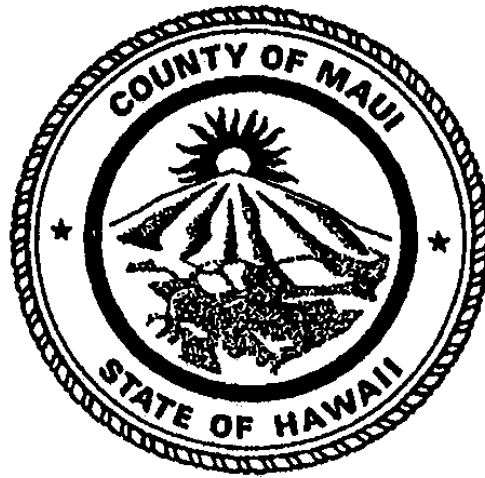


COUNTY OF MAUI
STATE OF HAWAII



SINGLE AUDIT REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

**COUNTY OF MAUI
STATE OF HAWAII**

Single Audit Reports

Fiscal Year Ended June 30, 2011

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Section I
Introduction



KOBAYASHI, KANETOKU, DOI, LUM & YASUDA CPAs LLC

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December 28, 2011

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, 2011, 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, 2011, 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 each of its major federal programs 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 of its major federal programs.

Honorable Danny A. Mateo, Chair
and Members of the Council
December 28, 2011
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, 2011, 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:

Section I, entitled "Introduction," describes the objectives and scope of our financial audit and the organization and contents of this report.

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.

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, Kanitoko, Sai, Sumi, & Yoneda 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 County of Maui, State of Hawaii (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 28, 2011. 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

Management of the County is responsible for establishing and maintaining effective 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiencies described in Appendix 1 to the accompanying schedule of findings and questioned costs as Findings 11-01 through 11-08 to be significant deficiencies in internal control over financial reporting. A

significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's responses to the findings identified in our audit are described in Appendix 1 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 Council, the County Administration, 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.

Kalanyuki, Kautaha, Aoi, Lino & Yoneda CPAs LLC

Honolulu, Hawaii
December 28, 2011

Section III
Compliance and Internal Control
over Federal Awards



**Report on Compliance with Requirements That Could Have a Direct and Material Effect
on 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 County of Maui, State of Hawaii's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in Appendix 2 to the accompanying schedule of findings and questioned costs as Findings SA-11-01 through SA-11-03.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in Appendix 2 to the accompanying schedule of findings and questioned costs as Findings SA-11-01 through SA-11-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, 2011, and have issued our report thereon dated December 28, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. 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. 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.

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

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 the responses.

This report is intended solely for the information and use of the County Council, the County Administration, 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, Kawahara, Aoi, & Sumi Yoneda CPAs LLC

Honolulu, Hawaii
December 28, 2011

**COUNTY OF MAUI, STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (CRCS)			
RSVP 2010 06SRPHI001#2	94.002	09SRPHI00101#2	\$ 50,031
RSVP 2010 06SRPHI001#5	94.002	09SRPHI00101	32,001
RSVP 2002 DVSA 61523	94.002	DVSA-61523-P74-4101	865
RSVP 2004 DVSA74NSSC615234101	94.002	DVSA74NSSC6152341	42
RSVP 2005 03SRPH1002#4	94.002	03SRPHI002	10
RSVP 2006 06SPRH1003	94.002	06SRPHI003	(90)
RSVP 2007 06SPRH1003	94.002	06SRPHI003#2	171
RSVP 2009 09SPRH1001	94.002	09SRPHI00101	26
Total CNRS			<u>83,056</u>
U.S. DEPARTMENT OF AGRICULTURE			
Food and Nutrition Service:			
Pass-through State:			
FOOD STAMP FRAUD PROGRAM STATE	10.551	COOPERATIVE AGREEMENT	3,304
SUMMER PALS FOOD SERVICE DOE 2010	10.559	11107HIIHII3N1099	95,707
Forest Service:			
Pass-through State:			
VOLUNTEER FIRE ASSISTANCE DLNR10	10.664	09-DG-11052012-2557/0	42,469
VOLUNTEER FIRE ASSISTANCE DLNR09	10.664	10-DG-11052012-082	10,386
			<u>52,855</u>
Rural Development:			
PLAYGROUND EQUIPMENT ONE ALII PARK	10.766	6100609960000610	10,904
USDA RURAL 1ST RESPONDER MOLOKAI	10.766	6100609960000610	14,201
UPCOUNTRY YOUTH CENTER HEADSTART USDA	10.766	COOPERATIVE AGREEMENT	3,291
			<u>28,396</u>
USDA RURAL BUSINESS ENTERPRISE GRANT FY10	10.769	61-004-9960000618	239,489
Natural Resources Conservation Service:			
Pass-through State:			
USDA NRCS LAH WATERSHED#92514670	10.904	6992514670	943,949
USDA NRCS LAH WATERSHED#92515702	10.904	6992515702	205,927
			<u>1,149,876</u>
Total U.S. Department of Agriculture			<u>1,569,627</u>
U.S. DEPARTMENT OF COMMERCE			
Economic Development Administration:			
EDA ECONOMIC ADJUSTMENT ASSISTANCE	11.307	07-09-06397	(17,531)
EDA WAILUKU MUNICIPAL PARKING	11.307	07-09-06397	194,755
			<u>177,224</u>
National Oceanic and Atmospheric Administration:			
Pass-through State:			
COASTAL ZONE MANAGEMENT FY2010	11.419	B-10-004-0P	89,870
COASTAL ZONE MANAGEMENT#47363	11.419	47363	72,404
COASTAL ZONE MANAGEMENT FY2011	11.419	B-10-004-0OP	167,351
			<u>329,625</u>
NATIONAL OCEANIC ATMOSPHERIC ADMINISTRATION AWARD	11.467	NA5NA09NWS4670001	23,004

