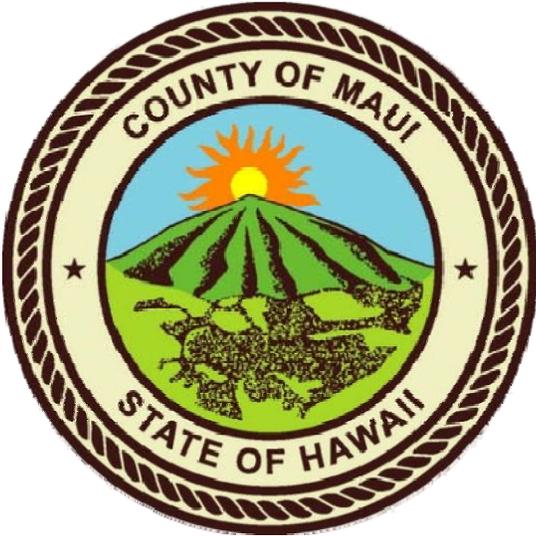


**MANAGEMENT ADVISORY
REPORT**

County of Maui, Hawai'i



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

COUNTY OF MAUI

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To the Council Chair,
and Members of the Council
County of Maui
Wailuku, Hawai'i

In planning and performing our audit of the financial statements of the County of Maui, State of Hawai'i (the County) as of and for the fiscal year ended June 30, 2018, 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 our auditing 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.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this report summarizes our findings and recommendations regarding these matters. We previously communicated to you about the County's internal control in our report dated December 21, 2018. This letter does not affect our report dated December 21, 2018, on the financial statements of the County.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

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
December 21, 2018

County of Maui, Hawai'i
CURRENT FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2018

2018-001 Improve Monitoring over Departments to Ensure Compliance with the County's Cash Overage and Shortage Policy and Procedures

Criteria: Under the County of Maui's Cash Overage and Shortage Policy and Procedures, cash overages and shortages should be promptly communicated to management, investigated to determine the cause and properly recorded in the accounting records.

Condition: The Department of Finance - Division of Motor Vehicles (Division) utilizes iNovah as their cashiering system. Cash receipt reports generated from iNovah must be used to reconcile against actual cash collections to ensure accuracy and completeness of the County's accounting records, and proper safeguarding of the County's assets. During our current year audit, we noted the following:

- Two (2) instances where an overage was identified by an employee, but not timely communicated to the appropriate personnel to reconcile and post into the County's accounting records.

Cause: Due to high turnover within the Division, an employee that was in-training for both instances inadvertently did not notify their supervisor of the overage. Therefore, a reconciliation to verify the overage was not performed and the additional revenue was not posted in the County's accounting records.

Effect: Lack of communication to employees over the County of Maui's Cash Overage and Shortage Policy and Procedures resulted in untimely reconciliation of the County's records and improper cash handling practices.

Recommendation

Adequate training should be provided to employees at all levels in the cash handling process to ensure that the cash overage and shortage policy and procedures are being followed and consistently applied.

Views of Responsible Officials and Planned Correction Action

The County agrees with the finding and the recommendation. See Corrective Action Plan on page 6.

CORRECTIVE ACTION PLAN

County of Maui, Hawai'i
Management Advisory Report
Current Findings and Recommendations - Corrective Action Plan
Fiscal Year Ended June 30, 2018

2018-001 Improve Monitoring over Departments to Ensure Compliance with the County's Cash Coverage and Shortage Policy and Procedures

Recommendation

Adequate training should be provided to employees at all levels in the cash handling process to ensure that the cash coverage and shortage policy and procedures are being followed and consistently applied.

View of Responsible Officials and Planned Corrective Action

The Division of Motor Vehicle & Licensing's (DMVL) Fiscal Section experienced a high turnover in FY 2018, primarily due to promotions of the incumbents to other divisions within the Department of Finance.

Currently, the overall DMVL Training programs and protocols are adequately provided to employees at all levels. However, given these audit findings, the Fiscal Training Deposit Processing Checklists and Procedures is now augmented with additional emphasis in the preparation and processing of the manual Treasury Deposit Summary (TDS) to post revenues timely into the County's IFAS system.

The Division of Treasury is currently in discussion with System Innovators about the automation of the interface between iNovah Cashiering System and IFAS to eliminate the need of manual TDS.

End Date: Ongoing

Responding Person(s): Carmelito Vila, DMVL Administrator
Department of Finance
Phone No. (808) 270-7362

May-Anne A. Alibin, Treasurer
Department of Finance
Phone No. (808) 270-7697

STATUS OF PRIOR YEAR'S RECOMMENDATIONS

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

This section contains the current status of our prior audit recommendations. The recommendations are referenced to the pages of the management advisory report for the fiscal year ended June 30, 2017, dated December 13, 2017.

<u>Recommendations</u>	<u>Status</u>
2017-001 IMPROVE MONITORING OVER WORKER'S COMPENSATION CLAIMS (page 4) When using a third-party vendor to support County functions, the County's Risk Management Department should assign an individual with appropriate oversight to manage the relationship. This includes maintaining frequent contact with key vendor personnel, following up on unusual items, resolving issues in a timely manner, and reporting any issues to the County.	Accomplished.