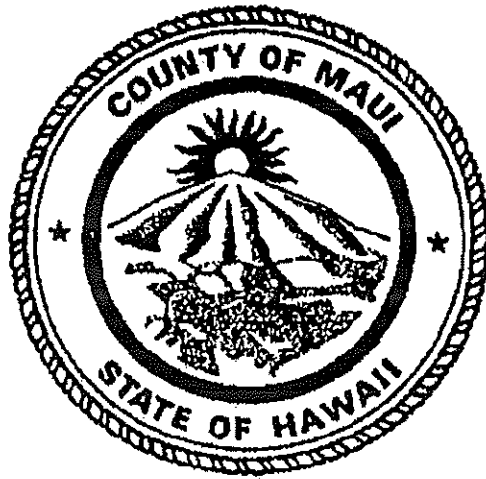


**COUNTY OF MAUI  
STATE OF HAWAII**



**Single Audit Reports  
Fiscal Year Ended June 30, 2009**

**COUNTY OF MAUI  
STATE OF HAWAII**

**Single Audit Reports**

**Fiscal Year Ended June 30, 2009**

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## **Section I**

### **INTRODUCTION**



## KOBAYASHI, KANETOKU, DOI, LUM & YASUDA CPAs LLC

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March 29, 2010

Honorable Danny A. Mateo, Chair  
and Members of the Council  
County of Maui  
Wailuku, Maui

We have completed the audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Maui, State of Hawaii (the County), as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements. We have also audited the County's compliance with requirements applicable to its major federal financial assistance programs. We submit herein our reports pertaining to our audit of the County's basic financial statements and federal financial assistance programs.

The audit objective and scope of our audit were as follows.

### AUDIT OBJECTIVES

1. To provide opinions on the fair presentation of the County's basic financial statements and the schedule of expenditures of federal awards as of and for the year ended June 30, 2009, in accordance with accounting principles generally accepted in the United States of America. Our independent auditors' report, which expressed unqualified opinions on the County's basic financial statements, is included in the County's Comprehensive Annual Financial Report and issued under separate cover.
2. To consider the County's internal control over financing reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements.
3. To perform tests of the County's compliance with certain provisions, laws, regulations, contracts, and grants that could have a direct and material effect on the determination of financial statement amounts.
4. To consider the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance.
5. To provide an opinion on the County's compliance with applicable laws, regulations, contracts and grants that could have a direct and material effect on each major program.



Honorable Danny A. Mateo, Chair  
and Members of the Council  
March 29, 2010  
Page 2

### SCOPE OF AUDIT

We performed an audit of the County's basic financial statements and schedule of expenditures of federal awards as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, as adopted by the American Institute of Certified Public Accountants, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

### ORGANIZATION OF REPORT

Our report is organized into three sections as follows:

1. Section I, entitled "Introduction," describes the objectives and scope of our financial audit and the organization and contents of this report.
2. Section II, entitled "Compliance and Internal Control over Financial Reporting," contains our report on the County's internal control over financial reporting and on compliance and other matters based upon our audit of the County's basic financial statements.
3. Section III, entitled "Compliance and Internal Control over Federal Awards," contains our report on the County's compliance and internal control over federal awards in accordance with OMB Circular A-133, a schedule of expenditures of federal awards, and a schedule of findings and questioned costs.

We would like to take this opportunity to express our appreciation to the personnel of the County of Maui for the cooperation and assistance extended to us during our audit. We will be pleased to discuss any questions that you or your associates may have regarding our findings and recommendations.

Sincerely,

*Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC*

**Section II**

**COMPLIANCE AND INTERNAL CONTROL  
OVER FINANCIAL REPORTING**



**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***

Honorable Danny A. Mateo, Chair  
and Members of the Council  
County of Maui  
Wailuku, Maui

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Maui, State of Hawaii (the County), as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 29, 2010. We conducted our audit in accordance with the 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Appendix 1 to the accompanying schedule of findings and questioned costs as Findings 09-01 through 09-07 to be significant deficiencies in internal control over financial reporting



Honorable Danny A. Mateo, Chair  
and Members of the Council  
March 29, 2010  
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of 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 determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such as opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management and are described in Appendix 3 to the accompanying schedule of findings and questioned costs as Findings ML09-01 and ML09-02.

The County's responses to the findings identified in our audit are described in Appendix 1 and 3 to the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Administration, the County Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kobayashi, Kanetoku, Doi, Lum, & Yasuda CPAs LLC*

Honolulu, Hawaii  
March 29, 2010



**Section III**

**COMPLIANCE AND INTERNAL CONTROL  
OVER FEDERAL AWARDS**



**Report on Compliance with Requirements Applicable To  
Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Honorable Danny A. Mateo, Chair  
and Members of the Council  
County of Maui  
Wailuku, Maui

**Compliance**

We have audited the compliance of the County of Maui, State of Hawaii (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.



Honorable Danny A. Mateo, Chair  
and Members of the Council  
March 29, 2010  
Page 2

### **Internal Control over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in Appendix 2 to the accompanying schedule of findings and questioned costs as Findings SA09-01 through SA09-03 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in Appendix 2 to the accompanying schedule of findings and questioned costs to be material weaknesses.



Honorable Danny A. Mateo, Chair  
and Members of the Council  
March 29, 2010  
Page 3

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 29, 2010. Our audit was performed for the purpose of forming opinions on the County's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The County's responses to the findings identified in our audit are described in Appendix 2 to the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Administration, the County Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kobayashi, Kanetoku, Doi, Lum, & Yasuda CPAs LLC*

