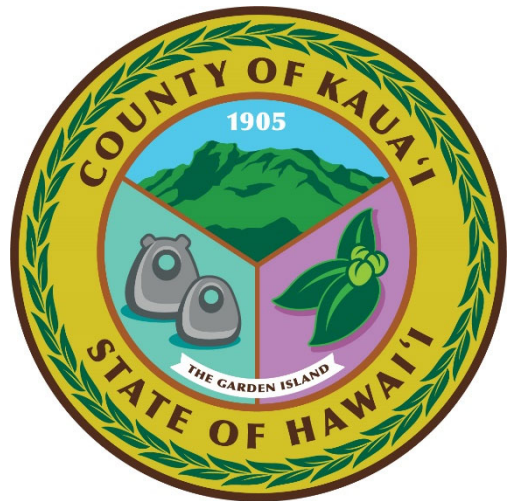


SINGLE AUDIT REPORTS
County of Kauaʻi, Hawaiʻi



**For the Fiscal Year Ended
June 30, 2024**

November 12, 2025

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 of the County of Kaua'i (the County), as of and for the fiscal year ended June 30, 2024. Our report containing our opinions on those basic financial statements is included in the County's *Annual Comprehensive Financial Report*. We submit herein our reports on the County's internal control over financial reporting and 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 opinions on the fairness of the presentation of the County's basic financial statements as of and for the fiscal year ended June 30, 2024, 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 report on the fairness of the presentation of the County's basic 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 direct and 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 program and an opinion on compliance requirements that could have a direct and material effect on each major federal program in accordance with the Uniform Guidance.
4. To report on the fairness of the presentation of the schedule of expenditures of federal awards in relation to the basic financial statements as a whole.

SCOPE OF THE AUDIT

Our audit was performed 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; 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, 2024.

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.

COUNTY OF KAUA'I, HAWAI'I

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| PART I REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS | |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 6 - 7 |
| PART II REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE | |
| Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance | 9 - 12 |
| Schedule of Expenditures of Federal Awards | 13 - 19 |
| Notes to Schedule of Expenditures of Federal Awards | 20 |
| PART III SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 22 - 27 |
| PART IV CORRECTIVE ACTION PLAN | |
| Response of County of Kaua'i | 29 - 33 |
| PART V SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS | |
| Status Report | 35 - 36 |

PART I

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

**INDEPENDENT AUDITOR'S 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**

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 (*Government Auditing Standards*), 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, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 23, 2025.

Report on 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) as a basis for designing 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. We

identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 through 2024-004 that we consider to be material weaknesses.

Report on 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 financial statements. 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 Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
November 12, 2025

PART II

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

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

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

Opinion on Each Major Federal Program

We have audited the County of Kaua'i's (the County) compliance with the types of compliance requirements identified as subject to audit 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, 2024. 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.

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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 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, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon, dated September 23, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 basic 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 GAAS. 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
November 12, 2025

County of Kauaʻi, Hawaiʻi
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Provided to Subrecipients |
|--|-----------------------------------|--|----------------------------|---------------------------|
| EXECUTIVE OFFICE OF THE PRESIDENT PROGRAMS | | | | |
| Direct Award-- | | | | |
| High Intensity Drug Trafficking Areas Program | | | | |
| High Intensity Drug Traffic, Fiscal Year 2023 | | | \$ 96,787 | \$ -- |
| High Intensity Drug Traffic, Fiscal Year 2024 | | | 48,753 | -- |
| Total High Intensity Drug Trafficking Areas Program | 95.001 | | 145,540 | -- |
| TOTAL EXECUTIVE OFFICE OF THE PRESIDENT PROGRAMS | | | <u>145,540</u> | <u>--</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE PROGRAMS | | | | |
| Direct Award-- | | | | |
| AmeriCorps Seniors Retired and Senior Volunteer Program | | | | |
| RSVP - 2022-2024 | | | 2 | -- |
| RSVP - FY 23 | | | 55,510 | -- |
| RSVP - FY 24 | | | 16,434 | -- |
| Total AmeriCorps Seniors Retired and Senior Volunteer Program | 94.002 | | 71,946 | -- |
| TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE PROGRAMS | | | <u>71,946</u> | <u>--</u> |
| DEPARTMENT OF COMMERCE PROGRAMS | | | | |
| Direct Award-- | | | | |
| Congressionally Identified Awards and Projects | | | | |
| Waimea400 Wetland Restoration | | | 23,534 | -- |
| Total Congressionally Identified Awards and Projects | 11.469 | | 23,534 | -- |
| Pass-through State of Hawaiʻi - Office of State Planning-- | | | | |
| Coastal Zone Management Administration Awards | | | | |
| Fiscal Year 2022-2023 | | NA22NOS4190065 | 10,944 | -- |
| Fiscal Year 2023-2024 | | B-23-01-CZM #1 | 283,264 | -- |
| Total Coastal Zone Management Administration Awards | 11.419 | | 294,208 | -- |
| TOTAL DEPARTMENT OF COMMERCE PROGRAMS | | | <u>317,742</u> | <u>--</u> |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS | | | | |
| Pass-through State of Hawaiʻi - Executive Office on Aging-- | | | | |
| Aging Cluster | | | | |
| Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | | | | |
| B AEA AREA INHOME 2019 | | ASO LOG 21-193 | 2,089 | -- |
| B AEA AREA INHOME 2021 | | ASO LOG 20-200 | 17,481 | -- |
| B AEA AREA LEGAL 2021 | | ASO LOG 20-200 | 90,876 | -- |
| B AEA AREA SYS 2020 | | ASO LOG 20-200 | (17) | -- |
| B AEA AREA SYS 2021 | | ASO LOG 20-200 | 37,993 | -- |
| B AEA ACCESS 2021 | | ASO LOG 20-200 | 12,125 | -- |
| B AEA AREA FY22 | | ASO LOG 21-193 | 181,633 | -- |
| B AEA ACCESS 2022 | | ASO LOG 21-193 | 13,731 | -- |
| B AEA AREA LEGAL 2022 | | ASO LOG 21-193 | 6,547 | -- |
| Total Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | 93.044 | | \$ 362,458 | \$ -- |

