
<b>DEPARTMENT OF HOMELAND SECURITY PROGRAMS</b>				
Passed Through State Department of Health and State Civil Defense Agency:				
Disaster Grants - Public Assistance (Presidentially Declared Disaster):				
Fire Station Roof Damage - March 3-11, 2012		FEMA-4062-DR-HI	\$ (3,521)	\$ --
Total Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036		<u>(3,521)</u>	<u>--</u>
Emergency Management Performance Grants:				
EMPG FY 2017		EMW-2017-EP-00003	92,472	--
Total Emergency Management Performance Grants	97.042		<u>92,472</u>	<u>--</u>
Homeland Security Grant Program:				
Homeland Security Grant 2015		EMW-2015-SS-00003-S01	20,017	--
Homeland Security Grant 2016		EMW-2016-SS-00004	111,474	--
Total Homeland Security Grant Program	97.067		<u>131,491</u>	<u>--</u>
Assistance to Firefighters Grants:				
AFG Grant FY 2016		EMW-2014-FV-02441	(7,044)	--
AFG Grant Smoke Alarm FY 2018		EMW-2016-FP-00667	1,379	--
Total Assistance to Firefighters Grant Program	97.044		<u>(5,665)</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY PROGRAMS</b>			<u>214,777</u>	<u>--</u>
<b>TOTAL ALL FEDERAL PROGRAMS</b>			<u>\$ 19,468,788</u>	<u>\$ 3,453,649</u>

The accompanying notes are an integral part of this schedule.

**County of Kaua'i, Hawai'i**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2018**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activities of the County under programs of the federal government for the fiscal year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

**NOTE C - INDIRECT COST RATE**

The County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE D - LOANS OUTSTANDING**

The County had the following newly issued loan balances outstanding as of June 30, 2018. These loan program amounts are also included in the federal expenditures presented in the schedule of expenditures of federal awards.

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Community Development Block Grants	14.228	\$ 175,000
Home Investment Partnerships Program	14.239	<u>375,351</u>
		<u>\$ 550,351</u>

**PART III**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2018**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**Federal Awards**

Internal control over major federal programs:		
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.239	HOME Investment Partnerships Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no



**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2018**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Ref.**

**No.**            **Internal Control Findings**

**2018-001    Reconcile Bank Accounts on a Timely Basis - Material Weakness**

**Criteria:**    Performing bank reconciliations is an internal control procedure to ensure that all transactions are accurate and have been recorded. Internal controls are only effective if the internal controls are performed in a timely manner.

**Condition:** The County holds cash accounts in several financial institutions. Reconciliations between the bank balance and the general ledger were not completed timely. During our current year audit, we noted the following:

- We noted the bank reconciliation for the month of December 2017 was not completed until June 2018.
- We noted the bank reconciliations for the months of January through June 2018 were not completed until September 2018.

**Cause:**        The County experienced turnover in the Treasury department with the retirement of several key personnel during December 2017. Although a new Treasurer was hired by the County during December 2017, additional key positions remained vacant until April 2018. Bank reconciliation procedures were not started until all key positions were filled, which resulted in the reconciliations not being completed timely.

**Effect:**        The untimely reconciliation between bank balances and the County's records could result in undetected misstatements of the County's general ledger.

**Identification as a Repeat Finding, if applicable:**

Not applicable.

**Recommendation**

The County should perform timely bank reconciliations to reduce the risk that errors will go undetected and/or uncorrected. The County should perform reconciliations monthly to ensure the timely identification and resolution of errors that will ensure that general ledger balances are accurate and properly supported.

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

The County agrees with the finding and the recommendation. See Part IV Corrective Action Plan.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2018**

**SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)**

**Ref.**

**No. Internal Control Findings (Continued)**

**2018-002 iNovah Program Implementation - Significant Deficiency**

**Criteria:** Controls are in place over the initiation, authorization, purchasing, testing, deployment, and maintenance over the implementation of a software program. Program implementation (including changes to system software) is subject to formal change management procedures that should be standardized, logged, approved, and documented.

**Condition:** During our audit, we noted that the implementation of the iNovah cashiering program during December 2017 followed a software implementation plan that was provided by and managed by the vendor. However, information technology (IT) procedures that were part of the County's responsibility under the implementation plan related to change management progress and program test environments were not formally documented.

**Cause:** The County does not have formal change management policies and procedures that are documented and implemented.

**Effect:** Program changes implemented without documented formal change management policies and procedures can result in the program to either process data differently than intended or unexpectedly compromise the integrity of the data maintained.

After the implementation of the iNovah cashiering system, exports of the data captured by the system to record to the County's general ledger may occasionally result in incomplete exports or may fail, which have to be investigated. This has caused delays in the monthly processing and reconciliation of the County's cash receipts.