Honolulu, Hawaii  
March 29, 2010

**COUNTY OF MAUI, STATE OF HAWAII  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor/Passthrough Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
RSVP 2008 06SRPHI003#3	94.002		\$ 45,485
RSVP 2009 09SRPHI001	94.002		30,044
			<u>75,529</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Food and Nutrition Service			
Pass through State:			
FOOD STAMP FRAUD PROGRAM	10.551	COOPERATIVE	7,142
USDA RURAL 1ST RESPONDER LANAI	10.766		41,809
USDA RURAL 1ST RESPONDER MOLOKAI	10.766		132,567
SUMMER PALS FOOD SVC DOE 2008	10.559		30,798
VOLUNTEER FIRE ASSTNCE DLNR05	10.664	04-DG-11052012-094	2,690
VOLUNTEER FIRE ASSTNCE DLNR06	10.664	05-DG-11052012-135	14,409
VOLUNTEER FIRE ASSTNCE DLNR07	10.664	06-DG-11052012-173	39,301
VOLUNTEER FIRE ASSTNCE DLNR08	10.664	07-DG-11052012-1097/0	50,000
USDA NRCS LAH WATERSHED#92515702	10.904		448
LAHAINA WATERSHED USDA NRCS	66.419		280
			<u>319,444</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
National Oceanic and Atmospheric Administration:			
Pass through State:			
COASTAL ZONE MGT FY08	11.419	B-08-014	4,591
COASTAL ZONE MGT FY09	11.419		228,352
			<u>232,943</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Pass through State:			
D.A.R.E (DOE) FY07 MOA0413	84.186	CO-40107#2	5,209
D.A.R.E (DOE) FY08 MOA0413/3	84.186	CO-40107#3	21,686
D.A.R.E (DOE) FY09 MOA04-13/4	84.186	CO-40107#4	6,386
			<u>33,281</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Administration on Aging:			
Pass through State:			
TITLE V LOCAL DELINQUENCY PREVNTN 08	16.548	DHS-07-OYS-4135	19,164
TITLE V DELINQUENCY PREVNTN 08	16.548	DHS-07-OYS-4135	30,529
AGING TITLE III DHHS FY07	93.044	MA-2006-1(N)	(38,846)
AGING TITLE III DHHS FY08	93.044	MA-2008(N)	84,904
AGING TITLE III DHHS FY09	93.044	MA-2009 (N)	395,661
START LIVING HEALTHY - AGING 08	93.068	MAU-EBI-08 (N)	16,602
START LIVING HEALTHY FY09	93.068	MA-EBI-CDSMP-09N	8,360
HI MENTAL HEALTH TRANSFORMATION	93.243	DOH#UA-14	3,099
			<u>519,473</u>

See accompanying notes to the schedule of expenditures of federal awards

COUNTY OF MAUI, STATE OF HAWAII  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/Passthrough Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Community Development Block Grant/Small Cities:			
CURB RAMPS AT VARIOUS LOCATIONS	14.219		\$ 13,364
CURB RAMPS AT VARIOUS LOCATIONS	14.219	B-03-DH-15-003	12,058
MALAMA NA MAKUA A KEIKI	14.219	B-03-DH-15-003	24,162
BGCM BUILDING DESIGN	14.219	B-03-DH-15-003	23,990
CONSTRUCTION-BEST HOUSE IN WAILUKU	14.219	B-03-DH-15-003	131,839
KAHULUI RESIDENTIAL DINING ROOM	14.219	B-03-DH-15-003	300,850
MALAMA FAMILY RECOVERY CENTER	14.219	B-03-DH-15-003	18,267
CURB RAMPS AT VARIOUS LOCATIONS	14.219		1,531
HANA NUTRITION CENTER PY05	14.219	B-04-DH-15-003	37,990
CURB RAMPS AT VARIOUS LOCATIONS	14.219	B-05-DH-15-003	63,597
THE MAUI FARM IMPROVEMENTS	14.219	B-05-DH-15-003	7,792
MPD HANA EMERGENCY RESPONSE	14.219	B-05-DH-15-003	482
MPD MOLOKAI EMERGENCY RESPONSE	14.219	B-05-DH-15-003	612
MAUI FOOD BANK LAN & BUILDING ACQS	14.219	B-05-DH-15-003	23,711
KAHULUI RESIDENTIAL DINING ROOM	14.219	PRJ#04-6PY05	33,342
MEO HANA TRANSPORTATION EQUIPMENT	14.219	PRJ#07-07	1,099
KAHULUI TOWN TERRACE RENTAL	14.219	Reprogrammed	9,543
LANAI YOUTH CENTER	14.219	B-06-DH-15-003	121,949
MEO MOLOKAI FACILITY IMPROVEMENT	14.219	B-06-DH-15-003	29,012
KAHULUI RESIDENTIAL DINING ROOM	14.219	PRJ#04-6PY06	132,782
KAHULUI TOWN TERRACE RENTAL	14.219	07-4 Reprogramming	137,708
CURB RAMPS AT VARIOUS LOCATIONS	14.219	B-07-DH-15-0003	271,350
HANA EMERGENCY RESPONSE	14.219	B-07-DH-15-0003	9,222
KAHULUI TOWN TERRACE RENTAL	14.219	B-07-DH-15-0003	250,000
LANAI FIRE TANKER	14.219	B-07-DH-15-0003	8,326
MEO HANA TRANSPORTATION EQUIPMENT	14.219	B-07-DH-15-0003	77,000
MOLOKAI EMERGENCY RESPONSE	14.219	B-07-DH-15-0003	9,222
MEO LANAI TRANSPORTATION EQUIPMENT	14.219	B-07-DH-15-0003	77,000
MEO MICROENTERPRISE	14.219	Reprogrammed	24,887
KAHULUI RESIDENTIAL DINING ROOM	14.219	PRJ#04-6 PY07	32,159
LANAI FIRE TANKER	14.219	B-06-DH-15-003	6,550
KAHULUI TOWN TERRACE RENTAL	14.219	07-4 Reprogramming	32,428
MEO HANA TRANSPORTATION EQUIPMENT	14.219	PRJ07-7 Reprogram	8,234
MEO HANA TRANSPORTATION EQUIPMENT	14.219	PRJ 07-8 Reprogram	9,333
CDBG PROGRAM ADMIN FY08	14.219	B-06-DH-15-003	5,323
HANA FIRE TANKER	14.219		5,994
EMERGENCY GENERATOR-KEANAE WATER	14.219		19,794
LANAI COMMUNITY HEALTH CENTER	14.219		33,828
KA HALE A KE OLA CENTER	14.219		282,975
CDBG PROGRAM ADMIN FY09	14.219		364,080
Office of Community Planning and Development			
IAO THEATER RESTORATION-ED102	14.246	B-02-SP-HI-0170	3,024
EDI SP PRJ #B-03-SP-HI-0186	14.246	B-02-SP-HI-0186	167,653