**COUNTY OF MAUI, STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF COMMERCE (continued)			
EPA MAALAEA OFFSHORE STUDY	11.469	NA09N0S4690248	\$ 184,784
Total U.S. Department of Commerce			<u>714,637</u>
U.S. DEPARTMENT OF EDUCATION			
Office of Safe and Drug-Free Schools:			
Pass-through State:			
DRUG ABUSE RESISTANCE EDUCATION (DEPARTMENT OF EDUCATION) GY10 #MOADO413#5	84.186	MOA#04-13(5)	<u>18,459</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Administration on Aging:			
Pass-through State:			
AGING TITLE III DHHS FY2010 MA32010N	93.044	MA.2010.N	263,342
AGING TITLE III DHHS FY11 MA201103	93.044	MA201103	169,723
AGING TITLE III-B 95	93.044	MA2004N	3,216
AGING TIII-B DHHS FY08 MA-2008N	93.044	MA2008N	(19,404)
AGING TIII-B DHHS FY09 MA-2009N	93.044	MA2009N	23,794
			<u>440,671</u>
AGING/DISABILITY RESOURCE CENTER 2010N	93.048	MA-ADRCHD-2010-N	18,569
HAWAII COMMUNITY LIVING 2010.11N	93.048	MA CLP2010.11N	8,218
AGING/DISABILITY RESOURCE CENTER 2010N	93.048	MA-ADRCHD 2010N	633
			<u>27,420</u>
ARRA09 HEALTHY AGING PARTNERSHIP	93.725	MA-ARRA-CDSMP-10N	28,307
Centers for Disease Control and Prevention:			
Pass-through State:			
START LIVING HEALTHY FY09	93.068	MA-EBI-CDSMP-09-N	10,164
Substance Abuse and Mental Health Services Administration:			
Pass-through State:			
HAWAII STRATEGIC PREVENTION FRAMEWORK	93.243	ASO LOG#10-040	105,583
HAWAII STRATEGIC PREVENTION FRAMEWORK PII	93.243	ASO LOG#10-191	80,964
HAWAII STRATEGIC FRAMEWORK PG11	93.243	ASO#10-191	503,354
HAWAII MENTAL HEALTH TRANSFORMATION	93.243	DOH#UA-14	260
			<u>690,161</u>
Centers for Medicare and Medicaid Services:			
Pass-through State:			
HOSPITAL DISCHARGE PLANNING GRANT	93.779	MA-ADRCHD-2010N	2,131
Total U.S. Department of Health and Human Services			<u>1,198,854</u>
EXECUTIVE OFFICE OF THE PRESIDENT			
HIGH INTENSITY DRUG TRAFFIC AREAS 2010 G10HI0003A	95.001	G10HI0003A	47,227
HIGH INTENSITY DRUG TRAFFIC AREAS 2011 G10HI0003A	95.001	G11HI0003A	4,269
Total Executive Office of the President			<u>51,496</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant/Small Cities:			
HALE MAKUA FAC IMPR-KAH ELVTR	14.219	B-09-DH-15-0003	67,634
MOLOKAI RESCUE BOAT	14.219	B-09-DH-15-0003	93,700
HANA CONTINUING EDUCATION VOCATIONAL TRAINING	14.219	B-09-DH-15-0003	16,667

**COUNTY OF MAUI, STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)			
KHAO FIRE SAFETY UPGRADE PROJECT	14.219	B-09-DG-15-0003	\$ 90,000
NHOW FIRE SAFETY UPGRADE PROJECT	14.219	B-09-DH-15-0003	48,386
J WALTER CAMERON CENTER REHABILITATION PROJECT	14.219	B-09-DH-15-0003	284,300
KA HALE A LE OLA FIRE SAFETY	14.219	B-09-DH-15-0003	20,000
HANA POLICE MESSAGE BOARD/SPEED SIGN	14.219	PRO#10-3	941
CDBG PROGRAM ADMINISTRATION FY2010	14.219	B-09-DH-15-0003	12,989
HALE MAKUA WAILUKU SECURITY SYSTEM	14.219	B-10-DH-15-0003	501
HALE MAKUA KAHULUI SECURITY SYSTEM	14.219	B-10-DH-15-0003	501
HANA POLICE MESSAGE BOARD/SPEED SIGN	14.219	B-10-DH-15-0003	22,595
LANAI LANDFILL D6 BULLDOZER	14.219	B-10-DH-15-0003	418,747
SOLAR PHOTOVOLTAIC INSTALLATION	14.219	B-10-DH-15-0003	370,125
CDBG PROGRAM ADMIN FY2011	14.219	B-09-DH-15-0003	288,071
ADA WHEELCHAIR RAMP FY2003	14.219	B-02-DH-15-0003	(32,126)
ADA ACCESSIBILITY IMPROVEMENTS PY04	14.219	B-04-DH-15-0003	23,500
ADA ACCESSIBILITY IMPROVEMENTS	14.219	03-3 REPROGRAMMING	11,903
CAMERON CENTER REHABILITATION-REPROGRAM	14.219	B-06BDH-15-0003	26,404
ADA ACCESSIBILITY IMPROVEMENTS	14.219	03-3 REPRGHALE LKM	97,830
ADA ACCESSIBILITY IMPROVEMENTS	14.219	B-07-DH-15-0003	14,379
MALAMA FAMILY RECOVERY CENTER	14.219	B-07-DH-15-0003	21,867
HANA NUTRITION CENTER CONSTRUCTION	14.219	B-08-DH-15-0003	14,790
LANAI COMMUNITY HEALTH CENTER FACILITY	14.219	B-08-DH-15-0003	5,961
CAMERON CENTER REHABILITATION-REPRGRMD	14.219	09-4PY08	47,596
			<u>1,967,261</u>
Office of Community Planning and Development:			
Pass-through State:			
Title II Home Program:			
HOME FFY09 KAHAWAI APT	14.239	HOME FFY09	11,510
HOME FFY 10 HM EHIKU PHASE II	14.239	HOME FFY10 CMTMNT	400,000
HOME FFY04 AMERICAN DEAM DOWNPAYMENT INITIATIVE PROGRAM	14.239	HOMEFFY06	21,400
HOME FFYE04 COMMUNITY HOUSING DEVELOPMENT ORGANIZATION LOKAHI PACIFIC KENOLIO	14.239	HOME FFY04	110,097
HOME FFY07 ADMINISTRATION	14.239	HOME FFY07	45,816
HOME FFY06 ADMINISTRATION	14.239	FFY06	401
HOME FFY08 ADMINISTRATION	14.239	HOME FFY08	10,145
			<u>599,369</u>
ARRA09 MAUI FOOD BANK REHABILITATION PROJECT	14.255	1PL#111-15	211,246
ARRA09 EASTER SEALS HAWAII FACILITY REHABILITATION	14.255	R08-1PL#111-5	124,342
ARRA09 MAUI FOOD BANK REHABILITATION	14.255	R08-2PL#111-5ORD365	7,155
			<u>342,743</u>
EDI SP PRJ #B-03-SP-HI-0186	14.246	B-03-SP-HI-0186	8,932
Office of Public and Indian Housing:			
SEC 8 HOUSING VOUCHER FY10	14.871	SEC8 FFY09	(2,467)
SEC 8 HOUSING VOUCHER ADMINISTRATION FY 10	14.871	SEC8 FFY09	35,162
SEC 8 HOUSING VOUCHER FY2011	14.871	HI004	16,312,100
SEC 8 HOUSING VOUCHER ADMINISTRATION FY 11	14.871	HI004	1,104,677
SEC 8 HOUSING FAMILY SELF-SUFFICIENT	14.871	SEC8	19,319
			<u>17,468,791</u>
Total U.S. Department of Housing and Urban Development			<u>20,387,096</u>

