

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

October 3, 2003

Committee
Report No.

03-110

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on September 16, 2003, makes reference to County Communication No. 03-160, from the Council Chair, transmitting the Federal Single Audit Report (Report) for the fiscal year ended June 30, 2002, as conducted by independent auditors from Russell Yamane & Associates CPAs, Inc. Your Committee notes that the audit is a Federal requirement, as a condition of the County's receipt of Federal funds.

The Report included the following results: (1) the independent auditors' report on the financial statements expressed an unqualified opinion; (2) two reportable conditions relating to the audit of the basic financial statements are reported in the "Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based upon the Audit Performed in Accordance with *Government Auditing Standards*"; (3) no instances of noncompliance material to the financial statements were disclosed during the audit; (4) one reportable condition relating to the audit of the major Federal award programs is reported in the "Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Award Program"; (5) the auditors' report on compliance for the major Federal award programs for the County expressed an unqualified opinion on all major Federal programs; (6) the audit disclosed findings required to be reported in accordance with Section 510(a) of the Office of Management and Budget (OMB) Circular A-133; (7) two matters were reportable under the Current Year Findings Financial Statement Section; and (8) one matter was reportable under the Current Year Federal Award Findings and Questioned Cost Section.

By correspondence dated September 5, 2003, your Committee Chair requested that the Director of Finance be prepared to provide an overview of the Report and discuss current year findings of reportable conditions along with any corrective action taken by the Department.

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By correspondence dated September 5, 2003, your Committee Chair requested that the Community Development Block Grant (CDBG) Coordinator be available to discuss the Current Year Federal Award Findings (CYFAF) relating to CDBG along with any corrective action taken.

By correspondence dated September 11, 2003, the CDBG Coordinator transmitted a response describing the corrective actions to address the CYFAF.

At its meeting, your Committee met with the Deputy Director of Finance; an Accounting Systems Administrator from the Department of Finance; a Deputy Corporation Counsel; and Russell Yamane and Randall Taniguchi from Russell Yamane & Associates CPAs, Inc.

Mr. Yamane provided a brief overview of the Report. He informed your Committee that the reportable conditions in the Comprehensive Annual Financial Audit Management Letter also appear as Current Year Findings in this Report. He stated that the total expenditures of Federal awards exceeded \$23 million for the fiscal year ended June 30, 2002.

Your Committee raised questions regarding any penalties imposed by the Federal government because of the reportable conditions. The Deputy Director stated that he was not aware of any penalties imposed.

After further discussion, your Committee voted to recommend that the communication be filed.

Your Budget and Finance Committee **RECOMMENDS** that County Communication No. 03-160 be FILED.

Adoption of this report is respectfully requested.

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