See accompanying notes to the schedule of expenditures of federal awards

COUNTY OF MAUI, STATE OF HAWAII  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/Passthrough Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)</b>			
Office of Public and Indian Housing			
SEC 8 VOUCHER HGS PRG ADM FY04	14.871		\$ 3,768
SEC 8 HOUSING VOUCHER FY 06	14.871		1,227
SEC 8 HOUSING VOUCHER FY 07	14.871		(940)
SEC 8 HOUSING VOUCHER FY 08	14.871		(1,230)
SEC 8 HOUSING VCHR ADMIN FY 08	14.871		6,006
SEC 8 HOUSING VOUCHER FY 09	14.871		15,747,919
SEC 8 HOUSING VCHR ADMIN FY 09	14.871		1,290,646
Pass through State:			
Title II Home Program:			
HOME FY02 H MAHAOLU EHIKU 1B	14.239		605,975
HOME FFY04 ADMINISTRATION	14.239		52,141
HOME FFY04 H MAHAOLU EHIKU 1B	14.239	FFY04 REPROG	783,195
HOME FFY05 ADMINISTRATION	14.239		85,000
HOME FFY06 ADMINISTRATION	14.239	FFY06	58,344
HOME FFY08 H MAHAOLU EHIKU 1B	14.239	HOME FFY08	750,000
			<u>22,206,113</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
VOLUNTEER FIRE ASST PRG 2002	10.999		448
VOLUNTEER FIRE ASST PRG 2003	10.664	02-DG-11052012-179	1,476
VOLUNTEER FIRE ASST PRG 2004	10.664	03-DG-11052012-106	131
FEMA FIRE TRAINING FUNDS	83.503	REIMBURSEMENT	2,700
Passed through State:			
FIRE/LEPC (DOH) HMEP	93.999	AGREEMENT	19,242
FEMA PUBLIC ASSISTANCE 1640DRHI	97.036	FEMA-1640DR-HI	7,460
			<u>31,457</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Pass through State:			
FY 2004 STATE HOMELAND SECURITY	97.004	2004GET40042	18,803
FEMA MAALAEA FIRE SEPT 2006	97.036	FEMA-2673-FM-HI	138,420
KIHOLO BAY EARTHQUAKE 10/15/06	97.036	FEMA-1664-DR-HI	1,846,774
LOWALU FIRE FEMA-2701-HI-FM	97.036	FEMA-2701-HI-FM	244,603
STORMS 12/4-7/07 FEMA#1743DRHI	97.036	FEMA-1743-DR-HI	274,409
FY05 STATE HOMELAND SECURITY	97.067	2005-GE-T5-0034	1,025,343
FY06 STATE HOMELAND SECURITY	97.067	2006-GE-T5-0033	449,890

See accompanying notes to the schedule of expenditures of federal awards

**COUNTY OF MAUI, STATE OF HAWAII  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
FISCAL YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor/Passthrough Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY (continued)</b>			
Pass through State:			
FY06 CITIZEN CORPS PROGRAM	97.067	2006-GE-T5-033	\$ 36,330
FY06 LAW ENFORCEMENT TRSM PRVN	97.067	2006-GE-T6-033	345,208
FY07 STATE HOMELAND SECURITY	97.067	2008-GE-T8-0022	53,118
			<u>4,432,898</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Pass through State:			
WORKFORCE INVEST ACT PY08-ADMIN	17.000	WIA BULLTN#04-08	1,614
REED ACT FUNDS DOL FY07	17.225	HB2947 ACT190	511,708
WORKFORCE INVESTMENT ACT PY06	17.255	PY2006	28,681
WORKFORCE INVESTMENT ACT PY07	17.255	PY2007	337,726
WORKFORCE INVESTMENT ACT PY08-ADULT	17.258	WIA BULLTN#04-08	96,501
WORKFORCE INVESTMENT ACT PY08-YOUTH	17.259	WIA BULLTN#04-08	2,606
WORKFORCE INVESTMENT ACT PY08-DSLCTD WRK	17.260	WIA BULLTN#04-08	97,155
ARRA09 WORKFORCE INVEST ACT - ADULT	17.258	ORD3630 WIA BULL	560
ARRA09 WORKFORCE INVEST ACT - YOUTH	17.259	ORD3630 WIA BULL	560
ARRA09 WORKFORCE INVEST ACT - DSLCTD WKR	17.260	ORD3630 WIA BULL	559
			<u>1,077,670</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Drug Enforcement Agency (DEA):			
HI ANTI-TRAFFICKING TF 05VTT04	16.320	05-VT-04	11,560
HI INTERAGENCY MOBILE POLICE03	N/A	13PHIP503	858
HI INTERAGENCY MOBILE POLICE07	N/A	I4PHIP503Z	211
HIDTA I6PHIP503Z HI IMPACT 08	N/A	I6PHIP503Z	29,246
HIDTA 2007 I7PHIP503Z FY09	N/A	I7PHIP503Z	78,253
HI INTENSITY DRUG TRAFFICKING 08	N/A	I8PHIP503Z	51,118
HI INTENSITY DRUG TRAFFICKING 09	N/A	G09HI0003A	22,115
DOMESTIC CANNABIS DEA 2007-66	16.000	LOA2007-66	32,067
DOMESTIC CANNABIS DEA 2008-65	16.000	LOA2008-65	169,433
FED. JUSTICE POLICE FORFEITURES	16.000	1998/2000	82,741
Pass through State:			
JUV/ACT/BG DHS07-OYS-4108 FY07	16.523	DHS07-OYS-4108	27,863
ELECTRONIC EXPLOITATION 04DB27	16.523	04-DB-27	22,933
Passed Through State:			
SPEC NEEDS ADVOCACY PRG 04-VA01	16.579	04-VA-01	656
E BYRNE MEMORIAL 2005DJBX 1466	16.579	2005-DJ-BX-1466	41,556
SW MARIJUANA ERADICATION TASK FORCE	16.579	04-DB-16	(1,295)
POLICE AGAINST STREET SALES06	16.579	05-DJ-05	641
SPEC NEEDS ADVOCACY PRG 05-VA01	16.579	05-VA-01EXT TOP	16,998
SW NARCOTICS TASK FORCE 04DB24	16.579	04-DB-24	(279)

