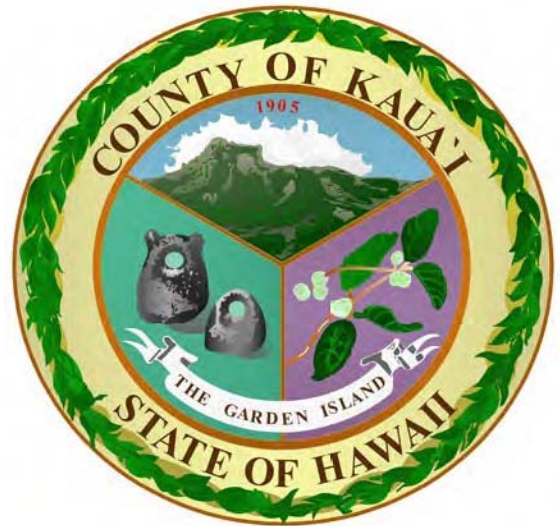


**SINGLE AUDIT REPORTS**  
**County of Kaua'i, Hawai'i**



**For the Fiscal Year Ended**  
**June 30, 2019**

December 20, 2019

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, 2019. 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, 2019, 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, 2019.

## 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.

*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 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, 2019, 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 20, 2019. 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 2019-001 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 2019-002 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 20, 2019

**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, 2019. 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**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**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, 2019.

### **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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 20, 2019, 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 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 20, 2019

