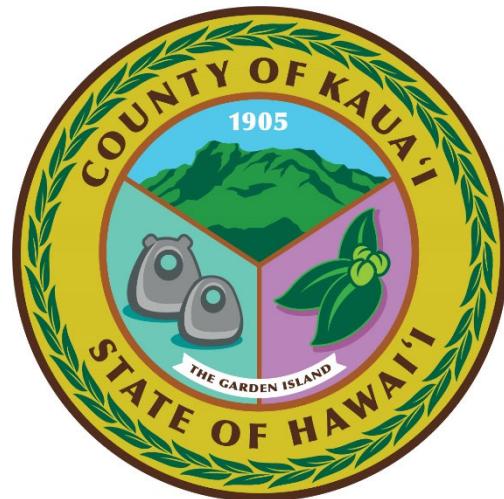


SINGLE AUDIT REPORTS
County of Kaua‘i, Hawai‘i



**For the Fiscal Year Ended
June 30, 2022**

March 23, 2023

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, 2022. 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, 2022, 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 opinions 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 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 programs 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.

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, 2022.

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 KAUAI, HAWAII

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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
Lihue, 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 31, 2023.

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.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-01 and 2022-02 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2022-03 to be a significant deficiency.

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 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
January 31, 2023

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**

**INDEPENDENT AUDITOR'S 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**

To the Chair and Members of
the County and Council of Kaua'i, Hawai'i
Lihue, 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, 2022. 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, 2022.

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 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 discreetly 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon, dated January 31, 2023, 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
March 23, 2023

County of Kaua'i, Hawai'i
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2022

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--				
Office of National Drug Control Policy				
High Intensity Drug Trafficking Areas Program:				
High Intensity Drug Traffic, Fiscal Year 2021			\$ 73,952	\$ --
High Intensity Drug Traffic, Fiscal Year 2022			86,770	--
Total High Intensity Drug Trafficking Areas Program	95.001		160,722	--
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT PROGRAMS			160,722	--
DEPARTMENT OF AGRICULTURE PROGRAMS				
Pass-through State of Hawai'i - Child Nutrition Programs--				
Summer Food Service Program for Children:				
Summer/Winter Fun Meals			370S13240E72304429	38,580
Total Summer Food Service Program for Children	10.559		38,580	--
Pass-through State of Hawai'i - Pacific Islands Area State Office--				
Emergency Watershed Protection Program:				
Kahuna Road Stream Banks Restoration:			NR199251002C001	28,992
Total Emergency Watershed Protection Program	10.923		28,992	--
TOTAL DEPARTMENT OF AGRICULTURE PROGRAMS			67,572	--
DEPARTMENT OF COMMERCE PROGRAMS				
Pass-through Office of State Planning--				
Coastal Zone Management Program Administration Awards--				
Coastal Zone Management Administration Awards:				
Fiscal Year 2020-2021			B-20-02-CZM #2	5,314
Fiscal Year 2021-2022			B-20-02-CZM #3	303,712
SEA LEVEL RISE GIS			NA18NOS4190082	42,867
Total Coastal Zone Management Administration Awards	11.419		351,893	--
TOTAL DEPARTMENT OF COMMERCE PROGRAMS			351,893	--
DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS				
Pass-through State Executive Office on Aging--				
Aging Cluster				
Special Programs for the Aging - Title III, Part C, Nutrition Services:				
C1 AEA ADMIN 2021			ASO LOG 20-200	58,191
C1 AEA FY 2019			KA2016N03	9,008
C1 CONG FY 2019			KA2016N03	3
C1 CONG FY 2020			ASO LOG 20-200	4,936
C2 HOMED FY 2020			ASO LOG 20-200	53,826
C2 HOMED FY 2021			ASO LOG 20-200	242,330
Total Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		\$ 368,294	\$ --