See accompanying notes to the schedule of expenditures of federal awards



COUNTY OF MAUI, STATE OF HAWAII  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/Passthrough Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
<b>U.S. DEPARTMENT OF JUSTICE (continued)</b>			
Passed Through State:			
SPEC NEEDS ADVOCACY PRG 06VA01	16.579	06-VA-01	\$ 175,954
E BYRNE MEMORIAL 2007DJBX0874	16.579	2007-DJ-BX-0874	45,273
JAG SEXUAL ASSAULT TRAINING GRANT	16.579	05-DJ-14	34,811
SW MARIJUANA ERADICATION TASK FORCE	16.579	07-DJ-04	53,740
POLICE AGAINST STREET SALES08	16.579	06-DJ-03	12,004
SW NARCOTICS TASK FORCE 05DJ16	16.579	05-DJ-16	13,106
SPEC NEEDS ADVOCACY PROG 07VA01	16.579	07-VA-01	27,114
SW MARIJUANA ERADICATION TASK FORCE	16.579	04-B-28	80,468
SW NARCOTICS TASK FORCE 98-DB-6	16.579	98-DB-6	516
SW NARCOTICS TF 05DJ19	16.579	05-DJ-19	18,904
DOMESTIC VIOLENCE VAWA STOP 04	16.588		12,227
DOMESTIC VIOLENCE VAWA STOP 05	16.588		(2,388)
DOMESTIC VIOLENCE VAWA 06WF05	16.588	06-WF-05	28,600
VAWA SEXUAL ASSAULT TRNG GRNT	16.588	06-WF-07	19,911
BETTE INVESTIGATION THRU TRNG VAWA 08	16.588	04-WF-16	22,621
DOMESTIC VIOLENCE VAWA 07WF05	16.588	07-WF-05	36,466
TRAINING/TRAINER PRJ 07WF11	16.588	07-WF-11	4,874
Office of Community Oriented Policing Services			
Passed Through State:			
HAWAII COMM FOUNDATION GRNT	16.710	CKWX037	351,735
POLICE PROBLEM/SOLVING PARTNERS	16.710		(1,091)
HAWAII COMM FOUNDATION GRNT09	16.710	CKWX040	45,009
SW NARCOTICS TF 06-DJ-16	16.738	06-DJ-16	4,206
FED. TRY POLICE FORFEITURES	16.999		234
PROS ATTY ASSET FORFEITURE FY09	16.000		18,758
			<u>1,589,727</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Federal Highway Administration			
Passes Through State:			
BRIDGE INSPECTION BR-NBIS(20)	20.205		19,356
BRIDGE INSPECTION BR-NBIS(35)	20.205		105,505
BRIDGE INSPECTION/APRSL BR-NBIS(21)	20.205		7,890
MARKET ST IMPR-MOKUHAO	20.205	3405(1)	4,475,857
CURB RAMPS AT VARIOUS LOCATIONS	20.205	STP#090069	75,253
PAIHI BRIDGE REPLACEMENT	20.205	BR0900(61)	2,006,518
LONO AVE TRAFFIC SIGNAL UPGRADE	20.205	STP3950(5)	6,363
KIHEI SO ROAD STP	20.205	3100(7)	12,997

See accompanying notes to the schedule of expenditures of federal awards

COUNTY OF MAUI, STATE OF HAWAII  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/Passthrough Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION (continued)</b>			
Passed Through State:			
FTA RURAL TRANSIT ASST PRG07	20.509	HI-18-X025	\$ 1,059
FED TRNS ADM#5311 #HI-18-X026	20.509	HI-18-X026	489,886
FTA RURL TRNSIT ASSTN HI18X26	20.509	HI-18-X026	7,439
FED TRNS ADM#5311 FY08	20.509		526,853
National Highway Traffic Safety Administration			
Passed Through State:			
MPD TRAFFIC DATA #07-03	20.600	TR07-3(04-M-01)	(60)
MPD CHILD PASSENGER SAFETY PRG07	20.600	OP07-05(03-M-01)	1,208
MPD TRAFFIC DATA #08-03	20.600	TR08-03(06-M-01)	41,851
MPD ROADBLOCK PRG AL080201-M03	20.600	AL08-02 (01-M-03)	62,891
MPD SPEED	20.600	SC08(01-M-03)	46,846
MPD CHILD RESTRAINT PRG DOT08	20.600	OP08-05(03-M-01)	30,520
MPD SEATBELT PRG08	20.600	OP08-05(01-M-03)	87,848
MPD TRAFFIC SVCS RECONSTRUCTION09	20.600	PT08-01(03-M-1)	8,659
MPD TRAFFIC DATA	20.600	TR-09-03(04-M-01)	2,474
MPD ROADBLOCK 09 AL090201-M03	20.600	AL09-02(01-M-03)	87,524
MPD SPEED ENF PRG SC090601-M03	20.600	SC09-06-(01-M-03)	66,229
MPD CHILD RESTRAINT PRG FY09	20.600	OP09-05(03-M-01)	16,007
MPD SEATBELT PRG09 OP090501-M03	20.600	OP09-05-(01-M-03)	77,602
MPD TRAFFIC SVCS RECONSTRUCTION	20.600	PT09-01(03-M-01)	36,689
			<u>8,301,264</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
CLG HISTORIC PRESERVATION FY08	15.904	HPO713	<u>23,894</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed Through State:			
LAHAINA WWPS #4 MODIFICATION	66.458	C150054-09	95,620
EPA CONSENT DECREE SWR REHAB	66.458	C150052-31	500,000
WWRF ELECTRICAL/SOLIDS UPGRADE	66.458	C150052-32	1,706,053
KIHEI EPA CONSENT DECREE SWR REHAB	66.458	C150052-31	5,000,000
WEST MAUI EPA CONS D SWR REHAB	66.458	C150052-31	1,146,967
LAHAINA WWPS#1 REPLACEMENT	66.458	C150054-06	5,518,288
CW PUMP STATION RENOVATION	66.458	C150052-28	371,255
CMLF GAS COLL&FLARE CONSTRUCTION	66.458	NPS0052-39	777,838
MOLOKAI LANDFILL CELL 3 CONSTRUCTION	66.458	NPS0041-07	2,215,050
WAI/KAH EPA CONSENT DECREE SWR REHAB	66.458		856,510
WAILUKU WWPS FORCE MAIN REPLCM	66.458	C150052-19	3,254,215
WEST MAUI EPA CONS D SWR REHAB	66.458	C150052-31	738,698
FRONT STREET SWR LINE REHAB	66.458	C150054-11	347,454
K'PALI/HYATT FORCE MAIN REPLCM	66.458	C150054-25	451,320
KAMOLE WEIR WTF CLEAR WELL REPLACEMENT	66.468	DW213-0003	629,423
NAPILI WELL "A" SITE IMPROVEMENTS	66.468	DW214-0009	567,151
			<u>24,175,842</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u><b>\$ 63,019,535</b></u>

See accompanying notes to the schedule of expenditures of federal awards

**COUNTY OF MAUI  
STATE OF HAWAII**

**Notes to Schedule of Expenditures of Federal Awards**

**Fiscal Year Ended June 30, 2009**

**1. General**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the County of Maui (the County). The reporting entity of the County is defined in Note 1 to the County's basic financial statements. All federal financial assistance that passed through other government agencies is included in the schedule. A program or award amount may extend over grant periods differing from the County's fiscal year.