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	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 2018			\$ 233,813	\$ --
High Intensity Drug Traffic, Fiscal Year 2019			95,036	--
Total High Intensity Drug Trafficking Areas Program	95.001		<u>328,849</u>	<u>--</u>
<b>TOTAL EXECUTIVE OFFICE OF THE PRESIDENT PROGRAMS</b>			<u>328,849</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/Winter Fun Meals		370S13240E72304429	57,062	--
Total Summer Food Service Program for Children	10.559		<u>57,062</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE PROGRAMS</b>			<u>57,062</u>	<u>--</u>
<b>DEPARTMENT OF COMMERCE PROGRAMS</b>				
Pass-through Office of State Planning--				
Coastal Zone Management Program Administration Awards--				
Coastal Zone Management Administration Awards:				
Fiscal Year 2017-2018		B17-01CZM S#1	9,027	--
Fiscal Year 2018-2019		B17-01CZM S#2	219,067	--
Total Coastal Zone Management Administration Awards	11.419		<u>228,094</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF COMMERCE PROGRAMS</b>			<u>228,094</u>	<u>--</u>
<b>ENVIRONMENTAL PROTECTION AGENCY PROGRAMS</b>				
Direct Award--				
Congressionally Mandated Projects:				
Water Infrastructure Waimea			224,166	--
Total Congressionally Mandated Projects	66.202		<u>224,166</u>	<u>--</u>
Pass-through State of Hawai'i Department of Health--				
Water Quality Management Planning:				
IW Biosolids Study Management Plan - Feasibility Study		016284-14	10,547	--
Total Water Quality Management Planning	66.454		<u>10,547</u>	<u>--</u>
Capitalization Grants for Clean Water State Revolving Funds:				
Kekaha LF LE Cell 2		NPS0047 12	2,637,467	--
Total Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>2,637,467</u>	<u>--</u>
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY PROGRAMS</b>			<u>\$ 2,872,180</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, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Amount Provided to Subrecipient
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS</b>				
Pass-through State Executive Office on Aging--				
Aging Cluster				
Special Programs for the Aging - Title III, Part C, Nutrition Services:				
C1 AEA FY 2016		KA2016N03	\$ 25,226	\$ --
C1 AEA FY 2017		KA2017N03	6,191	--
C1 CONG FY 2017		KA2017N03	28,281	28,281
C2 HOMED FY 2017		KA2017N03	119	119
C1 CONG FY 2018		KA2018N03	47,195	47,195
C2 HOMED FY2018		KA2018N03	<u>139,054</u>	<u>139,054</u>
Total Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		<u>246,066</u>	<u>214,649</u>
Special Programs for the Aging - Title III, Part B:				
Grants for Supportive Services and Senior Centers:				
AEA AREA FY 2016		KA2016N03	32,697	--
B AEA AREA SVS 2017		KA2017N03	1	--
B AEA AREA LEGAL 2017		KA2017N03	26,636	26,636
B AEA SVS 2018		KA2018N03	125,548	--
B AEA AREA INHOME 2018		KA2018N03	1,899	--
B AEA AREA SYS FY 2019		KA2019N03	<u>6,056</u>	<u>--</u>
Total Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		<u>192,837</u>	<u>26,636</u>
Pass-through State Executive Office on Aging--				
Administration on Aging - Nutrition Services Incentive Program:				
Food Distribution:				
NSIP 2018		KA2018N03	<u>42,655</u>	<u>42,655</u>
Total Nutrition Services Incentive Program	93.053		<u>42,655</u>	<u>42,655</u>
Total Aging Cluster				
			<u>481,558</u>	<u>283,940</u>
National Family Caregiver Support, Title III, Part E:				
Cooperative Agreements to States and Territories:				
E ELDER CARE FY 2017		KA2017N03	1,056	1,056
E ELDER CARE FY 18		KA2018N03	38,391	38,391
E GRGC FY 2018		KA2018N03	3,079	3,079
E ELDER CARE FY 19		KA2019N03	<u>3,240</u>	<u>3,240</u>
Total National Family Caregiver Support, Title III, Part E	93.052		<u>45,766</u>	<u>45,766</u>
Special Programs for the Aging - Title III, Part D:				
Disease Prevention and Health Promotion Services:				
D HP3D FY 2017		KA2017N03	906	906
D HP3D FY 2018		KA2018N03	8,469	8,469
D HP3D FY 2019		KA2019N03	<u>750</u>	<u>750</u>
Total Title III, Part D, Disease Prevention and Health Promotion Services	93.043		<u>10,125</u>	<u>10,125</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance:				
Pass-through State of Hawai'i Department of Health--				
PFS Prevention Grant Year Three		ASO 16-161	<u>93,835</u>	<u>--</u>
Total SAMHSA Projects Regional and National Significance	93.243		<u>93,835</u>	<u>--</u>
State Health Insurance Assistance Program:				
Pass-through State of Hawaii Executive Office of Aging--				
SHIP Program on Kaua'i		KA2017N1 S#1	<u>17,499</u>	<u>--</u>
Total State Health Insurance Assistance Program	93.324		<u>17,499</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS</b>			<u>\$ 648,783</u>	<u>\$ 339,831</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, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Amount Provided to Subrecipient
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS</b>				
Pass-through State Department of Business, Economic Development and Tourism--				
Home Investment Partnerships Program:				
Fiscal year 2007		M07SG150101	\$ 39,084	\$ --
Fiscal year 2010		M09SG150101	39,491	--
Fiscal year 2011		M010SG150100	4,424	--
Fiscal year 2016		MS16SG150100	271,335	251,920
HOME - Program Income			18,345	--
Total Home Investment Partnerships Program	14.239		<u>372,679</u>	<u>251,920</u>
Housing Trust Fund--				