The accompanying notes are an integral part of this schedule.

County of Kauaʻi, Hawaiʻi
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2024

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Provided to Subrecipients |
|---|-----------------------------------|--|----------------------------|---------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS (Continued) | | | | |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | | | | |
| C1 AEA ADMIN 2021 | | ASO LOG 20-200 | \$ 2 | \$ -- |
| C2 HOMEMED FY 2021 | | ASO LOG 20-200 | 55,969 | -- |
| C1 CONG FY 2021 | | ASO LOG 20-200 | 35,652 | -- |
| C1 CONG FY 2022 | | ASO LOG 21-193 | (3,385) | -- |
| C2 HOMEMED FY 2022 | | ASO LOG 21-193 | 75,319 | -- |
| C1 AEA ADMIN FY 2023 | | ASO LOG 21-193 | 30,430 | -- |
| C1 CONG FY 2023 | | ASO LOG 21-193 | 1,843 | -- |
| Total Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | | <u>195,830</u> | <u>--</u> |
| Total Aging Cluster | | | <u>558,288</u> | <u>--</u> |
| Special Programs for the Aging, Title III, part D, Disease Prevention and Health Promotion Services | | | | |
| D HPED FY 2021 | | ASO LOG 20-200 | 11,875 | -- |
| D HPED FY 2023 | | ASO LOG 21-193 | 85 | -- |
| Total Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services | 93.043 | | <u>11,960</u> | <u>--</u> |
| National Family Caregiver Support, Title III, Part E | | | | |
| E ELDER CARE FY 20 | | ASO LOG 20-200 | 32,410 | -- |
| E ELDER CARE FY 21 | | ASO LOG 20-200 | 49,517 | -- |
| E GRGC FY 2020 | | ASO LOG 20-200 | 3,333 | -- |
| E GRGC FY 2022 | | ASO LOG 21-193 | 40,871 | -- |
| Total National Family Caregiver Support, Title III, Part E | 93.052 | | <u>126,131</u> | <u>--</u> |
| Pass-through State of Hawaiʻi - Department of Health-- | | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance PFS (09/22 - 09/23) | | ASO LOG 23-080 | 89,613 | -- |
| Total Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | | <u>89,613</u> | <u>--</u> |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS | | | <u>785,992</u> | <u>--</u> |
| DEPARTMENT OF HOMELAND SECURITY PROGRAMS | | | | |
| Direct Award-- | | | | |
| Assistance to Firefighters Grant | | | | |
| AFG Health & Wellness | | | 8,100 | -- |
| Total Assistance to Firefighters Grant | 97.044 | | <u>\$ 8,100</u> | <u>\$ --</u> |

The accompanying notes are an integral part of this schedule.

County of Kauaʻi, Hawaiʻi
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2024

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Provided to Subrecipients |
|--|-----------------------------------|--|----------------------------|---------------------------|
| DEPARTMENT OF HOMELAND SECURITY PROGRAMS (Continued) | | | | |
| Pass-through State of Hawaiʻi - Hawaiʻi Emergency Management Agency-- | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | | | |
| FEMA-4365-DR-HI Planning Emergency Response | | PW15 #45613 | \$ 4,291 | \$ -- |
| FEMA-4365-DR-HI Police Emergency Response | | PW5 #44909 | 2 | -- |
| FEMA-4365-DR-HI Kauai War Memorial Convention Hall, Harding | | HMGP 4365-12-12 Ph. I | 40,440 | -- |
| FEMA-4365-DR-HI PAAP DAC Backhoe | | PW125 #48193 | 125,887 | -- |
| Total Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | | 170,620 | -- |
| Emergency Management Performance Grants | | | | |
| EMPG FY 2022 | | DMR-2022-EP-00006-02 | 113,991 | -- |
| EMPG FY 2023 | | EMF-2023-EP-00002-02 | 38,938 | -- |
| Total Emergency Management Performance Grants | 97.042 | | 152,929 | -- |
| Pass-through State of Hawaiʻi - Department of Defense-- | | | | |
| Homeland Security Grant Program | | | | |
| Homeland Security Grant 2020 | | EMW-2020-SS-00022 | 128,917 | -- |
| Homeland Security Grant 2019 | | EMW-2019-SS-00019 | 473,785 | -- |
| Homeland Security Grant 2021 | | EMW-2021-SS-00030 | 234,659 | -- |
| Homeland Security Grant 2022 | | EMW-2022-SS-00026 | 81,094 | -- |
| Homeland Security Grant 2023 | | EMW-2023-SS-00026 | 37,246 | -- |
| Total Homeland Security Grant Program | 97.067 | | 955,701 | -- |
| TOTAL DEPARTMENT OF HOMELAND SECURITY PROGRAMS | | | 1,287,350 | -- |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS | | | | |
| Direct Award-- | | | | |
| Community Development Block Grants/Entitlement Grants | | | | |
| US Department of Housing and Urban Development | | | 114,118 | -- |
| Total Community Development Block Grants/Entitlement Grants | 14.218 | | 114,118 | -- |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaiʻi | | | | |
| CDBG - CARES Act | | | 55,496 | -- |
| CDBG - Disaster Program Income | | | 389,743 | -- |
| CDBG - Program Income | | | 397,718 | 16,976 |
| Fiscal Year 2021-2022 | | | 16,368 | -- |
| NSP - Program Income | | | 388,790 | -- |
| Fiscal Year 2022-2023 | | | 122,975 | -- |
| Fiscal Year 2023-2024 | | | 578,123 | 575,566 |
| Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaiʻi | 14.228 | | \$ 1,949,213 | \$ 592,542 |