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, 2022

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)				
Pass-through State Executive Office on Aging--				
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	\$ 366	\$ --
B AEA AREA INHOME 2020		ASO LOG 20-200	6,810	--
B AEA AREA INHOME 2021		ASO LOG 20-200	4,165	--
B AEA AREA LEGAL 2019		KA2016N03	9,094	--
B AEA AREA LEGAL 2020		ASO LOG 20-200	7,739	--
B AEA AREA LEGAL 2021		ASO LOG 20-200	51,836	--
B AEA AREA SYS FY 2020		ASO LOG 20-200	86,530	--
B AEA AREA SYS FY 2021		ASO LOG 20-200	126,476	--
COVID-19 - B VACCINES FFY21		ASO LOG 20-200	18,645	--
Total Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		<u>311,661</u>	<u>--</u>
Administration on Aging - Nutrition Services Incentive Program:				
Food Distribution:				
NSIP 2021		ASO LOG 20-200	128	--
Total Nutrition Services Incentive Program	93.053		<u>128</u>	<u>--</u>
Total Aging Cluster			<u>680,083</u>	<u>--</u>
National Family Caregiver Support, Title III, Part E:				
Cooperative Agreements to States and Territories:				
E ELDER CARE FY 19		KA2016N03	14,080	--
E ELDER CARE FY 20		ASO LOG 20-200	3,759	--
E ELDER CARE FY 21		ASO LOG 20-200	16,225	--
E GRGC FY 2019		KA2019N03	403	--
E GRGC FY 2020		ASO LOG 20-200	3,332	--
Total National Family Caregiver Support, Title III, Part E	93.052		<u>37,799</u>	<u>--</u>
Special Programs for the Aging - Title III, Part D:				
Disease Prevention and Health Promotion Services:				
D HPED FY 2020		ASO LOG 20-200	1,875	--
D HPED FY 2021		ASO LOG 20-200	7,069	--
Total Special Programs for the Aging - Title III, Part D	93.043		<u>8,944</u>	<u>--</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance:				
Pass-through State of Hawai'i Department of Health--				
PFS Prevention (09/2021 - 09/2022)		ASO 22-092	28,277	--
PFS Prevention (Mod #8)		ASO 16-161	14,369	--
Total SAMHSA Projects Regional and National Significance	93.243		<u>42,646</u>	<u>--</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS			<u>769,472</u>	<u>--</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS				
Pass-through State Department of Business, Economic Development and Tourism--				
Home Investment Partnerships Program:				
Fiscal year 2019		M19SG150100	193,205	113,715
HOME - Program Income			147,733	--
Total Home Investment Partnerships Program	14.239		<u>340,938</u>	<u>113,715</u>
Housing Trust Fund--				
Fiscal year 2018 HTF Funds		F18-SG150100	70,840	--
Fiscal year 2019 HTF Funds		F19-SG150100	154,775	154,775
Total Housing Trust Fund	14.275		<u>\$ 225,615</u>	<u>\$ 154,775</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, 2022

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)				
Direct Awards:				
Lower Income Housing Assistance Program–				
Section 8 - Housing Choice Vouchers (252 Fund)			\$ 12,330,472	\$ --
Total Section 8 Housing Choice Vouchers	14.871		<u>12,330,472</u>	<u>--</u>
Family Self Sufficiency Program (FSS)–				
Family Self Sufficiency Program FY 2021			49,664	--
Family Self Sufficiency Program FY 2022			88,268	--
Total Family Self Sufficiency Program (FSS)	14.896		<u>137,932</u>	<u>--</u>
Community Development Block Grants / Entitlement Grants:				
U.S. Department of Housing and Urban Development			86,240	--
Total Community Development Block Grants / Entitlement Grants	14.218		<u>86,240</u>	<u>--</u>
Community Development Block Grants–				
State's Program and Non-entitlement Grants in Hawai'i:				
2020 Annual Action Plan and Community Development Block Grant Allocation			311,098	205,510
COVID-19 - CDBG - CARES Act			280,655	248,476
CDBG - Disaster Program Income			644,751	203,320
CDBG - Program Income			465,712	176,597
Fiscal year 2020			270,020	246,745
Fiscal year 2021-2022			419,697	419,684
NSP - Program Income			429,116	429,116
Total CDBG / State's Program and Non-Entitlement Grants in Hawai'i	14.228		<u>2,821,049</u>	<u>1,929,448</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS				
DEPARTMENT OF JUSTICE PROGRAMS				
Pass-through Office of State Attorney General:				
Crime Victim Assistance:				
VOCA FY 2018		18-V2-03	(956)	--
VOCA FY 2019		19-V2-03	258,794	--
VOCA FY 2020		20-V2-03	30,655	--
Total Crime Victim Assistance	16.575		<u>288,493</u>	<u>--</u>
Violence Against Women Formula Grants:				
Stop Violence Against Women - 2017		17-WF-01	3,760	--
Stop Violence Against Women - 2020		2020-WF-AX-0001	71,724	--
Stop Violence Against Women - 2021		15JOVW-21-GG-00576-STOP	3,193	--
VAWA - SANE Exams - FY 2019		2019-WF-AX-0035	45,970	--
VAWA - SANE Exams - FY 2021		15JOVW-21-GG-00576-STOP	4,708	--
Total Violence Against Women Grants	16.588		<u>129,355</u>	<u>--</u>
Paul Coverdell Forensic Sciences Improvement Grant Program:				
Forensic Science Quality Improvement		19-CD-03	9,745	--
Total Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		<u>9,745</u>	<u>--</u>
Edward Byrne Memorial Justice Assistance Grant Program:				
JAG Drug Nuisance Abatement		2016-DJ-BX-0089	7,841	--
JAG Local Solicitation FY 2016		2016-DJ-BX-0356	(416)	--
JAG Local Solicitation FY 2017		2017-DJ-BX-0517	140	--
JAG Local Solicitation FY 2020		2020-DJ-BX-0736	8,945	--
Statewide Multi-Jurisdictional Drug Task Force		2019-DJ-BX-0069	22,610	--
Total Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>\$ 39,120</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, 2022