Koa'e Workforce Housing		F16-SG150100	2,597,679	2,565,000
Total Housing Trust Fund	14.275		<u>2,597,679</u>	<u>2,565,000</u>
Direct Awards:				
Lower Income Housing Assistance Program--				
Section 8 - Housing Choice Vouchers (252 Fund)			7,780,895	--
Total Section 8 Housing Choice Vouchers	14.871		<u>7,780,895</u>	<u>--</u>
Family Self Sufficiency Program (FSS)--				
Family Self Sufficiency Program FY 2018			58,569	--
Family Self Sufficiency Program FY 2019			60,297	--
Total Family Self Sufficiency Program (FSS)	14.896		<u>118,866</u>	<u>--</u>
Community Development Block Grants--				
State's Program and Non-entitlement Grants in Hawai'i:				
CDBG - Disaster Program Income			693,101	--
CDBG - Program Income			334,314	--
Fiscal year 2016			15,920	--
Fiscal year 2018			96,070	23,666
Fiscal year 2019			587,326	525,681
Program Income - NSP			203,361	--
Total CDBG / State's Program and Non-Entitlement Grants in Hawai'i	14.228		<u>1,930,092</u>	<u>549,347</u>
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS</b>			<u>12,800,211</u>	<u>3,366,267</u>
<b>DEPARTMENT OF JUSTICE PROGRAMS</b>				
Pass-through Office of State Attorney General:				
Crime Victim Assistance:				
VOCA FY 2013 - Supplemental		15-VA-3	673	--
VOCA FY 2016		14-VA-01	272,683	--
Total Crime Victim Assistance	16.575		<u>273,356</u>	<u>--</u>
Violence Against Women Formula Grants:				
Stop Violence Against Women - 2016		2016-WF-AX-0022	44,166	--
Stop Violence Against Women - 2017		16-WF-01	22,148	--
VAWA - SANE Exams		2015-WF-AX-0024	31,059	--
VAWA - SANE Exams - FY 2016		2016-WF-AX-0022	32,654	--
Total Stop Violence Against Women Grants	16.588		<u>\$ 130,027</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, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Amount Provided to Subrecipient
<b>DEPARTMENT OF JUSTICE PROGRAMS (Continued)</b>				
Edward Byrne Memorial Justice Assistance Grant Program:				
JAG Local Solicitation FY 2015		2015-DJ-BX-0557	\$ 8,787	\$ --
JAG Local Solicitation FY 2016		2016-DJ-BX-0356	12,172	--
JAG Drug Nuisance		2016-DJ-BX-0342	18,157	--
Sex Assault Prosecution Unit FY 2016		2016-DJ-BX-0089	100,079	--
JAG Drug Nuisance Abatement		2016-DJ-BX-0089	66,747	--
Sex Assault Prosecution Unit		2015-DJ-BX-0342	41,038	--
JAG Drug Nuisance Abatement		2015-DJ-BX-0342	10,437	--
Statewide Multi-Jurisdictional Drug Task Force		2016-DJ-BX-0089	34,860	--
Statewide Multi-Jurisdictional Drug Task Force		17-DJ-03	6,936	--
Total Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>299,213</u>	<u>--</u>
Direct Award - Public Safety and Community Policing Grants:				
COPS Hiring			4,395	--
Total Public Safety Partnership and Community Policing Grants	16.710		<u>4,395</u>	<u>--</u>
Pass-through State Department of Human Services Office of Youth Services:				
Juvenile Accountability Block Grants:				
JABG FY 18 Hale Opio Kaua'i Inc.		DHS-16-OYS-624 S#2	11,919	--
JABG FY 19 Hale Opio Kaua'i Inc.		DHS-16-OYS-624 S#3	13,816	--
Total Juvenile Accountability Block Grants	16.523		<u>25,735</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF JUSTICE PROGRAMS</b>			<u>732,726</u>	<u>--</u>
<b>DEPARTMENT OF LABOR PROGRAMS</b>				
Pass-through State Department of Labor and Industrial Relations:				
WIAO Cluster				
Workforce Investment Act (WIA):				
Adult Program FY 2017		WIOA-17-AP-K	49,804	49,000
Adult Program FY 2018		WIOA-18-AP-K	5,897	--
Total WIA/WIOA Adult Program	17.258		<u>55,701</u>	<u>49,000</u>
Dislocated Workers, PY 2017		WIOA-17-DWP-K	42,010	41,000
Dislocated Workers, PY 2018		WIOA-18-DWP-K	3,989	--
Total WIA/WIOA Dislocated Workers Formula Grants	17.278		<u>45,999</u>	<u>41,000</u>
Youth Programs PY 2017 - Out School		WIOA-17-YP-K	3,068	3,068
Youth Programs PY 2017 - In School		WIOA-17-YP-K	1,022	1,022
Youth Programs PY 2018 - Out School		WIOA-18-YP-K	4,292	--
Youth Programs PY 2018 - In School		WIOA-18-YP-K	1,431	--
Total WIA/WIOA Youth Activities	17.259		<u>9,813</u>	<u>4,090</u>
Administrative, PY 2017		WIOA-17-LAC-K	18,408	--
Administrative, PY 2018		WIOA-18-LAC-K	1,884	--
Total WIA Administrative	NOCFDA		<u>20,292</u>	<u>--</u>
Total WIOA Cluster			<u>131,805</u>	<u>94,090</u>
<b>TOTAL DEPARTMENT OF LABOR PROGRAMS</b>			<u>\$ 131,805</u>	<u>\$ 94,090</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, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Amount Provided to Subrecipient
<b>DEPARTMENT OF TRANSPORTATION PROGRAMS</b>				
Pass-through State Department of Transportation:				
Federal Transit Cluster				
Federal Transit - Capital Investment Grants:				
FTA Section 5309, FY 2012 (Supplemental)		HI-04-0013	\$ 255,349	\$ --
Total Federal Transit - Capital Investment Grants	20.500		<u>255,349</u>	<u>--</u>
Buses and Bus Facilities Formula Program:				
FTA Section 5339 FFY13		HI-34-0001	197,394	--
FTA Section 5339 FFY16		HI-2016-002-00	76,746	--
Total Bus and Bus Facilities Formula Program	20.526		<u>274,140</u>	<u>--</u>
Total Federal Transit Cluster			<u>529,489</u>	<u>--</u>
Formula Grants for Rural Areas--				
Formula Grants for Rural Areas:				
FTA Section 5311 FFY 13 (B)(2)		HI-18-X030	(1,560)	--
FTA Section 5311 FFY 13		HI-18-X031	93,204	--
FTA Section 5311 FFY 16		HI-2016-004-00	2	--
FTA Section 5311 FFY 17		HI-2017-004-00	290,359	--
FTA Section 5311 FFY 18		HI-2018-011-01	396,625	--