The accompanying notes are an integral part of this schedule.

County of Kauaʻi, Hawaiʻi
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2024

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Provided to Subrecipients |
|--|-----------------------------------|--|----------------------------|---------------------------|
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS (Continued) | | | | |
| Economic Development Initiative, Community Project Funding, and Miscellaneous Grants | | | | |
| Lima Ola Senior Housing and Community Center | | | \$ 4,090,638 | \$ 4,090,638 |
| Total Economic Development Initiative, Community Project Funding, and Miscellaneous Grants | 14.251 | | 4,090,638 | 4,090,638 |
| Section 8 Housing Choice Vouchers | | | | |
| Section 8 - Housing Choice Vouchers (252 Fund) | | | 13,364,316 | -- |
| Emergency Housing Vouchers | | | 306,503 | -- |
| Total Section 8 Housing Choice Vouchers | 14.871 | | 13,670,819 | -- |
| Family Self-Sufficiency Program | | | | |
| Family Self Sufficiency Program FY 2022 | | | 3 | -- |
| Family Self Sufficiency Program FY 2023 | | | 95,552 | -- |
| Family Self Sufficiency Program FY 2024 | | | 93,766 | -- |
| Total Family Self-Sufficiency Program | 14.896 | | 189,321 | -- |
| Home Investment Partnerships Program | | | | |
| Pass-through State of Hawaiʻi - Department of Business, Economic Development and Tourism-- | | | | |
| Fiscal year 2019 | | M19SG150100 | 388,773 | -- |
| Fiscal Year 2022 | | M22SG150100 | 2,145,600 | 2,137,528 |
| HOME - Program Income | | | 8,143 | -- |
| Pass-through State of Hawaiʻi - Hawaii Housing Finance and Development Corporation-- | | | | |
| Fiscal year 2021 | | M21SP150100 | 1,817,225 | -- |
| Total Home Investment Partnerships Program | 14.239 | | 4,359,741 | 2,137,528 |
| Pass-through State of Hawaiʻi - Hawaii Housing Finance and Development Corporation-- | | | | |
| Housing Trust Fund | | | | |
| Fiscal year 2019 HTF Funds | | F19-SG150100 | 3,638 | -- |
| Fiscal year 2022 HTF Funds | | F22-SG150100 | 2,770,479 | 2,682,210 |
| HTF Program Income | | | 600 | -- |
| Total Housing Trust Fund | 14.275 | | 2,774,717 | 2,682,210 |
| TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS | | | 27,148,567 | 9,502,918 |
| DEPARTMENT OF JUSTICE PROGRAMS | | | | |
| Direct Award-- | | | | |
| Second Chance Act Reentry Initiative | | | | |
| E Hoʻi I Ka Piko | | | 46,949 | -- |
| Total Second Chance Act Reentry Initiative | 16.812 | | 46,949 | -- |
| Pass-through State of Hawaiʻi - Department of Human Services-- | | | | |
| Juvenile Accountability Block Grants | | | | |
| JABG FY 22 - FY 23 Hale Opio Kauaʻi Inc. | | DHS-20-OYS-037 S1 | 5,630 | 5,630 |
| Total Juvenile Accountability Block Grants | 16.523 | | 5,630 | 5,630 |
| Pass-through State of Hawaiʻi - Department of the Attorney General-- | | | | |
| Violence Against Women Formula Grants | | | | |
| Stop Violence Against Women - FY 2021 | | 15JOVW-21-GG-00576-STOP | 1 | -- |
| Stop Violence Against Women - FY 2022 | | 22-WF-01 | 48,330 | -- |
| Stop Violence Against Women - FY 2023 | | 23-WF-011 | 6,497 | -- |
| VAWA - SANE Exams - FY 2022 | | 15JOVW-22-GG-00419-STOP | 33,145 | -- |
| Total Violence Against Women Formula Grants | 16.588 | | 87,973 | -- |
| Crime Victim Assistance | | | | |
| VOCA FY 2020 | | 20-V2-03 | 68,771 | 20,000 |
| VOCA FY 2022 | | 21-V2-03 | 161,899 | 58,884 |
| Total Crime Victim Assistance | 16.575 | | \$ 230,670 | \$ 78,884 |

The accompanying notes are an integral part of this schedule.