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)				
Pass-through Office of State Attorney General:				
Coronavirus Emergency Supplemental Program:				
COVID-19 - Kauai OPA COVID-19 Response		20-VD-06	\$ 101	\$ --
Total Coronavirus Emergency Supplemental Program	16.034		101	--
Project Safe Neighborhoods:				
Project Safe Kauai		2018-GP-BX-0010	31,275	--
Total Project Safe Neighborhoods	16.609		31,275	--
Pass-through State Department of Human Services Office of Youth Services:				
Juvenile Accountability Block Grants:				
JABG FY 20 Hale Opio Kaua'i Inc.		DHS-20-OYS-037	2,818	--
JABG FY 22 - FY23 Hale Opio Kaua'i Inc.		DHS-20-OYS-037 S1	25,000	--
Total Juvenile Accountability Block Grants	16.523		27,818	--
Direct Award--				
Bulletproof Vest Partnership Program:				
Bulletproof Vest Partnership FY21			4,089	--
Total Bulletproof Vest Partnership Program	16.607		4,089	--
TOTAL DEPARTMENT OF JUSTICE PROGRAMS			529,996	--
DEPARTMENT OF LABOR PROGRAMS				
Pass-through State Department of Labor and Industrial Relations:				
WIAO Cluster				
Adult Program FY 2019		WIOA-19-A&DWP-K	(2,300)	--
Total WIOA Adult Program	17.258		(2,300)	--
Dislocated Workers, PY 2019		WIOA-19-A&DWP-K	(700)	--
Total WIOA Dislocated Workers Formula Grants	17.278		(700)	--
Youth Programs PY 2019 - In School		WIOA-19-YP-K	1,901	--
Youth Programs PY 2019 - Out School		WIOA-19-YP-K	5,703	--
Total WIOA Youth Activities	17.259		7,604	--
Total WIOA Cluster			4,604	--
TOTAL DEPARTMENT OF LABOR PROGRAMS			4,604	--
DEPARTMENT OF TRANSPORTATION PROGRAMS				
Pass-through State Department of Transportation:				
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs				
FTA Section 5339 FFY 13		HI-34-0001	(3)	--
FTA Section 5339 FFY 16		HI-2016-002-00	44,572	--
FTA Section 5339 FFY 17		HI-2017-003-00	17,935	--
Total Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		62,504	--
Formula Grants for Rural Areas and Tribal Transit Program--				
Formula Grants for Rural Areas and Tribal Transit Program:				
FTA Section 5311 FFY 19		HI-2019-012	388,594	--
COVID-19 - FTA Section 5311 FFY 20 CARES		HI-2020-006	2,847,518	--
FTA Section 5311 FFY 21 CRRSAA		HI-2021-006-00	3,084,267	--
Total Formula Grants for Rural Areas and Tribal Transit Program	20.509		\$ 6,320,379	\$ --