Total Formula Grants for Rural Areas	20.509		<u>778,630</u>	<u>--</u>
Highways Planning and Construction:				
Bridge Replacement - Off System:				
Hanapēpē Bridge Repair BR-0545(1)		BR-0545(1)	348	--
Puuopae Bridge Repair BR-0700(59)		BR-0700(59)	1,421,327	--
Kapahi Bridge Replacement BR-0700(53)		BR-0700(53)	103	--
Opaekaa Bridge Design BR-0700(60)		BR-0700(60)	35,818	--
Bridge Inspection and Appraisal BR-NBIS(072)		BR-NBIS(072)	7,270	--
Statewide Transportation Improvement Program:				
Ahukini/Lydgate		STP-0700(51)	55,862	--
Kuna Bay - Anahola Bike & Pedestrian Path - CMAQ-0700(56)		CMAQ-0700(56)	400	--
Lydgate-Kapa'a Bikepath CMAQ-0700(49)		CMAQ-0700(49)	13,103	--
Lydgate/Kapa'a Bikepath STP-0700(61)		STP-0700(61)	21,532	--
Lydgate/Kapa'a Bikepath Phase C STP-0700(64)		STP-0700(64)	318,587	--
Nawiliwili Ahukini Bike Path CMAQ-0700(57)		CMAQ-0700(57)	105	--
Resurface Various Collector Roads STP-0700(68)		STP-0700(68)	5,676	--
Safe Routes Kawaihau, Hau'ala, Mailehuna Rd. STP-0700(071)		STP-0700(071)	49,862	--
Kōloa Safety Improvements HHRP-0530(001)		HHRP-0530(001)	900	--
Hanapēpē Road Improvements STP-0545(2)		STP-0545(2)	1,037	--
Puhi Road Rehabilitation Phase II STP-5010(002)		STP-5010(002)	50,853	--
Poipu road STP-520(4)		STP-520(4)	64,865	--
Kawaihau Elevated Boardwalk STP-0700(69)		STP-0700(69)	14,239	--
Island Wide - Safe Routes to School SRS-0700(074)		SRS-0700(074)	423,223	--
Total Highways Planning and Construction	20.205		<u>\$ 2,485,110</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, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	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)	\$ 300	\$ --
OPA DOT Highway Safety 2018		AL18-02(04-S-01)	37,919	--
OPA DOT Highway Safety 2019		AL19-02(04-S-01)	125,699	--
KPD Distracted Driver - FY 2018		DD18-10(04-K-01)	(1,242)	--
KPD Youth Deterrence FY 2018		AL18-02(06-K-01)	9,295	--
KPD Traffic Records - FY 2018		TR18-03(07-K-01)	2,921	--
KPD Roadblock Grant - FY 2018		AL18-02(01-K-04)	(628)	--
KPD Speed Enforcement - FY 2018		SC18-06(01-K-04)	28,935	--
KPD Traffic Enforcement - FY 2018		PT18-01(04-K-01)	17,148	--
KPD Highway Safety - FY 2018		TR18-03(07-K-01)	7,426	--
KPD Mobile Device Enforcement - FY 2019		DD19-09(04-K-01)	259	--
KPD DOT Traffic Records - FY 2019		AL19-02(01-K-04)	22,693	--
KPD Speed Enforcement - FY 2019		SC19-06(01-K-04)	8,009	--
KPD Seat Belt Enforcement - FY 2019		OP19-05(01-K-04)	2,892	--
Total State and Community Highway Safety	20.600		<u>261,626</u>	<u>--</u>
National Priority Safety Programs				
KPD Pedestrian Enforcement Project		PT17-09(05-K-01)	898	--
Total National Priority Safety Programs	20.616		<u>898</u>	<u>--</u>
Direct Award--				
National Infrastructure Investments:				
TIGER Discretionary Grants:				
Lihue Town Core Mobility and Revitalization Project			3,854,894	--
Total National Infrastructure Investments	20.933		<u>3,854,894</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF TRANSPORTATION PROGRAMS</b>			<u>7,910,647</u>	<u>--</u>
<b>CORPORATION FOR NATIONAL SERVICE PROGRAMS</b>				
Direct Award--				
Retired and Senior Volunteer Program:				
Title II, Part A, Older Americans Volunteer Program:				
RSVP - CY 18			46,173	--
RSVP - CY 19			19,404	--
Total Retired and Senior Volunteer Program	94.002		<u>65,577</u>	<u>--</u>
<b>TOTAL CORPORATION FOR NATIONAL SERVICE PROGRAMS</b>			<u>65,577</u>	<u>--</u>
<b>DEPARTMENT OF HOMELAND SECURITY PROGRAMS</b>				
Pass-through State Department of Health and State Civil Defense Agency:				
Disaster Grants - Public Assistance (Presidentially Declared Disaster):				
Police Emergency Response FEMA-4365-DR-HI		PW05 #44909	288,178	--
Police Emergency Response FEMA-4395-DR-HI		PW18 #65705	39,030	--
Transportation Emergency Response FEMA-4365-DR-HI		PW03 #65092	5,389	--
Debris Removal Waihothonu Koloa FEMA-4365-DR-HI		PW18 #45582	40,154	--
Tipping Fees - Kekaha Landfill- FEMA-4365-DR-HI		PW40 #45595	19,118	--
Finance Department Emergency Response FEMA-4365-DR-HI		PW06 #45025	69,811	--
Planning Emergency Response FEMA-4365-DR-HI		PW15 #45613	52,944	--
Total Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036		<u>514,624</u>	<u>--</u>
Emergency Management Performance Grants:				
EMPG FY 2018		EMW-2018-EP-00006	27,806	--
Total Emergency Management Performance Grants	97.042		<u>\$ 27,806</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, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Amount Provided to Subrecipient
<b>DEPARTMENT OF HOMELAND SECURITY PROGRAMS (Continued)</b>				
Homeland Security Grant Program:				
Homeland Security Grant 2015		EMW-2015-SS-00003-S01	\$ 250,336	\$ --
Homeland Security Grant 2016		EMW-2016-SS-00004	160,470	--
Homeland Security Grant 2017		EMW-2017-SS-00002	496,346	--
Total Homeland Security Grant Program	97.067		<u>907,152</u>	<u>--</u>
Assistance to Firefighters Grants:				
AFG Grant Smoke Alarm FY 2018		EMW-2016-FP-00667	19,383	--
AFG Blue Card Command FY 2019		EMW-2017-FO-05127	21,176	--
Total Assistance to Firefighters Grant Program	97.044		<u>40,559</u>	<u>--</u>
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY PROGRAMS</b>			<u>1,490,141</u>	<u>--</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 27,266,075</u>	<u>\$ 3,800,188</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, 2019**