**COUNTY OF MAUI, STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Pass-through State:			
FIRE/LOCAL EMERGENCY PLANNING COMMITTEE (DEPARTMENT OF HEALTH) HAZARDOUS MATERIAL EMERGENCY PREPAREDNESS	93.999	MOA 02-17-00	\$ 12,287
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-through State:			
INTEROPERABLE EMERGENCY COMMUNITY GRANT	97.001	FY2008IECGP	145
EMERGENCY MANAGEMENT INSTITUTE - TRAINING ASSIST	97.026	REIMBURSEMENTS	8,431
KIHOLO BAY EARTHQUAKE 10/15/06	97.036	FEMA-1664-DR-HII10/15	407,337
EMERGENCY MANAGEMENT TERRORISM PREVENTION GRANT 10	97.042	2008EME80039/2009EPE9003	66,654
WELLMESS/FITNESS FIRE ACT GRANT	97.044	EMW-2003-FG-13050	3,000
FFY09 LAW ENFORCEMENT TERRORISM PREVENTION	97.067	08/09-7/12	3,642
FFY09 CITIZEN CORPS PROGRAM	97.067	08/09-7/12	2,649
FFY09 ST HOMELAND SECURITY	97.067	08/09-7/12	163,754
FFY09 ST HOMELAND SECURITY PROGRAM	97.067	2010-SS-TO-0006	139,050
FY05CITIZEN CORPS PROGRAM	97.067	2005-GE-T6-0034	4,725
FY06 STATE HOMELAND SECURITY	97.067	2006-GE-T6-033	(32,000)
FFY07 STATE HOMELAND SECURITY	97.067	2008-GE-T8-0022	182,733
FFY07CITIZEN CORPS PROGRAM	97.067	FY2007 HSGP	9,029
FFY08 CITIZEN CORPS PROGRAM	97.067	2008-GE-T8-0022	18,172
FFY08 ST HOMELAND SECURITY	97.067	2008-GE-T8-0022	215,536
			<u>707,290</u>
Total U.S. Department of Homeland Security			<u>1,192,857</u>
U.S. DEPARTMENT OF LABOR			
Pass-through State:			
WORKFORCE INVEST ACT PY09-ADMIN	17.000	WIA BULLTN06-09 PY09	20,064
WORKFORCE INVEST ACT PY10-ADMIN	17.000	WIA BULLTN#19-09	35,393
			<u>55,457</u>
ARRA09 WORKFORCE INVEST ACT-ADMIN	17.000	WIA BLTN#409	32,348
			<u>87,805</u>
MOLOKAI YOUTH OPPORTUNITY DLIR	17.249	AZ-10135-00-6	40,157
MOLOKAI YOUTH OPPORTUNITY DOL	17.249	AZ-10135-00-6	(247,961)
MOLOKAI YOUTH OPPORTUNITY -03 DOL	17.249	AZ-10135-00-6#5	182,670
MOLOKAI YOUTH OPPORTUNITY -04DOL	17.249	AZ-10135-00-60 YR4MO	(11,980)
MOLOKAI YOUTH OPPORTUNITY -05DOL	17.249	AZ-10135-00-60 YR4MO	174,853
			<u>137,739</u>
WORKFORCE INVESTMENT ACT WIA	17.255	PL-105-220	39,630
WORKFORCE INVESTMENT ACT WIA PY02	17.255	WIA BULLTN#4-02 PY02	21,231
WORKFORCE INVESTMENT ACT PT03	17.255	WIA#4-03PY03	95,542
WORKFORCE INVESTMENT ACT WIA-PY04	17.255	WIA-04-YP-M	41,159
WORKFORCE INVESTMENT WIA-PY05	17.255	PY2005	33,535
WORKFORCE INVESTMENT WIA-PY06	17.255	WIA-06-DWP-M	31,001
			<u>262,098</u>