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, 2022

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)				
Pass-through State Department of Transportation:				
Highway Planning and Construction:				
Bridge Replacement - Off System:				
Bridge Inspection and Appraisal		BR-NBIS(081)	\$ 5,738	\$ --
Bridge Inspection and Appraisal		BR-NBIS(072)	(7,657)	--
Bridge Inspection and Appraisal		BR-NBIS(076)	16,817	--
Hanapēpē Bridge Repair		BR-0545(1)	1,530	--
Opaekaa Bridge Design		BR-0700(60)	142,425	--
Statewide Transportation Improvement Program:				
Ahukini/Lydgate		STP-0700(51)	35,882	--
Hanapēpē Road Improvements		STP-0545(2)	17,620	--
King Kaumualii Safe Routes to School		SRS-1500(086)	(6,006)	--
Koloa Safe Routes to School		SRS-1500(086)	2,240	--
Lydgate/Kapaa Bikepath Phase C		STP-0700(64)	(273,022)	--
Lydgate/Kapaa Bikepath Phase D		STP-0700(088)	63,086	--
Maluhia and Koloa Road Improvements		STP-0700(072)	131,496	--
Nawiliwili Ahukini Bike Path		CMAQ-0700(57)	75,767	--
Poipu Road STP-520(4)		STP-520(4)	351,133	--
Puhi Road Rehabilitation Phase II		STP-5010(002)	13,702	--
Resurface Various Collector Roads		STP-0700(68)	6,739	--
Safe Routes Kawaihau, Hau‘ala, Mailehuna Rd.		STP-0700(071)	2,577,848	--
Safe Routes King Kaumualii Phase I		SRS-0700(075)	817,077	--
Safe Routes Koloa Phase II		SRS-0700(076)	678,212	--
Uhelekaawa Canal/Coconut Plantation		STP-0700(084)	1,359,244	--
Total Highway Planning and Construction	20.205		6,009,871	--
State and Community Highway Safety:				
Highway Safety Cluster				
KDP Impaired Driving & Youth Deterrence FY 2022		AL-22-02(01-K-04)	15,121	--
KPD Distracted Driver - FY 2021		DD21-K-04	7,540	--
KPD Distracted Driver - FY 2022		DD-22-09(04-K-01)	5,726	--
KPD Roadblock Grant - FY 2021		AL21-K-05	7,015	--
KPD Seat Belt & Child Safety - FY 2022		OP-K-08	8,542	--
KPD Seat Belt Enforcement - FY 2021		OP21-K-08	7,846	--
KPD Speed Enforcement - FY 2021		SC21-K-04	41,633	--
KPD Speed Enforcement - FY 2022		SC22-K-04	24,343	--
KPD Traffic Services		PT22-K-04	15,560	--
OPA DOT Highway Safety 2021		AL21-S-11	27,061	--
OPA DOT Highway Safety 2022		AL22-S-11	75,891	--
Total State and Community Highway Safety	20.600		236,278	--
National Priority Safety Programs:				
KPD Traffic Records		TR22-K-05	48,750	--
Total National Priority Safety Programs			48,750	--
Total Highway Safety Cluster	20.616		\$ 285,028	\$ --