**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, 2019. 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.

**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, 2019**

**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 type="checkbox"/>	yes	<input checked="" 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 type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
--	--------------------------	-----	-------------------------------------	----

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.239	HOME Investment Partnerships Program
14.275	Housing Trust Fund
14.871	Section 8 Housing Choice Vouchers
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$817,900

Auditee qualified as a low-risk auditee?

	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
--	--------------------------	-----	-------------------------------------	----

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2019**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Ref.**

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

**2019-001    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 that the bank reconciliations for the month of June 2019 were not completed until September 2019.

**Cause:**        The County experienced turnover in the Treasury department with the resignation of the Treasurer during March 2019. Additional key positions were also vacant at times throughout the year, 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:**

This is a repeat finding from the previous year as Finding No. 2018-001.

**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, 2019**

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

**Ref.**

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

**2019-002    Ensure Timely Filing of Information Returns - Significant Deficiency**

**Criteria:**    The County is responsible for the preparation and timely filing of various information returns to the Internal Revenue Service (IRS). The County is responsible for filing over 3,800 of these returns annually.

**Condition:** During our audit, we noted that the County was late in its annual filing of over 3,800 information returns to the IRS. The County personnel prepared the information to be filed with the IRS, however, the data was not transmitted timely to the IRS. The late filing occurred on the following return types.