County of Kauaʻi, Hawaiʻi
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2024

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Provided to Subrecipients |
|--|-----------------------------------|--|----------------------------|---------------------------|
| DEPARTMENT OF JUSTICE PROGRAMS (Continued) | | | | |
| Bulletproof Vest Partnership Program | | | | |
| Bulletproof Vest Partnership FY23 | | 1121-0235 | \$ 7,139 | \$ -- |
| Total Bulletproof Vest Partnership Program | 16.607 | | <u>7,139</u> | <u>--</u> |
| Edward Byrne Memorial Justice Assistance Grant Program | | | | |
| Statewide Multi-Jurisdictional Drug Task Force FY20 | | 12-DJ-03 | 23,533 | -- |
| JAG Methamphetamine & Opiod | | 2020-DJ-BX-0048 | <u>96,956</u> | <u>--</u> |
| Total Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | <u>120,489</u> | <u>--</u> |
| TOTAL DEPARTMENT OF JUSTICE PROGRAMS | | | <u>498,850</u> | <u>84,514</u> |
| DEPARTMENT OF THE TREASURY PROGRAMS | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | | | | |
| Direct Award-- | | | | |
| County Job Placement Support | | | 104,160 | -- |
| Elderly Food Support | | | 54,441 | -- |
| Elderly Mental Health Support | | | 26,055 | -- |
| EOC Response - KEMA | | | 5 | -- |
| EOC Response - Safety Supplies | | | 1 | -- |
| Grant Management Overhead/Contingency | | | 85,653 | -- |
| Houseless Support | | | 127,793 | 92,497 |
| Youth Mental Recovery Support Programs | | | 81,560 | -- |
| Domestic Violence Prevention Grants | | | 24,207 | -- |
| Agricultural Assistance Grants | | | 82,721 | 82,721 |
| Non-Profit Economic Loss Support Grants | | | 16,726 | -- |
| Landfill Cover Soil | | | 419,937 | -- |
| Pass-through State of Hawaiʻi - Executive Office of the Governor-- | | | | |
| Supplemental CSFRF | | ERA1 & ERA2 Suppl. | 4,549,918 | 57,318 |
| Pass-through State of Hawaiʻi - Department of Business, Economic Development and Tourism-- | | | | |
| Mobility Hub Plan | | CON 22022- COK Mobility Hub & Plan | <u>100,000</u> | <u>--</u> |
| Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | <u>5,673,177</u> | <u>232,536</u> |
| Direct Award-- | | | | |
| Local Assistance and Tribal Consistency Fund | | | | |
| Inclusive Playground Lydgate Park Shade | | | <u>100,000</u> | <u>--</u> |
| Total Local Assistance and Tribal Consistency Fund | 21.032 | | <u>100,000</u> | <u>--</u> |
| Pass-through State of Hawaiʻi - Executive Office of the Governor-- | | | | |
| COVID-19 Emergency Rental Assistance Program | | | | |
| Emergency Rental Assistance | | ERA1 | (1,280) | -- |
| Emergency Rental Assistance | | ERA2 | <u>3,130,745</u> | <u>502,452</u> |
| Total COVID-19 Emergency Rental Assistance Program | 21.023 | | <u>3,129,465</u> | <u>502,452</u> |
| Pass-through State of Hawaiʻi - Department of Budget & Finance-- | | | | |
| Homeowner Assistance Fund | | HAF002 | <u>2,235,071</u> | <u>2,235,071</u> |
| Total Homeowner Assistance Fund | 21.026 | | <u>2,235,071</u> | <u>2,235,071</u> |
| TOTAL DEPARTMENT OF THE TREASURY PROGRAMS | | | <u>\$ 11,137,713</u> | <u>\$ 2,970,059</u> |

The accompanying notes are an integral part of this schedule.

County of Kauaʻi, Hawaiʻi
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2024