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, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Provided to Subrecipients</u>
DEPARTMENT OF TRANSPORTATION PROGRAMS (Continued)				
Direct Award--				
National Infrastructure Investments:				
TIGER Discretionary Grants:				
Lihue Town Core Mobility and Revitalization Project			\$ 233,024	\$ --
Total National Infrastructure Investments	20,933		<u>233,024</u>	<u>--</u>
TOTAL DEPARTMENT OF TRANSPORTATION PROGRAMS			<u>12,910,806</u>	<u>--</u>
CORPORATION FOR NATIONAL SERVICE PROGRAMS				
Direct Award--				
Retired and Senior Volunteer Program:				
Title II, Part A, Older Americans Volunteer Program:				
RSVP - 2022-2024			11,498	--
RSVP - CY 20			(2,400)	--
RSVP - CY 21			55,926	--
Total Retired and Senior Volunteer Program	94,002		<u>65,024</u>	<u>--</u>
TOTAL CORPORATION FOR NATIONAL SERVICE PROGRAMS			<u>65,024</u>	<u>--</u>
DEPARTMENT OF HOMELAND SECURITY PROGRAMS				
Pass-through Hawaii Emergency Management Agency				
Disaster Grants - Public Assistance (Presidentially Declared Disaster):				
FEMA-4062-DR-HI Repair/Replace Culvert		PW44 KPWC013	1,094	--
FEMA-4062-DR-HI Repair/Replace Culvert Crossing		PW45 KPWC011	9,214	--
FEMA-4062-DR-HI Repair/Replace Roadway Shoulder		PW40 KPWC002	2,652	--
FEMA-4365-DR-HI Debris Removal Lydgate Park		PW53 #45119	498,172	--
FEMA-4365-DR-HI Debris Removal (Town of Hanalei)		PW67 #45599	101,962	--
FEMA-4365-DR-HI Debris Removal (Wainiha)		PW67 #45599	28,078	--
FEMA-4365-DR-HI Fire Emergency Response		PW14 #391339	1	--
FEMA-4365-DR-HI Kalepa Radio Tower Equipment		PW43 #45094	65,593	--
FEMA-4365-DR-HI Kalihiwai Ridge Bypass Road		PW75 #45598	333,877	--
FEMA-4365-DR-HI KEMA Emergency Response		PW16 #45093	179,281	--
FEMA-4365-DR-HI Public Works		PW76 #45612	13,987	--
FEMA-4365-DR-HI Waihohonu Stream Bank Debris Removal		PW34 #48442	5,000	--
FEMA-4365-DR-HI Weke Road		PW94 #45579	494,419	--
FEMA-4395-DR-HI Ala Eke Road		PW12 #66338	29,272	--
FEMA-4395-DR-HI Parks		PW06 #67870	5,000	--
FEMA-4395-DR-HI Powerhouse Road Temp. Repairs		PW09 #66345	26,542	--
FEMA-4549-DR-HI Fire Apparatus		PW02 #147509	(5,301)	--
FEMA-4549-DR-HI Fire Emergency Response		PW02 #147509	7,191	--
FEMA-4549-DR-HI Islandwide Debris		PW15 #148411	39,087	--
FEMA-4549-DR-HI Kahuna Road		PW17 #150062	16,847	--
FEMA-4549-DR-HI Lydgate Debris		PW09 #148295	347,310	--
FEMA-4549-DR-HI Police Emergency Response		007-013E8-00	2,305	--
FEMA-4549-DR-HI Wailua Golf Course		PW05 #148311	25,500	--
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97,036		<u>\$ 2,227,083</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, 2022

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 Hawaii Emergency Management Agency				
Emergency Management Performance Grants:				
EMPG FY 2020		EMF-2020-EP-HIEMA-03	\$ 33,388	\$ --
EMPG FY 2021		EMF-2021-EP-00009-04	101,705	--
EMPG-S FY 2020		EMF-2020-EP-00020-HIEMA-04	2,502	--
Total Emergency Management Performance Grants	97.042		137,595	--
Homeland Security Grant Program:				
Homeland Security Grant 2018		EMW-2018-SS-00006	132,090	--
Homeland Security Grant 2020		EMW-2020-SS-00022	343,063	--
Total Homeland Security Grant Program	97.067		475,153	--
Direct Award--				
Assistance to Firefighters Grant:				
AFG EXTRICATION			20,000	
AFG MINI PUMP			259,091	--
Total Assistance to Firefighters Grant:	97.044		279,091	--
TOTAL DEPARTMENT OF HOMELAND SECURITY PROGRAMS				
DEPARTMENT OF TREASURY				
Pass-through State Executive Office of the Governor:				
COVID-19 - Coronavirus Relief Fund:				
CARES ACT Management and Compliance Overhead /				
Emergency Ops Center Cost			255,235	--
CARES ACT Management and Compliance Overhead / OED Costs			55,203	--
CARES Interest Earned			105,842	--
Homeowner Assistance - Administrative Costs			81,112	77,573
Mental Health & DV Prevention Grants to Non-Profits			24,075	--
Rise to Work - Non-Profit Grants (e.g. Ag, IT, and Conservation Workers)			(8,305)	(8,305)
Small Business Loans and Other Business Support Grants			40,000	40,000
Stock Additional PPE & Safety Supplies (Testing Kits, etc.)			1,212,146	--
Sustained Enforcement of Various Rules / Orders, Related			40,947	--
Equipment & Database Costs			32,838	32,838
Transforming Tourism / Economic Diversification Recovery Support			11,574	--
Program Grants				
Various Departmental Labor Costs			1,850,667	142,106
Total COVID-19 - Coronavirus Relief Fund	21.019	001-County of Kauai		
COVID-19 - State and Local Fiscal Recovery Funds				
Direct Award--				
Agriculture Sector Job Training & Development			80,000	80,000
Artists and Art Organization Economic Loss Support			23,870	--
Clear Kapuna Waitlist for At-Home Meal Delivery			139,109	--
County Job Placement Support			174,819	--
Elderly Food Support			17,951	--
Elderly Mental Health Support			16,390	--
EOC - Ongoing Response			1,392,543	--
EOC Response - KEMA			500,825	--
Subtotal Coronavirus State and Local Fiscal Recovery Funds			\$ 2,345,507	\$ 80,000