**2. Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

**3. Relationship to Basic Financial Statements**

Federal financial assistance revenues are reported in the County's basic financial statements. Actual expenditures related to the major programs have been reconciled to the accounting records underlying the County's basic financial statements.

**4. Relationship to Federal Financial Reports**

The amounts reported in the accompanying schedule of expenditures of federal awards have been reconciled to the amounts reported in the related financial reports of the respective programs. Reconciling items may arise from differences in the basis of accounting.

**5. Outstanding Loan Balances**

The State Revolving Fund Loans are for the construction of necessary water treatment works and for wastewater reclamation projects. The notes original issue amounted to \$103.2 million and an additional \$21.8 million was issued during fiscal year 2009. As of June 30, 2009, the outstanding principal amounted to \$65.2 million that bear interest at 0.50 percent to 6.50 percent. The loans require semi-annual principal and interest payments and loan fees through fiscal year 2029. The County has 21 projects funded with these loans.

**COUNTY OF MAUI  
STATE OF HAWAII**

**Notes to Schedule of Expenditures of Federal Awards**

**Fiscal Year Ended June 30, 2009**

State Revolving Fund Loans outstanding as of June 30, 2009 are as follows:

Year	Description	Loan Number	Original Issue Amount	Final Maturity	Outstanding Balance June 30, 2009
<b>County:</b>					
1992	Lahaina Design	C150054-04	\$ 500,000	2011	\$ 76,938
1994	Wailuku/Kahului	C150052-14	4,825,074	2013	1,437,084
1995	Lahaina Construction	C150054-05	7,381,497	2013	1,949,715
1997	Lahaina Pump Station #3	C150054-07	2,644,416	2016	1,106,678
1997	Kihei Phase IIB	C150077-06	9,018,078	2016	3,801,384
1998	Kihei Reuse Core Distribution	C150077-09	3,231,080	2017	1,626,435
1999	Lahaina Pump Station #17	C150054-17	600,000	2018	314,578
2001	Kuhua Camp	C150054-14	1,745,481	2020	1,100,533
2002	Lahaina Solids	C150054-20	1,344,000	2021	895,834
2003	Wailuku/Kahului Phase II	C150052-16	11,951,083	2022	8,960,291
2004	Lahaina Pump Station 5 & 6	C150054-12	3,300,000	2026	2,927,976
2004	Kahului Pump Station Mod	C150052-30	2,623,957	2026	2,353,202
2006	Lahaina Pump Station	C150054-09	1,700,000	2027	1,514,868
2008	Wailuku Pump Station	C150052-19	9,931,786	2028	7,279,482
2009	Wailuku-Kahului Wastewater	C150052-32	2,000,000	2028	2,000,000
2009	Lahaina Wastewater Pump	C150054-06	7,050,000	2028	3,731,097
2009	Central Maui Landfill Gas Collection	NPS0052-39	3,662,324	2028	3,415,448
2009	Islandwide EPA Consent Decree	C150052-31	7,679,840	2028	6,763,624
2009	Molokai Integrated Solid Waste	NPS0041-07	3,300,000	2028	989,765
			84,488,616		52,244,932
<b>Department of Water Supply:</b>					
2000	Kamole Water Treatment Plant	DW213-0001	7,840,087	2019	4,542,197
2008	Kamole WTF Clear Well Replacement	DW213-0003	10,907,123	2027	8,375,832
			18,747,210		12,918,029
<b>Total State Revolving Loans</b>			\$ 103,235,826		\$ 65,162,961

**COUNTY OF MAUI  
STATE OF HAWAII**

**Schedule of Findings and Questioned Costs**

**Fiscal Year Ended June 30, 2009**

**(1) Summary of Auditors' Results**

*Financial Statements*

- (a) The independent auditors' report expressed unqualified opinions for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Maui, State of Hawaii (the County), which collectively comprise the County's basic financial statements.
- (b) Internal control over financial reporting:
  - No material weaknesses were noted.
  - Significant deficiencies in the internal control over financial reporting were noted and are reported as Findings 09-01 through 09-07 (Refer to Appendix 1).
- (c) No instances of noncompliance material to the basic financial statements were noted.

*Federal Awards*

- (a) Internal control over major programs:
  - No material weaknesses were noted.
  - Significant deficiencies in the internal control over major programs were noted and are reported as Findings SA09-01 through SA09-03 (Refer to Appendix 2).
- (b) The auditors' report on compliance expressed an unqualified opinion on all major programs.
- (c) Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported as Findings SA09-01 through SA09-03 (Refer to Appendix 2).
- (d) The County's major programs were:
  - U.S. Department of Housing and Urban Development – Office of Public and Indian Housing – Section 8 Housing Voucher Program (CFDA No. 14.871)
  - U.S. Department of Homeland Security and Federal Emergency Management Agency - FEMA Public Assistance (CFDA No. 97.036)
  - Environmental Protection Agency - Revolving Loans for Waste Water & Drinking Water (CFDA No. 66.458)
- (e) A threshold of \$1,890,586 was used to distinguish between Type A and Type B programs.
- (f) The County did not qualify as a low-risk auditee.

**COUNTY OF MAUI  
STATE OF HAWAII**

**Schedule of Findings and Questioned Costs**

**Fiscal Year Ended June 30, 2009**

**(2) Findings Relating to the Audit of the County's Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards**

Refer to Appendix 1

**(3) Findings Relating to Federal Awards**

Refer to Appendix 2

**COUNTY OF MAUI  
STATE OF HAWAII**

**Significant Deficiencies**

**June 30, 2009**

**Finding 09-01 – Timely Reconciliation of Payroll Bank Account**

*Condition*

During our audit, we noted that the payroll bank account was not reconciled on a timely basis. All of the County's payroll checks are disbursed from this payroll bank account. For example, we noted that the bank reconciliation for June 30, 2009 was not completed until mid-November 2009.

