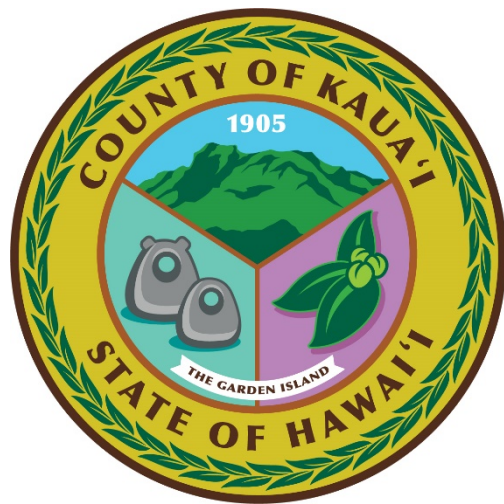


MANAGEMENT ADVISORY REPORT

County of Kauaʻi, Hawaiʻi



For the Fiscal Year Ended
June 30, 2022

COUNTY OF KAUA'I

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

In planning and performing our audit of the basic financial statements of the County of Kaua'i, State of Hawai'i (the County) as of and for the fiscal year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestion regarding this matter. A separate letter dated January 31, 2023 contains our communication of significant deficiencies or material weaknesses in the County's internal control. This letter does not affect our report dated January 31, 2023, on the basic financial statements of the County.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of management, County Council, and others within the County, and is not intended to be, and should not be, used by anyone other than these specified parties.

N&K CPAs, INC.

Honolulu, Hawai'i
March 23, 2023

County of Kauaʻi, Hawaiʻi
CURRENT FINDING AND RECOMMENDATION
Fiscal Year Ended June 30, 2022

2022-001 Compile Compensated Absences Records Accurately

Criteria: The County of Kauai's departments prepare a 'Departmental Summary Sheet' to compute its accrued compensated absence liability balance and reports the liability to the Department of Finance to record as a liability on the Statement of Net Position. The liability is based on the balance of earned hours per individual leave records multiplied by each employee's hourly salary rate.

Condition: During our audit, we noted four (4) instances where an employee's total vacation or sick leave hours recorded on individual leave records did not agree to the 'Department Summary Sheet'.

Cause: Each department in the County uses a manual process to maintain the 'Departmental Summary Sheet' to report the compensated absence liability to the Department of Finance.

Effect: The lack of adequate internal controls over compensated absences records could result in an over or understatement of liabilities of the County.

Recommendation

The County's departments should validate the amounts of vacation and sick leave balances being reported against individual leave records to ensure accuracy and completeness before reporting the balance to the Department of Finance.

Views of Responsible Officials and Planned Corrective Action

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

CORRECTIVE ACTION PLAN

DEPARTMENT OF FINANCE

REIKO MATSUYAMA, DIRECTOR

MICHELLE L. LIZAMA, DEPUTY DIRECTOR



DEREK S.K. KAWAKAMI, MAYOR

MICHAEL A. DAHLIG, 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 is the County of Kaua'i's responses and corrective action plan related to your fiscal year 2022 *Management Advisory Report's* Current Finding and Recommendation. We appreciate the opportunity to comment on the report.

Sincerely,

Reiko Matsuyama
Director of Finance

County of Kaua'i, Hawai'i
CORRECTIVE ACTION PLAN (Continued)
Fiscal Year Ended June 30, 2021

2022-001 Compile Compensated Absences Records Accurately

Auditor's

Recommendation: The County's departments should validate the amounts of vacation and sick leave balances being reported against individual leave records to ensure accuracy and completeness before reporting the balance to the Department of Finance.

Corrective Action: Prior to January 2023, the departments did manual tracking using spreadsheets, which were compared against paper leave request submissions.

Beginning in January 2023, the County of Kaua'i implemented its new payroll and time tracking human resources management system, Workday. This new system automatically tracks absence leave requests imputed directly by the employee and approved by the manager. As such, the risk of human error in reconciling the leave of absence hours with the Department Summary Sheet is greatly minimized and thus the balance reported to the Department of Finance should be accurate.

End Date: Continuous monitoring.

**Responding
Person:**

Annette L. Anderson, Director of Human Resources
Phone (808) 241-1967

STATUS OF PRIOR YEAR'S RECOMMENDATIONS

County of Kauaʻi, Hawaiʻi
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 management advisory report for the fiscal year ended June 30, 2021, dated March 10, 2022.

Recommendations	Status
2021-001 TIMELY GRANT REIMBURSEMENTS (page 4) Grant management personnel in County departments should implement a consistent process to drawdown grant receivables. Drawdowns should be made timely as expenditures are incurred.	Accomplished.
2021-002 IMPROVE CONTROLS OVER PROJECT ACCOUNTING (page 5) The County should implement a process to require all departments to communicate funding awards to the Department of Finance to set up project codes when the County is eligible to receive funding and resources are available for the project. The County's departments should monitor that all projects are properly set up in the County's system and that projects are properly accounted for.	Accomplished.