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, 2022

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 TREASURY (Continued)				
COVID-19 - State and Local Fiscal Recovery Funds (Continued)				
Direct Award-				
EOC Response - Safety Supplies			\$ 3,443	\$ --
Extended Driver's License Hours			6,681	--
Grant Management Overhead/Contingency			102,647	--
Houseless Support			898	--
Non-Profit Economic Loss Support Grants			326,891	--
Public Outreach & Messaging			28,649	--
Rise to Work for Non-Profit Agencies			708,160	
Pass-through State Executive Office on Aging:				
Senior Center Services		ASO LOG 22-163	18,644	--
Total Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>3,541,520</u>	<u>80,000</u>
Pass-through State Executive Office of the Governor:				
Emergency Rental Assistance Program:				
Emergency Rental Assistance		ERA 1	13,083,238	13,002,684
Emergency Rental Assistance		ERA 2	3,155,486	3,155,486
Total Emergency Rental Assistance Program	21.023		<u>16,238,724</u>	<u>16,158,170</u>
Pass-through State Department of Budget & Finance				
Homeowner Assistance Fund:				
Homeowner Assistance Fund		HAF 002	337,966	337,441
Total Homeowner Assistance Fund	21.026		<u>337,966</u>	<u>337,441</u>
TOTAL DEPARTMENT OF TREASURY			<u>21,968,877</u>	<u>16,717,717</u>
ENVIRONMENTAL PROTECTION AGENCY				
Direct Awards--				
Capitalization Grants for Clean Water State Revolving Funds:				
Eelele Wastewater Treatment Plant			(56,428)	--
Kekaha Landfill Lateral Expansion Cell 2			(169,198)	--
Total Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>(225,626)</u>	<u>--</u>
Congressionally Mandated Projects:				
Water Infrastructure Waimea			3,084	--
Total Congressionally Mandated Projects	66.202		<u>3,084</u>	<u>--</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>(222,542)</u>	<u>--</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 55,667,592</u>	<u>\$ 18,915,655</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, 2022

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, 2022. 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, 2022. 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>
Home Investment Partnerships Program	14.239	\$ 113,715
Housing Trust Fund	14.275	<u>154,775</u>
		\$ <u>268,490</u>

PART III
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

County of Kaua‘i, Hawai‘i
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2022

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>Assistance Listing Number</u>	<u>Name of Federal Program</u>		
14.228	Community Grants	Development	Block Grants
14.871	Section 8 - Housing Choice Vouchers		
20.509	Formula Grants for Rural Areas and Tribal Transit Program		
21.023	Emergency Program	Rental	Assistance
21.027	Coronavirus Recovery Funds	State and Local	Fiscal Recovery Funds

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

\$1,670,028

Auditee qualified as a low-risk auditee?

yes no

County of Kaua‘i, Hawai‘i
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

Ref.
No. **Internal Control Findings**

2022-001 Pension Deferred Outflows Prior Period Adjustment - Material Weakness

Criteria: Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions* requires that contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period should be reported as a deferred outflow of resources related to pensions.

Condition: During our audit, we noted that the County recorded a prior period adjustment of pension deferred outflows totaling \$3,392,843. The amount was expensed rather than recorded as deferred outflows on the Statement of Net Position in the prior fiscal year. The adjustment resulted in an increase of beginning net position for total primary governmental activities reported in the Annual Comprehensive Financial Report (ACFR) of the County as of July 1, 2021.

Cause: A reconciliation was not performed between pension employer contributions made after the measurement date of the liability and amounts recognized as pension deferred outflows.

Effect: The County’s beginning net position reported in the ACFR as of July 1, 2021 was understated by \$3,392,843 and change in net position for the fiscal year ended June 30, 2021 was overstated by \$3,392,843.

Identification as a Repeat Finding, if applicable:

Not applicable.