**COUNTY OF MAUI, STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR (continued)			
Employment Training Administration:			
Pass-through State:			
REED ACT FUNDS DOL FY07	17.225	HB2947 ACT190(2006)	\$ 1,985
ARRA09 WORKFORCE INVEST DSLTD-WRKR	17.225	WIA BLTN#409	138,762
			<u>140,747</u>
WORKFORCE INVESTMENT ACT PY09-ADULT	17.258	WIA BULLTN06-09 PY09	61,058
WORKFORCE INVESTMENT ACT PY10-ADULT	17.258	WIA BULL#19-09	152,000
			<u>213,058</u>
ARRA09 WORKFORCE INVESTMENT ACT - ADULT	17.258	WIA BLTN#409	36,368
			<u>249,426</u>
WORKFORCE INVESTMENT ACT PY09-YOUTH	17.259	WIA BULLTN06-09 PY09	122,564
WORKFORCE INVESTMENT ACT PY10-YOUTH	17.259	WIA BULL# 19-09	69,924
WORKFORCE INVESTMENT ACT PY08-YOUTH	17.259	WIA BULL# 04-08 PY08Y	18,439
			<u>210,927</u>
ARRA09 WORKFORCE INVESTMENT ACT YOUTH	17.259	WIA BLTN#409	53,901
			<u>264,828</u>
ARRA09 ST ENERGY SCTR TRNG GRT	17.275	WDC-ARRA-2010-13	2,173
WORKFORCE INVST PY09-DSLCTD WRKR	17.278	WIA BULLTN06-09 PY09	106,645
WORKFORCE INVST PY10-DSLCTD WRKR	17.278	WIA BULLTN#19-09	239,000
WORKFORCE INVST PY08-DSLCTD WRKR	17.278	WIA BULLTN#04-08 PY08	6,918
			<u>352,563</u>
Total U.S Department of Labor			<u>1,497,379</u>
U.S. DEPARTMENT OF JUSTICE			
Drug Enforcement Agency (DEA):			
DEA CANNIBAS DEA LOA#201071	16.000	LOA#201071	91,451
DEA CANNIBAS DEA-LOA 2011-74	16.000	2011-74	12,173
DOMESTIC CANNABIS DEA 2005-60	16.000	LOA2006-63	18,040
FED. JUSTICE POLICE FORFEITURES	16.000	1998/2000	188,771
			<u>310,435</u>
Office of Juvenile Justice and Delinquency Prevention:			
Pass-through State:			
JUVENILE ACT BLTY/INCNTVE/BLK/GT	16.523	CA-1131	617
ELECTRONIC EXPLTN/CHLDRN 03DB26	16.523	03DB26	1,924
JUV/ACT/BG DHS07-OYS-4108 FY07	16.523	DHS07OYS4108	22,314
			<u>24,855</u>
TITLE V DELINQUENCY PREVENTION 08	16.548	DHS-07-OYS-4135	5,168
Office of Crime Victim Assistance:			
Pass-through State:			
SPEC NEEDS ADVOCY PRG 08VA01	16.575	08-VA-01	155,879
SPEC NEEDS ADVOCY PRG 07VA01	16.575	07-VA-01	63,520
			<u>219,399</u>
Bureau of Justice Assistance:			
Pass-through State:			
POLICE AGAINST STREET SALES06	16.579	05-DJ-05	4,127
PROSECUTORS TRAINING-DOT HIGHWAY SAFETY	16.579	DOT7/28-30/11	3,059
			<u>7,186</u>

**COUNTY OF MAUI, STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (continued)			
Violence Against Women Office:			
Pass-through State:			
DOMESTIC VIOLENCE VAWA 08WF02	16.588	08-WF-02	\$ 23,288
VAWA/BETTERINVESTG TRNG08WF10	16.588	08-WF-10	8,941
DOMESTIC VIOLENCE VAWA	16.588	FY2009STOP	15,857
DOMESTIC VIOLENCE VCTMLSS 04WF7	16.588	04-WF-7	205
TRAINING/TRAINER PRJ 07WF11	16.588	07-WF-11	4,765
			<u>53,056</u>
ARRA09 DOMESTIC VIOLENCE VAWA11	16.588	09-EF-1211/1/10 TO3/31	<u>35,564</u>
			<u>88,620</u>
Office of Victims of Crime:			
Pass-through State:			
ARRA09 VOCA PRG 2009 09SG01	16.801	09-SG-1	17,874
ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCE		PA-HI-00834/2/10	5,000
Office of Community Oriented Policing Services:			
Pass-through State:			
DGTL FRNSC EVDNCE CHLD EXPLTN	16.710		1,844
Office of Juvenile Justice and Delinquency Prevention:			
Pass-through State:			
ALCOHOL SALES TO MINORS	16.727	MOA#09-126/1/10 TO3/3	4,335
Bureau of Justice Assistance:			
E BYRNE MEMORIAL 2005DJBX1466	16.738	2005-DJ-BX-1466	2,328
E BYRNE MEMORIAL 2007DJBX0874	16.738	2007-DJ-BX-0874	36,696
E BYRNE MEMORIAL 2008DBX0507	16.738	2008-DJ-BX-0507	468
LLE BLOCK GRANT 2010-DJBX0448	16.738	2010-DJ-BX-0448	39,052
NEIGHBORHD CRIME WATCH O8DJS1	16.738	08-DJS-1	1,862
SW MARIJUANA ERADCTN TF09DJ07	16.738	09-DJ-07	51,158
SW MARIJUANA ERADCTN TF 07-DJ-17	16.738	07-DJ-17	9,965
HAWAII NARCOTICS TF 09-DJ-08	16.738	09-DJ-08	7,906
SW NARCOTICS TF 06-DJ-16	16.738	06-DJ-16	9,621
			<u>159,056</u>
Pass-through State:			
ARRA09 E BYRNE MEMORIAL JAG	16.803	09-SU-17	156,311
ARRA09 SW MARIJUANA ERADCTN TF	16.803	09-SU-03	40,189
ARRA09 SW NARCOTICS TASK FRCE	16.803	09-SU-04	53,138
			<u>249,638</u>
ARRA09 E BYRNE MEMORIAL ASSITNCE	16.804	2009-DB-B9-0609 3/1/09	24,583
ARRA09 E BYRNE MEMRL/POLICE	16.804	2009DBB90609	23,989
			<u>48,572</u>
Total U.S. Department of Justice			<u>1,141,982</u>