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Provided to Subrecipients |
|---|-----------------------------------|--|----------------------------|---------------------------|
| DEPARTMENT OF TRANSPORTATION PROGRAMS | | | | |
| Pass-through State of Hawaiʻi - Department of Transportation-- | | | | |
| Highway Planning and Construction | | | | |
| Bridge Replacement - Off System: | | | | |
| Bridge Inspection & Appraisal | | BR-NBIS (081) | \$ 146 | \$ -- |
| Hanapēpē Bridge Repair BR-0545(1) | | BR-0545(1) | 10,610 | -- |
| Nawiliwili Ahukini Bike Path CMAQ-0700(57) | | CMAQ-0700(57) | 117,199 | -- |
| Opaekaa Bridge Design BR-0700(60) | | BR-0700(60) | 576 | -- |
| Statewide Transportation Improvement Program: | | | | |
| Ahukini/Lydgate | | STP-0700(51) | 24,456 | -- |
| Hanapēpē Road Improvements STP-0545(2) | | STP-0545(2) | 10,056 | -- |
| Lydgate/Kapaa Bikepath Phase C STP-0700(64) | | STP-0700(64) | 53,049 | -- |
| Lydgate/Kapaa Bikepath Phase D STP-0700(088) | | STP-0700(088) | 733,292 | -- |
| Maluhia and Koloa Road Improvements STP-0700(072) | | STP-0700(072) | 2,438 | -- |
| Oloheho Road Improvements STP-0700(085) | | STP-0700(085) | 5,177,457 | -- |
| Poipu Road STP-520(4) | | STP-520(4) | 300,087 | -- |
| Puhi Road Rehabilitation Phase II STP-5010(002) | | STP-5010(002) | 434,888 | -- |
| Safe Routes Kawaihau, Hau'ala, Mailehuna Rd. (STP-0700(071) | | STP-0700(071) | 874,421 | -- |
| Safe Routes King Kaunualii Phase I | | SRS-0700(075) | 1,933 | -- |
| Uhelekawawa Canal/Coconut Plantation | | STP-0700(084) | 7,022 | -- |
| Lydgate/Kapaa Bikepath Phase B STP-0700(61) | | STP-0700(61) | 3,616 | -- |
| Total Highway Planning and Construction | 20.205 | | <u>7,751,246</u> | <u>--</u> |
| Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs | | | | |
| FTA Section 5339 FFY 19 | | HI-2019-007 | 1,186,638 | -- |
| FTA Section 5339 FFY 20 | | HI-2021-002 | 226,478 | -- |
| FTA Section 5339 FFY 18, 19, & 20 | | HI-2021-011 | 849,150 | -- |
| Total Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs | 20.526 | | <u>2,262,266</u> | <u>--</u> |
| Formula Grants for Rural Areas and Tribal Transit Program | | | | |
| FTA Section 5311 FFY 19 | | HI-2019-012 | 9 | -- |
| FTA Section 5311 FFY 20 CARES | | HI-2020-006 | 212,802 | -- |
| FTA Section 5311 FFY 21 (CRRSAA) | | HI-2021-006-00 | (52,801) | -- |
| FTA Section 5311 FFY 20 | | HI-2021-003 | 708,499 | -- |
| FTA Section 5311 FFY 22 | | HI-2022-006-00 | 865,124 | -- |
| Total Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | | <u>1,733,633</u> | <u>--</u> |
| Alcohol Open Container Requirements | | | | |
| KPD Alcohol Open Container Requirements | | AL23-K-03 | 11,807 | -- |
| Total Alcohol Open Container Requirements | 20.607 | | <u>11,807</u> | <u>--</u> |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | | | | |
| KPD Minimum Penalties for Repeat Offenders DWI | | AL23-K-03 | 9,819 | -- |
| Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | | <u>\$ 9,819</u> | <u>\$ --</u> |

The accompanying notes are an integral part of this schedule.

County of Kauaʻi, Hawaiʻi
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2024

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Provided to Subrecipients |
|--|-----------------------------------|--|----------------------------|---------------------------|
| DEPARTMENT OF TRANSPORTATION PROGRAMS (Continued) | | | | |
| Highway Safety Cluster | | | | |
| State and Community Highway Safety | | | | |
| OPA DOT Highway Safety 2023 | | AL23-S-08 | \$ 30,645 | \$ -- |
| KPD Traffic Records | | TR23-K-05 | 2,879 | -- |
| KPD Distracted Driver/Speed Enforcement/Traffic Svcs - FY 2023 | | PT23-K-04 | 10,189 | -- |
| KPD Distracted Driver/Speed Enforcement/Traffic Svcs - FY 2024 | | PT24-K-01 | 97,179 | -- |
| Total State and Community Highway Safety | 20.600 | | <u>140,892</u> | <u>--</u> |
| National Priority Safety Programs | | | | |
| KPD Traffic Records | | AL-23-K-03 | (17,791) | -- |
| KPD Occupant Protect | | OP24-K-01 | 31,960 | -- |
| KPD Impaired Driving & Youth Deterrence FY 2024 | | AL-24-K-01 | 80,076 | -- |
| OPA DOT Highway Safety 2024 | | AL24-K-02 | 79,363 | -- |
| Total National Priority Safety Programs | 20.616 | | <u>173,608</u> | <u>--</u> |
| Total Highway Safety Cluster | | | <u>314,500</u> | <u>--</u> |
| TOTAL DEPARTMENT OF TRANSPORTATION PROGRAMS | | | <u>12,083,271</u> | <u>--</u> |
| DEPARTMENT OF THE INTERIOR PROGRAMS | | | | |
| Pass-through State of Hawaiʻi - Department of Land and Natural Resources-- | | | | |
| Outdoor Recreation Acquisition, Development and Planning | | | | |
| Hanapepe Stadium Complex Improvements | | 15-00189 | 1,000,000 | -- |
| Total Outdoor Recreation Acquisition, Development and Planning | 15.916 | | <u>1,000,000</u> | <u>--</u> |
| TOTAL DEPARTMENT OF THE INTERIOR PROGRAMS | | | <u>1,000,000</u> | <u>--</u> |
| ENVIRONMENTAL PROTECTION AGENCY PROGRAMS | | | | |
| Direct Award-- | | | | |
| Brownsfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements | | | | |
| Kekaha Mill Site | | | 39,458 | -- |
| Total Brownsfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements | 66.818 | | <u>39,458</u> | <u>--</u> |
| TOTAL ENVIRONMENTAL PROTECTION AGENCY PROGRAMS | | | <u>39,458</u> | <u>--</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 54,516,429</u> | <u>\$ 12,557,491</u> |

The accompanying notes are an integral part of this schedule.

County of Kauaʻi, Hawaiʻi
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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, 2024. 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 financial position, 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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 as of June 30, 2024. 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 Assistance Listing Number</u> | <u>Amount</u> |
|------------------------------------|--|--------------------------|
| Community Development Block Grants | 14.228 | \$ <u><u>306,911</u></u> |

PART III
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

County of Kauaʻi, Hawaiʻi
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2024

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?

☒ yes

☐ no

Significant deficiency(ies) identified?

☐ yes

☒ none reported

Noncompliance material to financial statements noted?

