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MEMORANDUM

To: Lisa Miura, Administrator

cc: Diane Nakagawa, Finance Director
William V. Brilhante Jr., Managing Director

From: Tyler J. Benner, County Auditor *TJB*

Subject: Surprise Cash Count West Hawai'i Civic Center (May 13, 2025)

Date: May 30, 2025

Aloha Mrs. Miura,

As part of our annual audit plan,¹ we conducted a surprise cash count at the Real Property Tax West Hawai'i Office on May 13, 2025.

The purpose of our review was to assess whether internal controls over cash handling and receipts are appropriately designed to prevent, detect, or deter fraud. Overall, internal controls appear to be operating effectively.

We sincerely appreciate your team's cooperation and the unrestricted access to records. Although these observations are not part of a formal audit, we are sharing them proactively to support process improvements and help reduce the need for a future audit.

Mahalo for your continued commitment to strengthening the County's cash-handling procedures. If you notice any inaccuracies, misstatements, or omissions in this message, please feel free to contact me at (808) 961-8386.

¹ Office of the County Auditor Annual Audit Plan FY 2024-25. (COM 931.000 (2022-2024))
<https://records.hawaiiicounty.gov/Weblink/0/doc/1080112/Page1.aspx>. Date accessed 5/27/2025.

What is a surprise cash count?

A surprise cash count is an unannounced inspection of cash on hand, typically conducted to verify that the amount of physical cash matches the recorded amounts in the accounting records. It is used as a control measure to:

- Deter theft or fraud by keeping staff aware that their cash handling may be checked at any time
- Ensure proper cash handling procedures are being followed
- Identify discrepancies early so they can be investigated and corrected



What is the purpose of a surprise cash count?



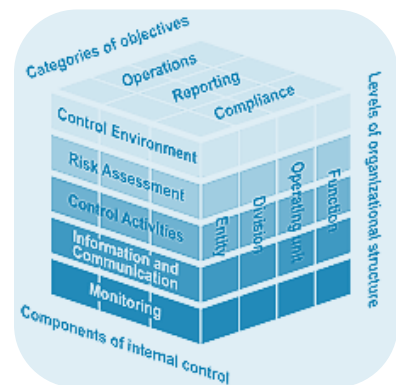
The purpose of a surprise cash count is to uphold and reinforce principles of transparency, accountability, and fiscal responsibility.

This activity is conducted quarterly at random locations and supports the County's commitment to responsible financial management by ensuring public funds are handled carefully and in line with established rules. Through this work, the Office of the County Auditor (OCA) aims to strengthen community trust in the County's financial operations.

What is internal control?

The policies, procedures, and systems used to safeguard assets (e.g., prevent theft or misuse), ensure accurate and reliable reporting, promote compliance with laws, rules, and internal policies, and support efficient and effective operations.

The Government Accountability Office Green Book provides a framework for designing, implementing, and operating effective internal control. It is built on 5 components and 17 principles that support accountability, transparency, and the achievement of organizational goals.



1. **Control Environment.** Sets the foundation with leadership ethics and clearly assigns responsibilities.
2. **Risk Assessment.** Identifies and analyzes risks to achieving objectives.
3. **Control Activities.** Policies and procedures that help mitigate risks.
4. **Information and Communication.** Ensures that quality information flows both internally and externally to support informed decision-making.
5. **Monitoring.** Involves regular evaluations to verify controls are functioning and to address deficiencies.

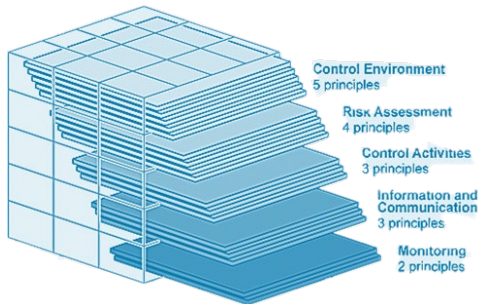
What OCA did.

On May 13, 2025, the OCA conducted a surprise cash count of the Real Property Tax (RPT) Division at the West Hawai'i Civic Center, located at 75-5044 Ane Keahokalole Highway, Kailua-Kona, HI



OCA procedures included:

- Site visit and verification of supporting documentation
- Reviewed *Cash Handling Procedures Handling of Cash and Check Payments*
- Assessed compliance with Finance Memorandum 24-04, dated June 12, 2024, requiring cash deposits and treasury receipts within two working days
- Interviewed staff to assess their understanding of and compliance with applicable County policies and procedures



What OCA found.

RPT demonstrates strong cash handling and reconciliation practices, including:

- Daily transaction reconciliation with independent verification, ensuring accuracy and accountability
- Use of a secure drop-off lockbox outside the office for convenient fund deposits
- Regular bank deposits via courier to manage cash securely and efficiently
- Assigning cash tills to specific individuals daily supports organized cash management

Observations and opportunities for improvement.

- We observed that only the supervisor has access to the key box and safe, which increases the employee's risk exposure. To reduce this risk, consider implementing dual control so that access and accountability is shared.
- We observed an immaterial cash over/short between two registers, which may indicate errors in handling or recording transactions. To reduce this risk and maintain accuracy, regularly monitor and promptly address any cash discrepancies.
- We observed manual receipt booklets were left unsecured, which increases the risk of loss or misuse. To reduce this risk, safeguard manual receipts booklets when not in use.

We commend RPT for its internal controls over cash handling. Although these observations are not part of an audit, we offer them proactively to support process improvements and help reduce the need for future audits.