**COUNTY OF MAUI, STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration:			
Pass-through State:			
BRIDGE INSECTN/APPRA BRNBIS#44	20.205	BR-NBIS(44)	\$ 34,200
FHWA PROJS STATE REVIEWS	20.205		21,194
HANA HIGHWAY STP-036-1	20.205	036-1(9)	1,484
MAHALANI/KAAHUMANU STP3231	20.205	3231	4,000
KIHEI BIKEWAY-PIILANI NORTH	20.205	3115	210,529
CURB RAMPS AT VARIOUS LOCATIONS	20.205	0900(65)	28,999
MARKET ST IMPR-MOKUHAO	20.205	3405(1)	17,763
CURB RAMPS AT VARIOUS LCTNS0900/69	20.205	0900(69)	620
PAIHI BRIDGE REPLACEMENT BR0900-61	20.205	BR0900(61)	11,265
LONO AVE TRAFFIC SIGNAL UPGRADE3950/5	20.205	3950(5)	(19,993)
KIHEI SO P-IIISTP-3100(10)	20.205	3100(10)	302
			<u>310,363</u>
ARRA09 MARKET STREET IMPROVEMENT ARR34052	20.205	ARR3405(2)FED PRJ#340500	1,453,251
ARRA09 OHUKAI ROAD RESURFACE #3190(1)	20.205	ARR3190(1)FED PRJ#319000	299,676
ARRA09 LWR MAIN/KANALOA SLURRY	20.205	ARR -0900 (74)	482,637
			<u>2,235,564</u>
			<u>2,545,927</u>
Federal Transit Administration:			
Pass-through State:			
FED TRNS ADM#5311 FFY2009	20.509	HI-18-X027	555,237
FED TRNS ADM#5311 FFY2010	20.509	HI-18-X028	554,681
RURAL TRANSIT ASSISTNCE PRG04	20.509	ORD#3167	6,959
FTA SEC#5309 BUS & BUS REL ALCTN	20.509	HI-03-0033	(22,470)
FED TRNS ADM 5311#HI-18-X025	20.509	HI-18-X025	22,470
FTA#5309 BUS PRG FFY2005 FY07	20.509	HI-03-0039STP#8.1551	(520)
FED TRANS ADM#5311 FFY2008	20.509	HI-18-X020	5,378
FTA RURAL TRANSIT ASST PRG FFY08	20.509	HI-18-X020	(1,815)
			<u>1,119,920</u>
National Highway Traffic Safety Administration:			
Pass-through State:			
MPD TRAFFIC DATA TR10-03	20.600	TR10-03(06-M-01)	2,356
MPD ROADBLOCK 10AL 10-02(01M3)	20.600	AL10-02(01-M-03)	15,152
MPD SPEED ENFORCEMENT SC10-06(0103)	20.600	SC10-06(01-M-03)	26,783
MPD CHILD RESTRAINT PRG FY10	20.600	OP09-05-(03-M-01)	15,812
MPD TRAFFIC SVCSPT10-01(03MO1)	20.600	PT10-01(03-M-01)	13,350
MPD SEATBELT 10 OP10-05(01M03)	20.600	OP10-05(01-M-03)	19,007
MPD TRAFFIC DATA TR1103(04MO1)	20.600	TR11-03(04M-01)	4,871
MPD ROADBLOCK PRG FY11	20.600	AL11-02(01-M-03)	79,768
MPD SPEED ENFORCEMENT SC10-06(0103)	20.600	SC10-06(01-M-03)	34,506
MPD CHILD RESTRAINT PRG FY11	20.600	OP11-05(03-M-01)	18,155
MPD TRAFFIC SERVICES FY2011	20.600	PT11-01(03-M-01)	11,818
MPD SEATBELT 11OP11-05(01M03)	20.600	PO11-05(01-M-03)	47,707
MPD TRAFFIC DATA TR06-03(04M01)	20.600	TRO6-03(04-M-01)	20,880
MPD ROADBLOCK PRG#AL06-02(01M3)	20.600	AL06-05(01-M-030)	(848)
MPD SPEED ENFORCEMENT#SC06-06	20.600	SC06-06(01-M-03)	(2,875)
MAUI CHILD PASSENGER SAFETY	20.600	OP06-05(03-M-01)	(1,715)
MPD SEATBELT ENF#OP-05(01M03)	20.600	OP06-05(01-M-03)	3,977
MPD TRAFFIC SVCS#PT0601(04M01)	20.600	PT06-01(04-M-01)	(585)
MPD TRAFFIC DATA#07-03(04M01)	20.600	TR07-03(04-M-01)	157
MPD ROADBLOCK PRG#AL070201M03	20.600	AL07-02(01-M-03)	11,737
MPD SPEED ENFORCEMENT SC070601M03	20.600	SC07-07(01-M-03)	7,288
MPD CHILD PASSENGER SAFETY PRG07	20.600	OP07-05(03-M-01)	(9,298)
MPD SEATBELT ENFORCEMENT #OP0705(01M03)	20.600	OP07-05(01-M-03)	26,119
			<u>344,122</u>

**COUNTY OF MAUI, STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (continued)			
Pipeline and Hazardous Materials Safety Administration:			
Pass-through State:			
HAZARDOUS MATRLS(HMEP)GRANT10	20.703	HM HMP-0042-09-01-00	\$ 13,015
HAZARDOUS MATRLS(HMEP)GRANT11	20.703	HM HMP-0164-10-01-00	2,057
			<u>15,072</u>
Total U.S. Department of Transportation			<u>4,025,041</u>
U.S. DEPARTMENT OF ENERGY			
ENERGY EFFNCY/CONSVTN BLOCK GRT	81.128	DE-SC0002951	<u>328,286</u>
U.S. DEPARTMENT OF INTERIOR			
Bureau of Land Management:			
RURAL FIRE ASSISTNCE-DOI FY11	15.228	H8140100027	15,100
RURAL FIRE ASSISTNCE-DOI FY11	15.228	H8140100027	20,000
			<u>35,100</u>
National Park Service:			
Pass-through State:			
CLG HISTORIC PRESERVATION FY08	15.904	HPO713	20,089
CLG HISTORIC PRESERVATION DLNR	15.904		1,336
CLG HISTORIC PRESERVATION DLNR	15.904	HP0501	(3,347)
CLG HISTORIC PRESERVATION 1996/97	15.904	PL89-665	(16)
CLG HISTORIC PRESERVATION 97/8	15.904	PL89-665	(3,093)
			<u>14,969</u>
LAHAINA RECREATN CTR EXP LWCF	15.999	HI-15-00143	<u>238</u>
Total U.S. Department of Interior			<u>50,307</u>
ENVIRONMENTAL PROTECTION AGENCY			
Office of the Chief Financial Officer:			
Pass-through State:			
EPA KAA FORCE MAIN REPLACEMENT PROJECT	66.202	XP-00T-54001-010/1/10-1	136,546
Office of Water:			
Pass-through State:			
LAHAINA WATERSHED ENVIRONMENTAL IMPACT STUDY USDA NRCS	66.419	6592517780	6,109
ARRA09 CLEAN WATER PUMP STATION RENOVATION- CONSTRUCTION	66.458	C150052 28CONSTRUC	1,317,945
ARRA09 WAILUKU-KAHULUI WASTEWATER RECLAMATION FACILITY TSUNAMI PRO	66.458	C150052 36ORD#3705	635,150
			<u>1,953,095</u>
KAMOLE WATER TREATMENT PLANT CLEARWELL REPLACEMENT	66.468	7002013-10	57,579
NAPILI WELL 'A' TANK	66.468	70015	203,619
KAMOLE WATER TREATMENT PLANT IMPROVEMENTS	66.468	70017#08-06	409,926
MAKAWAO WATERLINE IMPROVEMENTS	66.468	70024	23,482
			<u>694,606</u>