Recommendation

Management should ensure that a process is established in which management-level fiscal personnel review transactions for the determination of the proper accounting treatment for changes to the pension liability as of the measurement date.

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, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

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

2022-002 Accounting for Grant Reimbursements - Material Weakness

Criteria: Modified accrual balances recorded in the Grants Federal Fund should accurately reflect the amount of eligible unreimbursed grant expenditures (grant receivables) or grant funds received in advance (deferred revenue). Any change in the source of funding of projects should be reconciled timely between the County's funds.

Condition: During the current year audit, we noted thirteen (13) instances totaling \$1,358,563 where the County obtained reimbursements of eligible grant expenditures from Federal sources that were previously funded by the County or State. However, expenditures were not reconciled between the fund that previously funded the project and the Grants Federal Fund.

Cause: The process in place for the County's departments to communicate changes in the funding source for grant expenditures to the Department of Finance is inadequate. The process should include a procedure to perform timely reconciliations to ensure that expenditures are properly reported.

Effect: The oversight of communication and reconciliation of changes in funding sources for the County's projects may result in misstatements in the County's financial statements.

Identification as a Repeat Finding, if applicable:

Not applicable.

Recommendation

The County should implement a uniform process across all departments to communicate eligible expenditures submitted for Federal reimbursement that were previously funded by another source. The County's departments should monitor that Federal grant funds received are properly recorded against expenditures submitted for reimbursement.

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, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

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

2022-003 Completeness of Transient Accommodation Tax Revenues – Significant Deficiency

Criteria: Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Condition: During the current year audit, we noted that \$2,499,776 of transient accommodation tax receivables were recorded in the General Fund. However, we noted that an additional \$623,331 of revenue that was available to the County was not recorded as part of the receivable balance.

Cause: A reconciliation was not performed between collections received within 60 days of the end of the fiscal period and amounts recognized as transient accommodation tax revenue in the General Fund.

Effect: The lack of timely reconciliations performed on transient accommodation tax collections received by the County could lead to misstatements in the County's financial statements.

Identification as a Repeat Finding, if applicable:

Not applicable.

Recommendation

The County should implement a procedure to complete a reconciliation of transient accommodation tax for collections received subsequent to the County's fiscal 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.

County of Kaua‘i, Hawai‘i
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2022

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

PART IV
CORRECTIVE ACTION PLAN

DEPARTMENT OF FINANCE

REIKO MATSUYAMA, DIRECTOR

MICHELLE L. LIZAMA, DEPUTY DIRECTOR



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

March 23, 2023

Blake S. Isobe
N & K CPA's Inc.
999 Bishop Street, Suite 2200
Honolulu, HI 96813-3696

Dear Mr. Isobe:

Attached are the County of Kauai's responses and corrective action plans related to your fiscal year 2022 audit report *Uniform Guidance Single Audit Report Current Findings and Recommendations*. We appreciate the opportunity to comment on the audit report.

Sincerely,

A handwritten signature in black ink, appearing to read "Reiko Matsuyama". It is written in a cursive style with a large, open loop on the right side.

Reiko Matsuyama
Director of Finance

**County of Kaua‘i, Hawai‘i
CORRECTIVE ACTION PLAN
Fiscal Year Ended June 30, 2022**

Ref.

No. **Internal Control Findings**

2022-001 Pension Deferred Outflows Prior Period Adjustment - Material Weakness

Auditor’s

Recommendation: Management should ensure that a process is established in which management-level fiscal personnel review transactions for the determination of the proper accounting treatment for changes to the pension liability as of the measurement date..

Corrective Action:

The Accounting Systems Administrator agrees with the auditors recommendation. The \$3.4M in question was primarily due to ACT 153 Excess Pension Costs paid after the fiscal year end (September 2021). GASB 68 Pension schedules were not updated to reflect this contribution. As a result, the County’s Employer contributions were erroneously expensed in the Government-wide Financial Statements; however, these contributions should have been reclassified as deferred outflows on the Statement of Net Position. Although this was an isolated occurrence, additional time to review transactions will be allotted to ensure appropriate accounting treatment and recordation of changes to the pension liability..

End Date:

Continuous monitoring.