☐ yes

☒ no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

☐ yes

☒ no

Significant deficiency(ies) identified?

☐ yes

☒ 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)?

☐ yes

☒ no

Identification of major federal programs:

Assistance Listing Number

Name of Federal Program

14.239

Home Investment Partnerships Program

14.251

Economic Development Initiative, Community Project Funding, and Miscellaneous Grants

14.275

Housing Trust Fund

20.205

Highway Planning and Construction

20.526

Buses and Bus Facilities Formula, Competitive, and Low or No Emission Programs

21.023

COVID-19 Emergency Rental Assistance Program

21.026

Homeowner Assistance Fund

21.027

COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,635,493

Auditee qualified as a low-risk auditee?

☐ yes

☒ no

County of Kauaʻi, Hawaiʻi
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

Ref.

No. **Internal Control Findings**

2024-001 Improve Controls Over Financial Reporting - Material Weakness

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting relevant to the preparation and fair presentation of the basic financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Condition: During the audit, we noted numerous instances of post-closing journal entries across various audit areas. Substantially all the entries were related to adjustments that should have been made by the County either before or during the year-end closing and are described as follows:

- Year-end recurring accruals and reconciling entries to County records
- Closing of interfund activity
- Capital outlay activity
- Lease as lessor amendments/modifications

Cause: Although the County experienced decreased turnover of personnel in key positions during the fiscal year, the County has not fully implemented sufficient internal control procedures to ensure timely review and posting of necessary accruals, reconciliations, and closing entries.

Effect: Material misstatements were identified that were corrected by management. This continued reliance on post-closing adjustments delayed the audit process.

Identification as a Repeat Finding, if applicable:

This is a repeat finding from the previous year as Finding No. 2023-001.

Recommendation

County management should strengthen controls over financial reporting by:

- Ensuring adequate review and approval of year-end accruals, non-routine transactions, reconciliations, and closing entries.
- Assigning clear responsibility within the Department of Finance for monitoring non-routine transactions and journal entries throughout the year, not just at year-end.
- Providing additional training to departments responsible for submitting financial information to the Department of Finance to improve accuracy and timeliness.
- Consider the continued or expanded use of an outside party to assist with financial statement preparation until internal capacity is sufficient.

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 Kauaʻi, Hawaiʻi
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Ref.

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

2024-002 Reconciliation of Investment Balances - Material Weakness

Criteria: The County invests in U.S. treasury obligations, government agency securities, municipal bonds, certificates of deposit, and money market funds with federally insured financial institutions. Investments should be reported at fair value in accordance with U.S. GAAP.

Condition: During the audit, we noted that the County's investments were not fully reconciled to the balances reported in third-party custodian statements as of June 30, 2024. As a result, the following funds' investment balances were misstated:

- General Fund
- Highway Fund
- General Excise Tax Fund
- Solid Waste Disposal Fund
- Bond Fund
- Public Housing Enterprise Fund

In addition, we identified instances where a portion of the investment balances for the following funds were recorded to the wrong fund, resulting in prior period adjustments to the following funds as of June 30, 2023:

- General Fund
- Solid Waste Disposal Fund

Cause: A timely and complete reconciliation of investment balances to third-party custodian statements was not performed. Additionally, inadequate review procedures over the allocation of investment balances contributed to errors in recording amounts to the proper funds.

Effect: The lack of timely reconciliations increased the risk that investment balances were misstated in the County's financial statements. Errors in fund-level allocations required prior period adjustments to the General Fund and Solid Waste Disposal Fund. These deficiencies increase the risk that significant misstatements in investment reporting could go undetected and uncorrected.

Identification as a Repeat Finding, if applicable:

This is a repeat finding from the previous year as Finding No. 2023-002.

County of Kauaʻi, Hawaiʻi
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Ref.

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

**2024-002 Reconciliation of Investment Balances - Material Weakness
(Continued)**

Recommendation

County management should implement stronger controls over investment reconciliations and fund allocations by:

- Performing reconciliations of investment balances to third-party custodian statements on at least a monthly basis.
- Establishing and documenting procedures to ensure investment balances are allocated to the appropriate funds, with review and approval by supervisory personnel.
- Providing additional training to accounting staff on fund-level reporting requirements.
- Implementing a secondary review of reconciliations and allocations to reduce the risk of errors and ensure timely detection and correction.

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 Kauaʻi, Hawaiʻi
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Ref.

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

2024-003 Untimely Processing of Expenditures - Material Weakness

Criteria: In accordance with the Governmental Accounting Standards Board (GASB) and the County's significant accounting policies, expenditures on governmental fund financial statements generally are recorded when a liability is incurred, regardless of when payment is made. Entities are expected to have procedures to ensure timely processing of disbursements and cut-off controls at year-end to record expenditures in the proper accounting period.

Condition: During the audit, we noted that the County did not process vendor payments and related expenditures timely. Several invoices for goods and services incurred prior to June 30, 2024 were not recorded in the general ledger until December 2024.

As a result, expenditures totaling approximately \$622,400 were initially recorded in the subsequent fiscal year rather than in the period in which the underlying goods and services were received. The following funds were misstated:

- General Excise Tax Fund
- Grants Capital Improvement Fund
- General Excise Tax Capital Improvement Fund

Furthermore, as a result of untimely processing of expenditures, seven invoices for infrastructure and building improvements were not tagged for capitalization and approximately \$1,911,000 of expenditures in the Grants Capital Improvement Fund were not charged to expenditures instead of being recorded as capital outlays on the governmental fund financial statements and as capital assets on the government-wide financial statements.