COUNTY OF MAUI, STATE OF HAWAII
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
 FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
ENVIRONMENTAL PROTECTION AGENCY (continued)			
ARRA09 WEST OLINDA TANK REPLACEMENT	66.468	70023	\$ 281,922
ARRA09 KIEHI WATERLINE REPLACEMENT	66.468	70024	224,167
ARRA09 WAILUKU - VINEYARD WATERLINE	66.468	70024	8,504
			<u>514,593</u>
			<u>1,209,199</u>
Total Environmental Protection Agency			<u>3,304,949</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 35,576,313</u>

**COUNTY OF MAUI
STATE OF HAWAII**

Notes to Schedule of Expenditures of Federal Awards

Fiscal Year Ended June 30, 2011

1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the County of Maui, State of Hawaii (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, as well as solid waste projects. As of June 30, 2011, the outstanding principal amounted to \$69,169,245 that bear interest at 0.15 percent to 2.60 percent. The loans require semi-annual principal and interest payments and loan fees through fiscal year 2030. The County has 25 projects funded with these loans.

**COUNTY OF MAUI
STATE OF HAWAII**

Notes to Schedule of Expenditures of Federal Awards

Fiscal Year Ended June 30, 2011

State Revolving Fund Loans outstanding as of June 30, 2011 are as follows:

<u>Year</u>	<u>Description</u>	<u>Loan Number</u>	<u>Final Maturity</u>	<u>Outstanding Balance June 30, 2011</u>
1992	Lahaina Design	C150054-04	2011	\$ 9,592
1994	Wailuku/Kahului	C150052-14	2013	883,448
1995	Lahaina Construction	C150054-05	2013	999,092
1997	Lahaina Pump Station #3	C150054-07	2016	810,128
1997	Kihei Phase IIB	C150077-06	2016	2,780,796
1998	Kihei Reuse Core Distribution	C150077-09	2017	1,275,072
1999	Lahaina Pump Station #17	C150054-17	2018	250,776
2001	Kuhua Camp	C150054-14	2020	920,960
2002	Lahaina Solids	C150054-20	2021	764,086
2003	Wailuku/Kahului Phase II	C150052-16	2022	7,813,155
2004	Lahaina Pump Station 5 & 6	C150054-12	2026	2,596,242
2004	Kahului Pump Station Mod	C150052-30	2026	2,086,569
2006	Lahaina Pump Station	C150054-09	2027	1,439,639
2008	Wailuku Pump Station	C150052-19	2028	8,769,881
2009	Wailuku-Kahului Wastewater	C150052-32	2028	1,802,246
2009	Lahaina Wastewater Pump	C150054-06	2028	6,437,261
2009	Central Maui Landfill Gas Collection	NPS0052-39	2028	3,163,734
2009	Islandwide EPA Consent Decree	C150052-31	2028	7,671,362
2009	Molokai Integrated Solid Waste	NPS0041-07	2029	3,052,658
2010	Front Street Sewer Line Rehabilitation	C150054-11	2030	435,574
2010	Hyatt/Kaanapali Force Main Replacements	C150054-25	2030	1,693,606
2010	Countywide Pump Station Renovation	C150052-28	2028	651,774
				<u>56,307,651</u>
Department of Water Supply:				
2000	Kamaole WTF Improvements	DW213-0001	2019	3,738,924
2008	Kamaole WTF Clear Well Replacement	DW213-0003	2027	8,127,852
2010	Napili Well "A" Site Improvements	DW214-0009	2029	994,818
				<u>12,861,594</u>
Total State Revolving Fund Loans				<u><u>\$ 69,169,245</u></u>

**COUNTY OF MAUI
STATE OF HAWAII**

Schedule of Findings and Questioned Costs

Fiscal Year Ended June 30, 2011

(1) Summary of Auditors' Results

Basic 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 11-01 through 11-08. (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 that are not considered to be material weaknesses were noted and are reported as Findings SA-11-01 through SA-11-03. (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 SA-11-01 through SA-11-03. (Refer to Appendix 2).
- (d) The County's major programs were:

U.S. Department of Housing and Urban Development – Community Development Block Grant Program (CFDA No. 14.219)

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 Justice – Edward Byrne Memorial Justice Assistance Grant Program Cluster (CFDA Nos. 16.738, 16.803, and 16.804)

U.S. Department of Transportation – Highway Planning and Construction (CFDA No. 20.205)

U.S. Department of Transportation – Formula Grants for Other than Urbanized Areas – Buses (CFDA No. 20.509)

**COUNTY OF MAUI
STATE OF HAWAII**

Schedule of Findings and Questioned Costs

Fiscal Year Ended June 30, 2011

Environmental Protection Agency - Revolving Loans for Waste Water & Clean Water
(CFDA No. 66.458)

Environmental Protection Agency - Revolving Loans for Waste Water & Drinking Water
(CFDA No. 66.468)

(e) A threshold of \$1,067,289 was used to distinguish between Type A and Type B programs.

(f) The County did not qualify as a low-risk auditee.

(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, 2011****Finding 11-01- Completeness of Employee Timesheet Submissions***Condition*

During our audit, while we recognized significant improvement in the approval and authorization of timesheets along with the implementation of electronic timesheets in progress, we again noted some 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.

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.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2011

Views of Responsible Officials and Planned Corrective Action

Although the County was only 35% converted to employee electronic timesheet input by fiscal year 2011, we anticipate that by the end of fiscal year 2012 we will be at or close to 100% conversion. Electronic timesheet input will ensure complete and accurate hours recorded along with appropriate employee and supervisor approval records.

**COUNTY OF MAUI
STATE OF HAWAII****Significant Deficiencies****June 30, 2011****Finding 11-02 – Preparation of Bank Reconciliations***Condition*

During our audit, we noted that the bank reconciliation for the County's general operating cash account as of June 30, 2011 contained reconciling items for unrecorded deposits of \$605,000 and for unrecorded fund transfers of \$252,000 pertaining to the current and prior months.