*Criteria*

Bank reconciliations for all bank accounts should be prepared on a monthly basis to ensure cash transactions are properly accounted for in the general ledger. In addition, errors or unusual items can be identified and investigated in a timely manner.

*Cause*

It appears that information necessary to complete the reconciliation is not prepared on a timely basis.

*Effect*

The lack of timely preparation of bank account reconciliations could lead to misstatements in the County's bank accounts and financial statements. Upon completion of the June 30, 2009 bank reconciliation in mid-November 2009, we noted that certain adjustments were made to the general ledger to reconcile to the payroll bank account balance.

*Recommendation*

We recommend that all bank account reconciliations be completed and reviewed monthly on a timely basis.

*Views of Responsible Officials and Planned Corrective Action*

Management concurs with the auditor's observation and recommendation. The County of Maui will take corrective action so that the payroll bank account is reconciled on a timely basis every month.

**COUNTY OF MAUI  
STATE OF HAWAII****Significant Deficiencies****June 30, 2009****Finding 09-02 - Effectiveness of Designated Accounting Personnel at the Department Level***Condition*

During our audit, we again noted input errors made to the County's general ledger system by the designated accounting personnel at the department level. Review procedures are in place at the Department of Finance in both the Accounts Division and Payroll Division to identify and correct these accounting input errors generated by the designated accounting personnel at the department level.

*Criteria*

At the department level, an employee is designated to perform general accounting functions, the Department Accounting Officer (DAO); and another department employee is designated to perform payroll accounting functions, the Department Personnel Officer (DPO). These designated accounting personnel at the department level answer to the respective department's management. The responsibility of the department DAO and DPO is to facilitate the accounting function between the respective department and the Department of Finance.

*Cause*

The designated department accounting personnel have no responsibility to answer to the Department of Finance management. Therefore, there appears to be a lack of oversight to ensure entries made into the County's general ledger accounting system at the department level are complete and accurate.

*Effect*

Excessive time is spent by Department of Finance personnel to review and make corrections to entries made into the County's general ledger at the department level. During the course of our audit procedures, we found errors that were properly corrected by Department of Finance personnel. We did not find any material errors recorded at the department level that were not subsequently corrected by Department of Finance personnel.

*Recommendation*

We again recommend that some level of management responsibility over the department DAO and DPO be delegated to the management of the Department of Finance. This would enhance the control environment and accountability over the entries made to the County's general ledger system.



**COUNTY OF MAUI  
STATE OF HAWAII****Significant Deficiencies****June 30, 2009***Views of Responsible Officials and Planned Corrective Action*

We concur with the auditor's comments and recognize that erroneous entries are inadvertently made to the County's general ledger system by non-Finance departmental personnel. Furthermore, under the existing organizational structure, these personnel are not accountable to the Finance Department. To expedite correction, the Finance Department detects and corrects these errors to the extent operationally practical with its limited resources.

While management will need to continue to explore more stringent policies and procedures that hold departmental appointing authorities, DAO's and DPO's accountable for critical responsibilities and requirements to the Department of Finance, it is the Accounts Division's intention to increase communication with other department personnel so they can better understand the importance and impact of the entries that are made.

**Finding 09-03 – Completeness of Employee Timesheet Submissions***Condition*

During our audit, we again noted deficiencies in the completion of employee timesheets submitted for processing by the Department of Finance Payroll Division. These deficiencies included lack of proper timesheet authorization (i.e., signatures of the employee and/or supervisor) and incomplete hours reported.

*Criteria*

The County follows an undocumented methodology of "exception based" criteria for authorizing an employee's payment during a pay period. This means that an employee will be paid for the standard hours in a pay period at their authorized rate unless an exception is reflected on the submitted timesheet, or an exception is submitted by the department. Accordingly, it is imperative that timesheets be complete and accurate and submitted on a timely basis.

*Cause*

The department personnel officers (DPO) do not ensure the proper completion of timesheets by their respective department employees.

**COUNTY OF MAUI  
STATE OF HAWAII**

**Significant Deficiencies**

**June 30, 2009**

*Effect*

Incomplete and untimely submission of timesheets could lead to overpayments to County employees, especially considering the County's "exception based" criteria for authorizing an employee's payment during a pay period.

*Recommendation*

We again recommend that management responsibility by the Department of Finance be reinforced over the department DPO's to ensure thorough and timely submitted timesheets, and formally document the exception based methodology for authorizing payment to employees.

*Views of Responsible Officials and Planned Corrective Action*

While management concurs with the auditor's comments, we are currently in the process of outsourcing our payroll function to ADP, which will also include (as part of the second phase of implementation) employees submitting their timesheets electronically and having them approved electronically. We believe this procedure will satisfactorily address this finding.

**Finding 09-04 – Investment in and Valuation of Auction Rate Securities**

*Condition*

During our audit, we noted that that the County did not record its investment in auction rate securities at fair value as of June 30, 2009, which overstated its investment balance at year end. We also noted that the County was unable to affirm that its investment in auction rate securities was in accordance with the County's investment policy. At June 30, 2009, the fair value of the County's investment in auction rate securities collateralized by student loans amounted to \$35.6 million.

*Criteria*

Accounting principles generally accepted in the United State of America require that investments be recorded at fair value for financial statement reporting purposes. In addition, investments made by the County must be in accordance with the County's investment policy.

**COUNTY OF MAUI  
STATE OF HAWAII**

**Significant Deficiencies**

**June 30, 2009**

*Cause*

The Department of Finance did not have procedures to ensure that investments were recorded at fair value for financial statement reporting purposes. In addition, the County believed that, based upon certain representations made by its investment manager and the auction process functioning during the acquisition period, the purchases of the auction rate securities were made in accordance with the County's investment policy.

*Effect*

The lack of procedures over the valuation of investments could lead to a misstatement of the County's financial statements. An adjusting journal entry amounting to \$8.6 million was recorded during our audit to write-down the carrying value of the County's investment in auction rate securities to its fair value. The lack of adequate procedures over the purchase of investments could lead to instances of noncompliance with the County's investment policy.