Cause: A delay occurred because expenditures were not processed timely due to late receipt from vendors for invoices that required revisions on project specifications. The County's cut-off procedures did not include adequate review of unrecorded liabilities or monitoring to ensure all expenditures incurred prior to year-end were captured in the correct period.

Effect: The lack of adequate internal controls over expenditure cut-off could result in a material misstatement of County expenditures between periods.

Identification as a Repeat Finding, if applicable:

Not applicable.

Recommendation

The County should strengthen its internal controls over expenditure cut-off at year-end by revisiting procedures outlined to departments for accruing outstanding invoices. Furthermore, the County should perform a post-year-end review of subsequent disbursements to verify that subsequent expenditures are recorded in the proper period.

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 Kauaʻi, Hawaiʻi
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Ref.

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

2024-004 Due to Other Government Prior Period Adjustment - Material Weakness

Criteria: Under GASB, liabilities are present obligations to sacrifice resources that the government has little or no discretion to avoid. Liabilities under a cost-reimbursement loan would not be recognized until eligible costs are incurred and a valid reimbursement request has been submitted or approved (repayment becomes unavoidable).

Condition: During our audit, we noted that the County erroneously overstated due to other government liabilities related to State Revolving Fund (SRF) loans as of June 30, 2023. Specifically, the County recorded as a liability the full amount of SRF project expenditures incurred, but not yet drawn down or requested for reimbursement.

Cause: The misstatement occurred because the County's accounting procedures did not differentiate between project expenditures incurred and loan proceeds drawn under the SRF agreements. In addition, the year-end review and reconciliation process for the due to other government liability account lacked sufficient oversight to ensure balances were supported by drawdowns of reimbursement requests.

Effect: The County's beginning net position for the sewer enterprise fund and government-wide business-type activities reported as of July 1, 2023 was understated by \$8,810,270.

Identification as a Repeat Finding, if applicable:

Not applicable.

Recommendation

The County should enhance its year-end financial reporting and reconciliation procedures to ensure that liabilities related to SRF loans are recognized in accordance with GASB by implementing a procedure to review SRF project drawdowns and loan activity as of year-end.

Views of Responsible Officials and Planned Corrective Action

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

PART IV
CORRECTIVE ACTION PLAN

DEPARTMENT OF FINANCE

CHELSEIE A. SAKAI, DIRECTOR OF FINANCE

MICHELLE L. LIZAMA, DEPUTY DIRECTOR OF FINANCE



DEREK S.K. KAWAKAMI, MAYOR
REIKO MATSUYAMA, MANAGING DIRECTOR

November 12, 2025

John Paul B. Bautista
N & K CPA's Inc.
999 Bishop Street, Suite 2200
Honolulu, HI 96813-3696

Dear Mr. Bautista:

Attached are the County of Kaua'i's responses and corrective action plans related to your fiscal year 2024 audit report *Uniform Guidance Single Audit Report* Current Findings and Recommendations. We appreciate the opportunity to comment on the audit report.

Sincerely,

Chelsie Sakai
Director of Finance

**County of Kauaʻi, Hawaiʻi
CORRECTIVE ACTION PLAN
Fiscal Year Ended June 30, 2024**

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

2024-001 Improve Controls Over Financial Reporting - Material Weakness

Auditor's

Recommendation: County management should strengthen controls over financial reporting by:

- Ensuring adequate review and approval of year-end accruals, non-routine transactions, reconciliations, and closing entries.
- Assigning clear responsibility within the Department of Finance for monitoring non-routine transactions and journal entries throughout the year, not just at year-end.
- Providing additional training to departments responsible for submitting financial information to the Department of Finance to improve accuracy and timeliness.
- Consider the continued or expanded use of an outside party to assist with financial statement preparation until internal capacity is sufficient.

Corrective Action: The Accounting Systems Administrator agrees with the auditors' recommendation. Due to extreme turnover within the Accounting Division and Finance Department, the FY2023 ACFR was significantly delayed, which delayed the process for year-end closing for FY2024. With the delayed start of preparation, the proper internal review process prior to the start of the audit did not occur for FY2024. Going forward, a thorough internal review of the financial statements will occur prior to the start of the audit. Going forward, the Accounting Division and Finance Department will continue to push the departments to submit invoices and adjusting journal entries timely. We also are in the process of purchasing the same engagement binder package software that our auditors use to improve efficiencies.

End Date: Continuous monitoring.

**Responding
Person:** Malia Kagawa, Accounting Administrator
Phone: (808) 241-4212

County of Kauaʻi, Hawaiʻi
CORRECTIVE ACTION PLAN (Continued)
Fiscal Year Ended June 30, 2024

**Ref.
No.**

Internal Control Findings (Continued)

2024-002 Reconciliation of Investment Balances - Material Weakness

Auditor's

Recommendation: County management should implement stronger controls over investment reconciliations and fund allocations by:

- Performing reconciliations of investment balances to third-party custodian statements on at least a monthly basis.
- Establishing and documenting procedures to ensure investment balances are allocated to the appropriate funds, with review and approval by supervisory personnel.
- Providing additional training to accounting staff on fund-level reporting requirements.
- Implementing a secondary review of reconciliations and allocations to reduce the risk of errors and ensure timely detection and correction.