- Form 1095-C
- Form 1099-MISC
- Form W-2

**Cause:**        The IRS is stepping up its examination of the issuance of these information returns. The County does not have sufficient procedures in place to ensure the timely filing of information returns. Although the returns were prepared and provided to employees and vendors, they were not transmitted to the IRS. County personnel were also unaware of the change in filing due dates.

**Effect:**        The IRS can issue a penalty of \$50 to \$260 for each form that is not issued and filed timely. The County was assessed penalties for late filing.

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

Not applicable.

**Recommendation**

To reduce the possibility of incurring penalties and/or interest charges for late or missed filings, the County should develop an all-inclusive tax calendar that includes the dates returns are due and the assignment of responsibility for preparation and filing.

**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, 2019**

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

No matters were reported.



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



**DEPARTMENT OF FINANCE**  
**THE COUNTY OF KAUA'I**

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

**REIKO MATSUYAMA**  
DIRECTOR

**MICHELLE L. LIZAMA**  
DEPUTY DIRECTOR

December 20, 2019

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

Sincerely,

Reiko Matsuyama  
Director of Finance



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

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

**2019-001    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:**

Administration agrees with the Auditor's recommendation to prepare bank reconciliations on a timely basis. Treasury is now updating the bank information on the daily treasury statement on a timely basis in order to be able to prepare bank reconciliations without the export of daily receipts to Accounting. This is enabling Treasury staff to work on and follow up on discrepancies in a timely manner. The 10 smaller banks are reconciled immediately upon receipt of the monthly bank statements. The main operating checking at First Hawaiian Bank is worked on daily. Drafts that contain immaterial variances are signed off within thirty (30) days after the month-end. These variances are constantly being identified and corrected in order to minimize discrepancies.

**End Date:**                    October 2019

**Responding  
Person(s):**                    Reiko Matsuyama, Director of Finance, Phone: (808) 241-4200

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

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

**2019-002    Ensure Timely Filing of Information Returns - Significant Deficiency**

**Auditor's Recommendation:** To reduce the possibility of incurring penalties and/or interest charges for late or missed filings, the County should develop an all –inclusive tax calendar that includes the dates returns are due and the assignment of responsibility for preparation and filing.

**Corrective Action:** Administration agrees with the Auditor's recommendation of creating a calendar with reminder notifications. After the 2017 forms were not filed timely, the Department of Human Resources (DHR) and Department of Finance-Information Technology Division (IT) has since clarified their roles and responsibilities regarding the filing of these forms. While the DHR Payroll Division has the responsibility to file the necessary taxes with the IRS, the IT Division had been preparing and filing the necessary forms. Since the untimely filing, the DHR's Payroll Division has taken over the preparing and filing of the Form 1095-C and Form W-2 and maintains a calendar/reminder system to include all tax due dates. The Accounting Division was unaware that the IRS changed the 1099 deadline from March 31 to January 31 each year. The Division will stay current with IRS deadlines by receiving notifications from the IRS and our software vendor. Calendar reminders will be included in multiple employee's calendars with notifications at applicable times. Further, Accounting will annually check the IRS website to confirm any further changes to deadlines.

**End Date:** November 2019

**Responding Person(s):** Reiko Matsuyama, Director of Finance (Form 1099-MISC). Phone: (808) 241-4200.  
  
Janine M.Z. Rapozo, Acting Director of Human Resources (Form 1095-C & Form W-2). Phone: (808) 241- 4915.

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

**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 previous audit report for the fiscal year ended June 30, 2018, dated December 18, 2018.

**SECTION II - FINANCIAL STATEMENT FINDINGS**

<u>Recommendations</u>	<u>Status</u>
<p><b>2018-001    Reconcile Bank Accounts on a Timely Basis - Material Weakness</b></p> <p>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 that timely identification and resolution of errors that will ensure that general ledger balances are accurate and properly supported.</p>	<p>Not accomplished. Refer to finding 2019-001.</p>
<p><b>2018-002    iNovah Program Implementation - Significant Deficiency</b></p> <p>The County should develop and implement formal change management policies and procedures that are consistently followed.</p>	<p>Accomplished.</p>

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

<p><b>2018-003    Unallowable Costs - Material Weakness</b></p> <p>The County should adhere to the guidance stated in the 2013 HOME Final Rule, 24 Code of Federal Regulations Part 92 and ensure that only allowable costs are submitted for payment request drawdowns under the HOME Program.</p>	<p>Accomplished.</p>
<p><b>2018-004    Subrecipient Monitoring</b></p> <p>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.</p>	<p>Accomplished.</p>