*Recommendation*

We recommend that procedures be strengthened to ensure all of the County's investments are recorded at fair value for financial statement reporting purposes. In addition, the County should ensure that future investment purchases are made in accordance with the County's investment policy.

*Views of Responsible Officials and Planned Corrective Action*

Management concurs with the auditor's recommendation that all of the County's investments be recorded at fair market value for financial statement reporting purposes and that the County's investment purchases be made in accordance with the County's investment policy.

Investment of County funds is facilitated through contracted investment brokerages whose responsibilities include selecting and offering investments that comply with, and are appropriate for, the County's investment policy, Maui County Code and Hawaii Revised Statutes. The County does have procedures to record investments at fair market value. The County relied on June 30, 2009 brokerage statements that reflected investments at market value. Management believed and relied on professional representations that at the time of the purchase of Auction Rate Securities (ARS), they were made in accordance with the County's investment policy, the Maui County Code, and Hawaii Revised Statutes. The County has initiated a lawsuit in US District Court against its ARS broker and also filed a claim with the Financial Industry Regulatory Authority to resolve these issues.

**COUNTY OF MAUI  
STATE OF HAWAII**

**Significant Deficiencies**

**June 30, 2009**

**Finding 09-05 – Timely Reconciliation of Federal and State Grant Programs**

*Condition*

During our audit, we noted that receivable and advances from the federal and state government were not reconciled on a timely basis. The reconciliation for the fiscal year ended June 30, 2009 was not completed until February 2010.

*Criteria*

Accrual balances presented in the Grant Fund balance sheet should reflect the amount of unreimbursed grant expenditures (grant receivable) or the amount of grant funds received in advance (grant deferred revenue). Reconciliations of these accrual balances should be performed on a monthly basis.

*Cause*

This condition is attributable to the lack of coordination between the various departmental personnel and Department of Finance personnel responsible for accounting for federal and state grants.

*Effect*

The lack of timely reconciliations performed on the Grant Fund accrual balances could lead to misstatements in the County's financial statements. Upon completion of the June 30, 2009 reconciliation, we noted that certain adjustments were made to the general ledger to reconcile receivable and advances from the federal and state government.

*Recommendation*

We recommend that reconciliations be performed on a monthly basis on the Grant Fund accrual balances by grant program.

*Views of Responsible Officials and Planned Corrective Action*

Management concurs with this finding. It is management's intention that Federal and State grant programs be reconciled at least on a quarterly basis. Those programs with greater activity will be reconciled on a more frequent, if not monthly, basis.

**COUNTY OF MAUI  
STATE OF HAWAII**

**Significant Deficiencies**

**June 30, 2009**

**Finding 09-06 – Timely Recording Capital Assets and Construction in Progress**

*Condition*

During our audit, we noted that the County's capital assets and construction in progress (CIP) records are updated only once per year for inclusion in the County's year-end financial statements. We noted that the updates for fiscal year 2009 were not completed until March 2010.

*Criteria*

Accounting principles generally accepted in the United States of America require that capital assets and construction in progress be recorded in the County's periodic financial statements to properly account for these assets. CIP should be transferred to their respective capital asset category when the capital asset is placed in service. Related depreciation expense should also be recorded from the date that those capital assets are placed in service.

*Cause*

This condition is attributable to the lack of coordination between the various departmental personnel and Department of Finance personnel responsible for accounting for capital assets and construction in progress.

*Effect*

The lack of accurate updated capital asset and construction in progress records could lead to misstatements in the County's financial statements. An adjusting journal entry was recorded in March 2010 to transfer approximately \$65 million of capital assets placed in service during fiscal year 2009. The related depreciation expense of approximately \$5 million was not recorded in the County's current year's financial statements.

*Recommendation*

We recommend that changes in capital assets and construction in progress be updated at least quarterly in conjunction with the preparation of the County's financial statements.

*Views of Responsible Officials and Planned Corrective Action*

Management concurs with this finding and plans to address this issue by (1) developing a more user-friendly form for personnel to complete when a project has been placed into service, (2) developing procedures in Finance that will trigger an inquiry whether a project has been completed, and (3) working more closely with other departments to explain the importance of placing assets into service including how to complete the necessary paperwork.

**COUNTY OF MAUI  
STATE OF HAWAII**

**Significant Deficiencies**

**June 30, 2009**

**Finding 09-07 - Recording Contract Liabilities in Proper Period**

*Condition*

During our audit, we noted that that the County financial statements did not include all of its liabilities as of June 30, 2009, which understated accounts payable, capital assets and expenditures at year end. The majority of these unrecorded liabilities related to construction and engineering contracts.

*Criteria*

Accounting principles generally accepted in the United States of America require that expenditures or capital assets be recorded as the liability is incurred. Procedures should exist to ensure accruals for liabilities are properly recorded for financial statement reporting purposes.

*Cause*

It appears control procedures are not in place at the Department of Finance to ensure that a proper cut off of year end contractual liabilities is performed.

*Effect*

The lack of control procedures over year end accruals could lead to a misstatement of the County's financial statements. An adjusting journal entry was recorded during our audit to increase accounts payable by approximately \$11 million.

*Recommendation*

We recommend that control procedures be strengthened to ensure all of the County's liabilities are properly recorded at year-end for financial statement reporting purposes.

*Views of Responsible Officials and Planned Corrective Action*

Management concurs with this finding and will put into place procedures that will ensure that contract and other liabilities are reflected prior to the fiscal year-end close.

**COUNTY OF MAUI  
STATE OF HAWAII****Single Audit Findings****Finding SA09-01 - Centralized Position to Monitor Federal Program Compliance***Condition*

The County expended over \$61 million under numerous federal financial assistance programs during the fiscal year ended June 30, 2009. We again noted that the responsibilities of a federal program compliance officer do not appear to be assigned to any current position within the County government.

*Criteria*

The Office of Management and Budget (OMB) Circular A-133 suggests that a centralized position be established for any local government receiving federal financial assistance to oversee that government's compliance with federal program requirements.

*Cause*

It appears that the responsibility of overseeing the County's compliance with federal program requirements is being delegated to the departmental level.

*Effect:*

Failure to effectively monitor the County's compliance requirements could lead to instances of non-compliance with applicable federal program requirements and questioned costs.