**Identification as a Repeat Finding, if applicable:**

Not applicable.

**Recommendation**

The County should develop and implement formal change management policies and procedures that are consistently followed.

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

The County agrees with the finding and the recommendation. See Part IV Corrective Action Plan.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2018**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Ref.**

**No. Compliance and Internal Control over Compliance Findings**

**2018-003 Unallowable Costs - Material Weakness**

**Federal agency: Department of Housing and Urban Development  
CFDA No. 14.239**

**Program: HOME Investment Partnerships Program**

**Questioned  
Cost**

**Criteria:** HOME program funds are to be used in accordance with the 2013 HOME Final Rule, 24 Code of Federal Regulations (CFR) Part 92, which are the regulations governing the implementation of the HOME program. Under 'Eligible Activities' of 24 CFR Part 92, HOME funds may be used by a participating jurisdiction for new construction of non-luxury housing, including financing costs and reasonable administrative and planning costs. Eligible project costs include professional services, development hard costs, and site improvements.

**Condition:** During our testing of allowable costs for the HOME program, we noted \$381,155 in unallowable costs included in payment request drawdowns that were initially approved and submitted by the Kauai County Housing Agency (Housing) for a subrecipient of the HOME program. These costs were subsequently determined to be unallowable costs by the Hawaii Housing Finance and Development Corporation. The payment request drawdowns for the fiscal year totaled \$1,589,817 which were related to the construction of a workforce housing project. As of June 30, 2018, the County continues to recoup unallowed reimbursements made to the subrecipient and has recorded a receivable totaling \$274,330.

**Cause:** The County did not adhere to the guidance stated in the 2013 HOME Final Rule, 24 Code of Federal Regulations CFR Part 92 when determining allowability of costs for a payment request drawdown under the HOME program.

**Effect:** The County approved and reimbursed invoices for a subrecipient totaling \$381,155 in payment request drawdowns that were unallowable under the HOME program. As of June 30, 2018, \$274,330 is recorded as a receivable due from the subrecipient.

\$           --

**Identification as a Repeat Finding, if applicable:**

Not applicable.

**Recommendation**

The County should adhere to the guidance stated in the 2013 HOME Final Rule, 24 Code of Federal Regulations CFR Part 92 and ensure that only allowable costs are submitted for payment request drawdowns under the HOME program.

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

The County agrees with the finding and the recommendation. See Part IV Corrective Action Plan.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2018**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**

Ref.

**No. Compliance and Internal Control over Compliance Findings (Continued)**

**2018-004 Subrecipient Monitoring**

**Federal agency:** Department of Housing and Urban Development  
**CFDA No. 14.239**

**Program:** HOME Investment Partnerships Program

**Questioned  
Cost**

**Criteria:** Under the Uniform Guidance, 2 Code of Federal Regulations (CFR) 200.331 'Requirements for pass-through entities' states that all pass-through entities must verify that every subrecipient is audited as required by 2 CFR 200 Subpart F when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded \$750,000. A management decision should be documented for any findings related to the Federal award provided to the subrecipient, which should be followed-up on to ensure the subrecipient takes timely and appropriate action on all deficiencies.

**Condition:** During our testing of required subrecipient monitoring, we noted one (1) instance where the County, as the pass-through entity, did not perform monitoring procedures to ensure that a subrecipient expending \$750,000 or more in Federal awards during the year was audited.

**Cause:** The subrecipient agreement requires the subrecipient to provide to the County all records including audits. However, the County did not have a documented policy to request and review subrecipient audit reports on an annual basis when it is expected that the subrecipient will expend \$750,000 or more in Federal awards.

**Effect:** Failure to properly review the subrecipient's audit report could result in the County not being aware of any findings or noncompliance related to the Federal award provided to the subrecipient.

\$     --

**Identification as a Repeat Finding, if applicable:**

Not applicable.

**Recommendation**

The County should implement a process to monitor and follow-up with subrecipients to submit audits during the respective fiscal year when expending \$750,000 or more in Federal awards. The County should review the audit report, issue and document a decision on any audit findings related to the Federal awards provided to the subrecipient, and ensure that the subrecipient takes the appropriate corrective action.

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

The County agrees with the finding and the recommendation. See Part IV Corrective Action Plan.

**PART IV**  
**CORRECTIVE ACTION PLAN**



DEPARTMENT OF FINANCE  
THE COUNTY OF KAUAI

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

KEN M. SHIMONISHI  
DIRECTOR

MICHELLE L. LIZAMA  
DEPUTY DIRECTOR

December 18, 2018

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 2018 audit report *Uniform Guidance Single Audit Report Current Findings and Recommendations*. We appreciate the opportunity to comment on the audit report.