With respect to the County's payroll account, we noted that the Department of Finance made substantial efforts to improve the bank reconciliation process, including the disposition of numerous reconciling items from 2003 through 2007. However, we noted that the bank reconciliation for the County's payroll account as of June 30, 2011 contained a number of unreconciled differences dating back to 2008.

Criteria

Bank reconciliations should contain reconciling items between the bank's balance and the balance recorded in the cash general ledger account as of June 30, 2011. Reconciling items relating to prior periods should be identified and disposed of in the current period by an entry to the general ledger account or by resolving the reconciling item with the bank.

Cause

It appears all reconciling items are being properly identified, but no procedure is in place to resolve old reconciling items.

Effect

The net effect of the reconciling items in the general operating cash account was \$353,000 at June 30, 2011.

The net effect of the unreconciled differences contained in the payroll account bank reconciliation as of June 30, 2011 approximated \$54,000. Numerous old and unresolved reconciling items increase the time and effort required to prepare and review monthly bank reconciliations. In addition, allowing old and unresolved reconciling items to exist creates an environment where improprieties may occur.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2011

Recommendation

We recommend that bank reconciliations for the County's cash accounts contain only reconciling items between the bank account balance and the general ledger cash account balance, and that all other reconciling items be disposed of in a timely manner.

Views of Responsible Officials and Planned Correction Action

During the extended absence of key personnel in the Treasury Division certain deposits and fund transfers were not recorded in a timely manner. This has since been addressed.

The research and ultimate disposition of reconciling items from 2003 to 2007 consumed a significant amount of time during the fiscal year. Research and disposition of reconciling items from 2008 to 2010 are currently in progress.

**COUNTY OF MAUI
STATE OF HAWAII****Significant Deficiencies****June 30, 2011****Finding 11-03 – Accuracy of Real Property Tax Revenue Accrual***Condition*

The Department of Finance relies on personnel at the Division of Real Property Tax to compile the year-end real property tax revenue accrual based on the accounting data maintained by the Division's separate accounting sub-system. During our audit, we noted that the Division of Real Property Tax personnel did not compile accurate year-end real property tax accrual information for the year ended June 30, 2011 for submission to the Department of Finance.

An adjusting journal entry was required to correct a \$1.8 million overstatement of real property tax revenue for the year ended June 30, 2011.

Criteria

A year-end real property tax accrual based on the statutory requirements outlined in the County Charter should be prepared by the Division of Real Property Tax for submission to the Department of Finance to properly record real property tax revenues in the County's comprehensive annual financial report.

Cause

There appears to be a lack of full understanding by the Division of Real Property Tax as to the type of information required by the Department of Finance to properly record real property tax revenue.

Effect

The inability of the Division of Real Property Tax personnel to accurately compile the year-end real property tax revenue accrual could result in a material misstatement in the County's comprehensive annual financial report.

Recommendation

We recommend that the Division of Real Property Tax and the Department of Finance increase communications to improve the understanding and the accuracy of the required year-end accrual information in order to ensure that real property tax revenue is properly recorded in the County's comprehensive annual financial report.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2011

Views of Responsible Officials and Planned Corrective Action

Management concurs with this finding. The Department of Finance is working on a proposal to transfer Real Property Tax's collection, accounting and tax relief (CATR) section to the Treasury Division. The responsibility of providing information for real property tax revenue accrual will be transferred to the Treasury Division to ensure accurate and timely information.

COUNTY OF MAUI
STATE OF HAWAII

Significant Deficiencies

June 30, 2011

Finding 11-04 - Review and Authorization of Journal Entries

Condition

During our audit, we noted significant improvement was made in the County's procedures to review and approve journal entries posted to the County's general ledger. However, we again found that certain journal entries were not reviewed and authorized by someone other than the individual posting the journal entries.

Criteria

All journal entries made to the County's general ledger should have an appropriate level of review and authorization to ensure the integrity of the County's general ledger.

Cause

The County is not consistently adhering to its policy requiring that journal entries be properly reviewed and authorized.

Effect

Incorrect or improper accounting entries could be recorded in the County's general ledger and go undetected.

Recommendation

We recommend that the County adhere to its policy requiring an appropriate level of review and authorization for all journal entries made to the County's general ledger.

Views of Responsible Officials and Planned Corrective Action

Management concurs with this finding. While standard operating procedure for the past year has been to have journal entry batches reviewed and initialed by the Accountant V or her designee, we believe some journal entry batches may have been missed from fiscal year-end 2010 to the date of the 2010 single audit finding recommendation.

**COUNTY OF MAUI
STATE OF HAWAII****Significant Deficiencies****June 30, 2011****Finding 11-05 - 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 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 report to 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. We did not find any material errors recorded at the department level that were not subsequently corrected by Department of Finance personnel.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2011

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.

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- Department of Finance personnel. Under the existing organizational structure these personnel are not accountable to the Department of Finance. To expedite corrections, the Department of Finance detects and corrects these errors to the extent operationally practical with its limited resources. We will continue to actively work with accounting personnel in other departments to improve the accuracy and completeness of their accounting entries.

**COUNTY OF MAUI
STATE OF HAWAII****Significant Deficiencies****June 30, 2011****Finding 11-06 - Timely Reconciliation of Federal and State Grant Programs***Condition*

During our audit, we again noted that receivables and deferred grant revenues from the federal and state government recorded in the Grant Fund were not reconciled on a timely basis. We also noted certain Grant Fund accrual balances established in prior years (grant receivables and deferred grant revenue) remain unrelieved as of June 30, 2011.

We noted that significant efforts were made in the current year by the Department of Finance to research, reconcile, and dispose of unreconciled balances; however, there still remained reconciling items and unrelieved balances within the Grant Fund as of June 30, 2011.

Criteria

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

Cause

This condition is attributable to the inability to bring resolution to identified reconciling differences between the various departmental personnel and Department of Finance personnel responsible for accounting for federal and state grants. The reconciliation procedures in place between the Department of Finance and the other County departments to address unresolved accrual balances in the Grant Fund should be performed on a more regular basis.

Effect

The lack of timely reconciliations performed on the Grant Fund accrual balances could lead to misstatements in the County's financial statements.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2011

Recommendation

We again recommend that reconciliations be performed on a monthly basis on the Grant Fund accrual balances by grant program. We also recommend that all long-outstanding Grant Fund accrual balances be investigated and, if necessary, be written-off on a timely basis.