*Recommendation*

We again recommend that the responsibility for overseeing the County's compliance with federal award program requirements be assigned to a centralized position. That centralized position would coordinate with the departmental program managers to ensure that the County is complying with federal program requirements.

*Views of Responsible Officials and Planned Corrective Action*

Since centralizing this function will require additional position(s) along with incremental costs to the County, this recommendation has not been implemented. We will consider this option in the future when the economic issues facing the County are less challenging. The County will continue to ensure that all operational departments review and administer the awards on an ongoing basis.

**COUNTY OF MAUI  
STATE OF HAWAII**

**Single Audit Findings**

**Finding SA-09-02 - Training for Departmental Personnel**

*Condition*

During our audit, we again noted that those individuals responsible for managing the department's federal financial assistance programs could improve their knowledge of applicable compliance requirements.

*Criteria*

All County personnel with responsibility for managing federal financial assistance programs should be familiar with the respective program's compliance requirements as outlined under the program's respective catalogue of federal domestic assistance number included in the OMB Compliance Supplement.

*Cause*

Personnel turnover at the departmental level, new federal financial assistance programs, and constantly changing compliance requirements make it difficult to keep up with applicable compliance requirements.

*Effect*

Familiarity with a respective program's compliance requirements at the departmental level will enhance compliance with applicable program requirements.

*Recommendation*

We again recommend that the County consider conducting training sessions to update departmental personnel on compliance requirements, and internal controls over compliance, associated with federal grant awards in accordance with OMB Circular A-133.

*Views of Responsible Officials and Planned Corrective Action*

Management concurs with this finding. During fiscal year 2010, the County of Maui arranged for the training of many department personnel by the awarding Federal agencies. During fiscal year 2010, there was extensive training relating to the American Recovery and Reinvestment Act (ARRA). We will continue to proactively train those individuals responsible for managing their respective department's Federal financial assistance programs.



**COUNTY OF MAUI  
STATE OF HAWAII**

**Single Audit Findings**

**Finding SA-09-03 - Incorrect CFDA #'s on Schedule of Expenditures of Federal Awards**

*Condition*

During our audit, we again noted that the initial schedule of expenditures of federal awards provided by the County Department of Finance contained incorrect catalog of federal domestic assistance (CFDA) numbers. We noted improvement in this area as compared to the previous year.

*Criteria*

Accurate CFDA numbers on the schedule of expenditures of federal awards ensure that there is a proper reference to the OMB Compliance Supplement, which outlines the compliance criteria for all federal programs.

*Cause*

This situation is attributable to incorrect information provided by the department receiving the grant award.

*Effect*

The inclusion of incorrect CFDA numbers on the schedule of expenditures of federal awards could lead to noncompliance with federal program requirements and questioned costs.

*Recommendation*

We again recommend that accurate CFDA numbers be included on the schedule of expenditures of federal awards prepared by the Department of Finance.

*Views of Responsible Officials and Planned Corrective Action*

The County of Maui has taken corrective action and has updated its schedule to include accurate CFDA numbers on the schedule of Federal assistance. Management recognizes that there have been some inadvertent errors on this list and will further strive to have this error-free in the future.

**COUNTY OF MAUI  
STATE OF HAWAII**

**Other Matters**

**June 30, 2009**

**Finding ML09-01 – Information Technology Strategic Plan**

*Condition*

During our audit, we again noted that there is not a well defined process in place to ensure that the County develops an information technology (IT) strategic plan that is aligned with the goals and objectives of the County as a whole.

*Criteria*

A well developed IT strategic plan aligns IT strategic initiatives with the overall organizational objectives and goals.

*Cause*

The MIS Division is in the process of implementing certain initiatives, which will include the creation of a more formal IT strategic plan.

*Effect*

Without this alignment of goals and priorities for projects, effective and efficient IT project management cannot take place

*Recommendation*

We again recommend that the County create an IT Steering Committee or similar strategic planning group of key decision makers and IT stakeholders within the County. The primary function of this group should be:

- Identify, approve, and prioritize IT initiatives.
- Develop an IT strategic plan, ensuring the plan is aligned with the goals and objectives of the County as a whole.
- Periodically review and update the plan for continued relevance and link to strategic initiatives.
- Ensures that progress made within the plan is communicated to the County Council.

**COUNTY OF MAUI  
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**Other Matters**

**June 30, 2009**

*Views of Responsible Officials and Planned Corrective Action*

The MIS Division continues the process of implementing best practices as defined in the ITIL (Information Technology Infrastructure Library) and ITSM (IT Service Management) body of work. This effort is intended to realign the Division as a service oriented organization. Key outcomes will be the creation of a more formal strategic plan documenting the vision behind ongoing strategic initiatives and well-designed policies and procedures for requesting and delivering IT services. These initiatives are aimed at increasing the reliability, redundancy, flexibility and capacity of the County's information technology infrastructure and information systems.

The County of Maui has developed the practice of managing strategic IT initiatives through direct interaction between the Managing Director and the Information Systems Manager. This process ensures that these strategic initiatives are founded in the goals and objectives as formulated by the Mayor's Administration as well as in the respective goals and objectives of the County's Departments. The County Council has opportunity to review the upcoming initiatives of the MIS Division for continued relevance and link to the Administration's strategic initiatives.

**Finding ML09-02: Accurate Amortization Schedule for State Revolving Loans**

*Condition*

During our audit, we noted that the preparation of an accurate amortization schedule for the State Revolving Loan Funds (SRF Loans) administered under the U.S. Environmental Protection Agency took numerous attempts by County personnel, and was not accomplished until February 2010.

*Criteria*

An accurate SRF Loan outstanding balance and interest paid on the SRF Loans as of and for the fiscal year ended June 30, 2009 should be recorded in the County's financial statements and disclosed in the footnotes.

*Cause*

There appeared to be a lack of adequate supporting documentation for the SRF Loans.

**COUNTY OF MAUI  
STATE OF HAWAII**

**Other Matters**

**June 30, 2009**

*Effect*

The lack of accurate preparation of the SRF Loan amortization schedule could lead to a misstatement in the County's financial statements.

*Recommendation*

We recommend that an accurate SRF Loan amortization schedule be prepared in conjunction with the preparation of the County's financial statements.

*Views of Responsible Officials and Planned Corrective Action*

Management concurs with the findings. Accurate and complete SRF loan amortization schedules will be prepared in conjunction with the preparation of the County's financial statements going forward.