Sincerely,

Ken M. Shimonishi  
Director of Finance

Attachment



**County of Kaua'i, Hawai'i  
CORRECTIVE ACTION PLAN  
Fiscal Year Ended June 30, 2018**

**Ref.**  
**No.**            **Internal Control Findings**

**2018-001    Reconcile Bank Accounts on a Timely Basis - Material Weakness**

**Auditor's**

**Recommendation:**    The County should perform timely bank reconciliations to reduce the risk that errors will go undetected and/or uncorrected. The County should perform reconciliations monthly to ensure the timely identification and resolution of errors that will ensure that general ledger balances are accurate and properly supported.

**Corrective**

**Action:**                    The Department of Finance has hired permanent skilled professional staff to support and assist the Treasurer in reconciling the County's numerous bank accounts and continue to reconcile them timely on an ongoing basis.

The Treasury has instituted a policy by which bank accounts are reconciled within thirty (30) days of receipt of each respective bank statement.

**End Date:**                    On-going

**Responding  
Person(s):**

David S. Schwartz, Treasurer, Department of Finance, Phone: (808) 241-4253

**County of Kaua'i, Hawai'i  
CORRECTIVE ACTION PLAN  
Fiscal Year Ended June 30, 2018**

**Ref.**  
**No.**            **Internal Control Findings (Continued)**

**2018-002    iNovah Program Implementation - Significant Deficiency**

**Auditor's  
Recommendation:**    The County should develop and implement formal change management policies and procedures that are consistently followed.

**Corrective  
Action:**                    On November 20, 2018, the Kauai County IT Change Management Polices were created to address the change management policies and procedures that had been asserted in prior audits.

**End Date:**                    On-going

**Responding  
Person(s):**                    Maxwell Klutke; Assistant IT Manager, Department of Finance, Division of Information Technology, Phone: (808) 241-4415



**County of Kaua'i, Hawai'i**  
**CORRECTIVE ACTION PLAN**  
**Fiscal Year Ended June 30, 2018**

**Ref.**  
**No.**            **Internal Control Over Compliance Findings**

**2018-003    Unallowable Costs - Material Weakness**

**Auditor's Recommendation:**    The County should adhere to the guidance stated in the 2013 HOME Final Rule, 24 Code of Federal Regulations CFR Part 92 and ensure that only allowable costs are submitted for payment request under the HOME program.

**Corrective Action:**                    The County will implement Federal Project Monitoring (FPM) procedures to adhere to the guidance stated in the 2013 HOME Final Rule, 24 Code of Federal Regulations CFR Part 92. The FPM will address 1) Program Performance 2) Financial Performance 3) Regulatory Compliance.

**End Date:**                                On-going

**Responding Person(s):**                Steve Franco, Housing Development Coordinator, Kauai County Housing Agency, Development Division, Phone: (808) 241-4419

**County of Kaua'i, Hawai'i  
CORRECTIVE ACTION PLAN  
Fiscal Year Ended June 30, 2018**

**Ref.**  
**No.**            **Internal Control Over Compliance Findings (Continued)**

**2018-004    Subrecipient Monitoring**

**Auditor's**

**Recommendation:**    The County should implement a process to monitor and follow up with subrecipients to submit audits during the respective fiscal year when expending \$750,000 or more in Federal awards. The County should review the audit report, issue and document a decision on any audit finding related to the Federal awards provided to the subrecipient, and ensure that the subrecipient takes the appropriate corrective action.

**Corrective  
Action:**

The County will implement Federal Project Monitoring (FPM) procedures to adhere to 2 Code of Federal Regulations (CFR) 200.331. The FPM will include monitoring procedures to ensure that a subrecipient expending \$750,000 or more in Federal awards during the year was audited.

**End Date:**                    On-going

**Responding  
Person(s):**

Steve Franco, Housing Development Coordinator, Kauai County Housing Agency, Development Division, Phone: (808) 241-4419

**PART V**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**County of Kaua'i, Hawai'i**  
**STATUS REPORT**  
**Fiscal Year Ended June 30, 2018**

This section contains the current status of our prior audit recommendations. The recommendations are referenced to the pages of the previous audit report for the fiscal year ended June 30, 2018, dated December 8, 2017.

**SECTION II - FINANCIAL STATEMENT FINDINGS**

<u>Recommendations</u>	<u>Status</u>
<b>2017-001    Prior Period Adjustment - Significant Deficiency</b>	
Management should identify significant non-routine accounting transactions and ensure that a process is established in which management-level fiscal personnel are actively involved in both the determination of the proper accounting treatment and timely review of the transactions being posted.	Accomplished