Responding Person:

Renee M. Yadao, Accounting Systems Administrator
Phone: (808) 241-4211

**County of Kaua‘i, Hawai‘i
CORRECTIVE ACTION PLAN (Continued)
Fiscal Year Ended June 30, 2022**

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

2022-002 Accounting for Grant Reimbursements - Material Weakness

Auditor’s

Recommendation: The County should implement a uniform process across all departments to communicate eligible expenditures submitted for Federal reimbursement that were previously funded by another source. The County’s departments should monitor that Federal grant funds received are properly recorded against expenditures submitted for reimbursement.

Corrective Action: **Office of the Prosecuting Attorney (OPA)**

OPA will communicate and confirm project and account verification between the Grant Coordinator and the Administrative Support Staff that is responsible for completing travel requests. This measure will ensure that travel is charged to the appropriate accounts and projects.

The OPA’s Grant Coordinator and Administrative Officer will meet monthly to communicate and confirm project start and end dates for the grant budgeted staff to ensure that the appropriate payroll documents are submitted in a timely manner. This measure will reduce and/or eliminate grant budgeted employee’s salaries from being charged to a project that has ended.

Department of Parks and Recreation

Moving forward the Parks Dept. will work closely with the County’s Budget Team and review the Grant Overview Report to ensure this does not happen for future projects.

Kauai Emergency Management Agency

Current/new fiscal staff (Accountant III) consulted with prior/former staff to be briefed on the items, along with prior efforts to reconcile. Current staff formulated a path forward, briefed KEMA leadership, then engaged Public Works fiscal. Moving forward, KEMA will ensure that we maintain proper grant documentation, monitor the Grant Overview Report and work closely with other departments. Also, KEMA will seek to provide FEMA Public Assistance training for new staff and also offer this countywide.

**County of Kaua‘i, Hawai‘i
CORRECTIVE ACTION PLAN (Continued)
Fiscal Year Ended June 30, 2022**

Ref.
No. Internal Control Findings (Continued)

2022-002 Accounting for Grant Reimbursements - Material Weakness

Department of Public Works

Moving forward we will work closely with Department of Finance to ensure this does not happen in future projects. We will continue to follow the newly adopted procedures established by Finance to ensure these grants get recorded timely and record the federal obligation when we receive the Notice of Obligation letter from FEMA via HIEMA, although the obligation letter does not guarantee that FEMA will fund the project.

End Date: Continuous monitoring.

Responding Persons: Jamie Olivas, Grant Coordinator
Phone (808) 241-1756

Patrick Porter, Director of Parks and Recreation
Phone (808) 241-4455

Elton Ushio, Emergency Management Administrator
Phone (808) 241-1800

Troy Tanigawa, County Engineer
Phone (808) 241-4993

County of Kaua‘i, Hawai‘i
CORRECTIVE ACTION PLAN (Continued)
Fiscal Year Ended June 30, 2022

Ref.

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

2022-003 Completeness of Transient Accommodation Tax Revenues - Significant Deficiency

Auditor’s

Recommendation: The County should implement a procedure to complete a reconciliation of transient accommodation tax for collections received subsequent to the County’s fiscal year end.

Corrective

Action: The Kauai Transient Accommodations Tax payment platform has improved making it easier to research amounts paid relating to prior periods. Rather than run a report soon after the June deadline which is on July 20th, we will wait until 60 days after fiscal year end to accumulate all payments received for the prior fiscal year. We have revised our annual closing procedures to reflect this change.

End Date: Continuous monitoring.

Responding Person:

Reiko Matsuyama, Director of Finance
Phone: (808) 241-4200

PART V
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**County of Kaua‘i, Hawai‘i
STATUS REPORT
Fiscal Year Ended June 30, 2022**

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, 2021, dated January 28, 2022.

SECTION II - FINANCIAL STATEMENT FINDINGS

Recommendations	Status
2021-001 CIP Prior Period Adjustment - Material Weakness (Page 22) Management should ensure that a process is established in which fiscal personnel review expenditures incurred to determine if they are related to construction in progress to mark and record as capital assets.	Accomplished.
2021-002 SRF Loans Prior Period Adjustment - Material Weakness (Page 23) Management should ensure that an effective process is established in which County personnel communicate to identify and record all advances on County projects that will be financed by state revolving fund loans.	Accomplished.
2021-003 Conduit Debt Receivable Prior Period Adjustment - Material Weakness (Page 24) Management should ensure that a process is established to identify all County discretionary accounts related to conduit bonds at each issuance.	Accomplished.