Corrective Action: The County recognizes it did not consistently reconcile its investments in 2024 and that there was an error in matching the statements to the Fair Market Value adjustment. The County has implemented processes to reconcile investments on a monthly basis and to accurately adjust to Fair Market Value at the end of each Fiscal year. There is written procedure in place.

End Date: Continuous monitoring.

**Responding
Person:** Chelsie Sakai, Director of Finance
csakai@kauai.gov

County of Kauaʻi, Hawaiʻi
CORRECTIVE ACTION PLAN (Continued)
Fiscal Year Ended June 30, 2024

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

2024-003 Untimely Processing of Expenditures - Material Weakness

Auditor's

Recommendation: The County should strengthen its internal controls over expenditure cut-off at year-end by revisiting procedures outlined to departments for accruing outstanding invoices. Furthermore, the County should perform a post-year-end review of subsequent disbursements to verify that subsequent expenditures are recorded in the proper period.

Corrective
Action:

The Accounting Administrator agrees with the auditors' recommendation. Due to extreme turnover within the Accounting Division and Finance Department, the FY2023 ACFR was significantly delayed, which delayed the process for year-end closing for FY2024. With these significant delays, hard deadlines for late invoices and accruals were not effectively enforced as the FY2024 ACFR preparation was underway. Going forward, hard deadlines for invoice and accrual submittals will be enforced, with an understanding that if the departments do not inform us of late invoices, the finding for the lack of expenditure processing in the correct fiscal year will fall on individual departments. Going forward, the Accounting Division and Finance Department will continue to push the departments to submit invoices and adjusting journal entries timely.

End Date: Continuous monitoring.

Responding
Person: Malia Kagawa, Accounting Administrator
Phone: (808) 241-4212

County of Kauaʻi, Hawaiʻi
CORRECTIVE ACTION PLAN (Continued)
Fiscal Year Ended June 30, 2024

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

2024-004 Due to Other Government Prior Period Adjustment - Material Weakness

Auditor's

Recommendation: The County should enhance its year-end financial reporting and reconciliation procedures to ensure that liabilities related to SRF loans are recognized in accordance with GASB by implementing a procedure to review SRF project drawdowns and loan activity as of year-end.

Corrective
Action:

The Accounting Administrator agrees with the auditors' recommendation. Due to extreme turnover within the Accounting Division and Finance Department, there were no written policies and procedures in place to monitor the SRF loan liability. Going forward, the Accounting Division will create written policies and procedures to monitor the SRF loan liability, and work cohesively with the Department of Public Works to monitor the SRF loans.

End Date: Continuous monitoring.

Responding
Person: Malia Kagawa, Accounting Administrator
Phone: (808) 241-4212

PART V
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

County of Kauaʻi, Hawaiʻi
STATUS REPORT (Continued)
Fiscal Year Ended June 30, 2024

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, 2023, dated October 22, 2024.

SECTION II - FINANCIAL STATEMENT FINDINGS

| Recommendations | | Status |
|------------------------|--|--|
| 2023-001 | Improve Controls Over Financial Reporting - Material Weakness (Page 23) County management should evaluate staffing to determine whether there are adequate resources to provide the level of review and approval necessary to facilitate the review of accounting data and financial information. While the County assesses its staffing needs, management may also consider continuing its utilization of an outside party to assist them with the preparation of the financial statements. In addition, proper training of departments responsible for necessary financial information should be conducted to ensure information provided to the Department of Finance is accurate and timely. The County should also continue to improve and develop its internal controls over financial reporting, with greater attention to non-routine transactions and journal entries recorded in the closing process. | Not accomplished. See current year finding 2024-001. |
| 2023-002 | Reconciliation of Investment Balances - Material Weakness (Page 24) The County should perform a monthly reconciliation to third-party custodian statements to ensure investments are properly reconciled. | Not accomplished. See current year finding 2024-002. |
| 2023-003 | Reconciliation of Interfund Receivables / Payables, Internal Balances, and Transfers Related to Cash - Material Weakness (Page 25) The County should perform a monthly reconciliation to ensure interfund receivables and payables, internal balances, and transfers related to cash are properly reconciled. | Accomplished. |

County of Kauaʻi, Hawaiʻi
STATUS REPORT (Continued)
Fiscal Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

| Recommendations | | Status |
|------------------------|---|---------------|
| 2023-004 | Improve Internal Controls Over Accounting for Capital Assets – Material Weakness (Page 26) Management should ensure that a process is established in which fiscal personnel review expenditures incurred to determine if they meet the requirements to be capitalized. | Accomplished. |
| 2023-005 | Landfill Postclosure Costs Prior Period Adjustment - Material Weakness (Page 27) Management should ensure that an effective process is established in which County personnel perform a review of data used in its estimate to ensure the accuracy of the landfill closure and postclosure long-term liability calculation. | Accomplished. |
| 2023-006 | Completeness of Transient Accommodation Tax Revenues - Significant Deficiency (Page 28) The County should revisit the reconciliation process to ensure collections received within 60 days of the fiscal period are properly reconciled as transient accommodation tax revenue. | Accomplished. |
| 2023-007 | Reconciliation of Loss Reserve Data Prior to Submission to Third Party Actuary - Significant Deficiency (Page 29) The County should implement a procedure for management level personnel to complete a review of workers' compensation loss data prior to submission to the County's third-party actuary and ensure that the proper information was used. | Accomplished. |