Views of Responsible Officials and Planned Corrective Action

As in the prior year, during fiscal year 2011 we met and actively worked with all departments that participate in grant programs to reconcile existing receivable and deferred revenue balances. Our combined efforts resulted in improved grant receivable and deferred revenue balances – many relating to prior years. We agree that these efforts need to continue to be pursued particularly as they relate to prior year balances.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2011

Finding 11-07 – Subsidiary Data for the County’s Investment Portfolio

Condition

During our audit, we noted that that County was unable to provide complete and accurate detailed subsidiary data to support the investment portfolio balances and transactions recorded in the County’s automated general ledger.

Criteria

County personnel should maintain detailed investment subsidiary data, including securities held at June 30, 2011, and investment transactions during the year then ended. Subsidiary data should be sorted by fund manager and detail the type of investments held and their respective valuation information, such as original cost, amortized cost, and the fair values as of June 30, 2011.

Cause

This condition was caused by the vacancy in the County Treasurer position for a period of time near the County’s fiscal year end.

Effect

This condition required additional effort by the auditors in auditing investment balances and transactions, and related financial statement disclosures.

Recommendation

We recommend that complete and accurate detailed subsidiary data be prepared and maintained by County personnel to support the investment portfolio balances and transactions recorded in the County’s automated general ledger.

Views of Responsible Officials and Planned Corrective Action

We concur with this finding. The Treasury Division is in the process of hiring an investment custodian to maintain and monitor the County’s investment portfolio. The custodial services will facilitate the generation of timely and accurate detailed reports.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2011

Finding 11-08 - Maintenance of Vehicle Registration Data

Condition

During our audit, we encountered some difficulty in obtaining accurate vehicle registration data (e.g., number of vehicles registered in the fiscal year) to support the motor vehicle revenue recorded in the County's automated general ledger.

Criteria

Accurate vehicle registration data should be maintained and be readily available from the Division of Motor Vehicle to enable the County to determine the reasonableness of motor vehicle revenue.

Cause

Unknown

Effect

The inability to maintain accurate vehicle registration data impedes the County's ability to determine the reasonableness of motor vehicle revenue recorded in the County's comprehensive annual financial report.

Recommendation

We recommend that County personnel maintain accurate vehicle registration data to support the motor vehicle revenue recorded in the County's automated general ledger.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2011

Views of Responsible Officials and Planned Corrective Action

The Statewide Vehicle Registration System is a legacy mainframe application that has been in place since 1968. The system is owned and maintained by the Department of Information Technology (DIT) of the City and County of Honolulu.

We have been advised that the fiscal year end vehicle registration statistical report is based upon a snapshot of the data in the vehicle master file at the end of the fiscal year. The system is not capable of tracking the statistical data over time to account for active vehicles that are junked or adjustments or corrections that may have taken place throughout the fiscal year.

Due to the system's age, system architecture and limited system program capabilities, we concur with the finding that it is difficult to determine an accurate number of vehicles registered in a fiscal year with the current Vehicle Registration System. However, to execute the finding's recommendation requires the replacement of the current computer system with a more robust system that is integrated with the County's cashiering system. Replacement of the system is not feasible as it is not owned by the County of Maui.

**COUNTY OF MAUI
STATE OF HAWAII****Single Audit Findings****June 30, 2011****Finding SA-11-01 - Completeness and Accuracy of the County's Schedule of Expenditures of Federal Awards***Condition*

During our audit, we noted that the Department of Finance experienced difficulty in producing a complete and accurate schedule of expenditures of federal awards (SEFA). Specifically, we noted the following:

- There were numerous versions of the SEFA provided to us throughout our audit, which included significant changes in the amount of federal expenditures.
- The SEFA contained incorrect catalog of federal domestic assistance (CFDA) numbers. We noted improvement in this area as compared to the previous year.
- Federal expenditures reported on the SEFA for the Coastal Zone Management grant were incorrect. We noted that the SEFA had incorrectly included approximately \$783,000 of federal expenditures related to this grant. The accompanying SEFA has been adjusted to reflect the appropriate amount of federal expenditures.

Criteria

A complete and accurate SEFA should be maintained to properly identify all federal awards received by the County and the correct amount of expenditures incurred under each award program. A complete and accurate SEFA ensures that all federal grant expenditures are properly reported to the appropriate federal agencies.

Cause

This situation is attributable to (1) the transition of personnel responsible for preparing the SEFA, (2) deficiencies in the year-end cut-off procedures for federal grant accruals, and (3) the need to improve understanding by certain program managers pertaining to the amounts that should be reported as federal expenditures for their respective grants.

**COUNTY OF MAUI
STATE OF HAWAII**

Single Audit Findings

June 30, 2011

Effect

Failure to include correct federal expenditures and CFDA numbers in the SEFA will result in instances of noncompliance with federal requirements.

Recommendation

We recommend that the County establish policies and procedures to ensure that the SEFA prepared by the Department of Finance is complete and accurate, and prepared in a timely manner.

Views of Responsible Officials and Planned Corrective Action

Management concurs with this finding. The transition of key personnel that generate the SEFA was primarily responsible for the numerous versions and some of the CFDA numbering issues.

While the SEFA incorrectly included federal expenditures of approximately \$783,000 related to the Coastal Zone Management grant, it was due to the reporting limitations by the State of Hawaii – Department of Health Wastewater Branch. We have been informed that beginning in fiscal year 2012, they will amend their notice to the Counties to ensure that the correct federal expenditures are accurately reported.

**COUNTY OF MAUI
STATE OF HAWAII****Single Audit Findings****June 30, 2011****Finding SA-11-02 - 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 catalog 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. As in prior fiscal years, the County of Maui arranged for the training of many department personnel by the awarding Federal agencies. The County of Maui will continue to coordinate the implementation of training in future fiscal years to ensure all programs receive adequate training.

**COUNTY OF MAUI
STATE OF HAWAII****Single Audit Findings****June 30, 2011****Finding SA-11-03 - Centralized Position to Monitor Federal Program Compliance***Condition*

During our audit, we noted that the County expended over \$35 million under numerous federal financial assistance programs including a number of American Recovery and Reinvestment Act (ARRA) grants which require additional reporting and compliance requirements. 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

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 noncompliance 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, including ARRA grant requirements.

**COUNTY OF MAUI
STATE OF HAWAII**

Single Audit Findings

June 30, 2011

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.