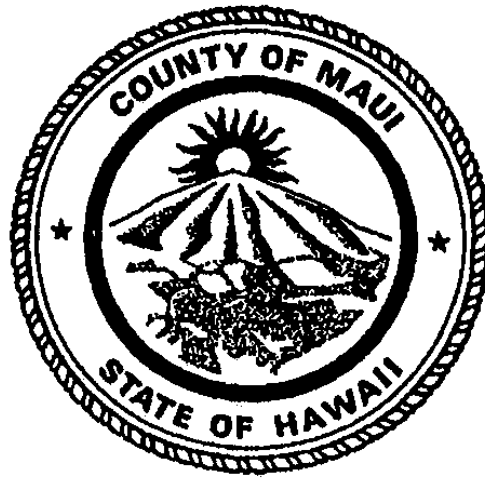


COUNTY OF MAUI

STATE OF HAWAII



SINGLE AUDIT REPORTS

FISCAL YEAR ENDED JUNE 30, 2012

**COUNTY OF MAUI
STATE OF HAWAII**

Single Audit Reports

Fiscal Year Ended June 30, 2012

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Section I
Introduction



December 21, 2012

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, 2012, 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, 2012, 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 21, 2012
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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, 2012, 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 single 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, Kanto, Sai, Leo Yano CPAs LLC

Section II

Compliance and Internal Control over Financial Reporting



**Independent Auditor's 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, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2012. 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 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 previously. However, we identified certain deficiencies in internal control over financial reporting described in Appendix 1 to the accompanying schedule of findings and questioned costs as Findings 12-01 through 12-05 that we consider 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.

Honorable Danny A. Mateo, Chair
and Members of the Council
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's 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*.

We noted certain matters that we reported to management of the County in a separate letter dated December 21, 2012.

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.

Kobayashi, Kaitoko, Naito, Linn, & Yamada CPAs LLC

Honolulu, Hawaii
December 21, 2012

Section III

Compliance and Internal Control over Federal Awards



**Independent Auditor's 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, 2012. 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, 2012. 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-12-01 through SA-12-03.

Internal Control over Compliance

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 the 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-12-01 through SA-12-03. 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, 2012, and have issued our report thereon dated December 21, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain

Honorable Danny A. Mateo, Chair
and Members of the Council
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additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements 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 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, Kanako, Sai, Lina, Yano CPAs LLC

Honolulu, Hawaii
December 21, 2012

COUNTY OF MAUL, STATE OF HAWAII
 Schedule of Expenditures of Federal Awards
 Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (CNCS)			
RETIRED SENIOR VOLUNTEER PROGRAM	94.002	09SRPHI00101/01/2009TO	\$ 50,199
RETIRED SENIOR VOLUNTEER PROGRAM	94.002	12SRPHI00204/01/201203	12,509
Total CNCS			<u>62,708</u>
U.S. DEPARTMENT OF AGRICULTURE			
Food and Nutrition Service:			
Pass-through State:			
FOOD STAMP FRAUD PROGRAM STATE	10.551	N/A	1,238
SUMMER PALS FOOD SERVICE DOE FY12	10.559	11117HIHI3N1099	46,947
Forest Service:			
Pass-through State:			
VOLUNTEER FIRE ASSISTANCE DLNR11	10.664	10-DG-11052012-082	72,369
VOLUNTEER FIRE ASSISTANCE FY12	10.664	11-DG-11052012-0310701	28,410
			<u>100,779</u>
Rural Housing Service:			
PLAYGROUND EQUIPMENT ONE ALII PARK-USDA	10.766	610060996000618	8,198
KIHEI POLICE STATION	10.780	N/A	42,596
Total U.S. Department of Agriculture			<u>199,758</u>
U.S. DEPARTMENT OF COMMERCE			
Economic Development Administration (EDA):			
EDA WAILUKU MUNICIPAL PARKING	11.307	077906367	444,729
National Oceanic and Atmospheric Administration:			
Pass-through State:			
COASTAL ZONE MANAGEMENT FY2012	11.419	P13325	173,673
NATIONAL OCEANIC ATMOSPHERIC ADMINISTRATION AWARD	11.467	NA5-NA09NWS46700016	5,000
DISASTER PREPAREDNESS TRAINING-TH	11.467	NA09NWS46700016	43
			<u>5,043</u>
Total U.S. Department of Commerce			<u>623,445</u>
U.S. DEPARTMENT OF EDUCATION			
Office of Safe and Drug-Free Schools:			
Pass-through State:			
SAFE/DRUG FREE SCHOOLS	81.186	DHS-01-OYS-9136	7,114
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Administration for Community Living:			
Pass-through State:			
AGING TITLE III DHHS FY10	93.044	MA.2010.N	(2,425)
AGING TITLE III DHHS FY11	93.044	MA.2011.N	279,721
AGING TITLE III DHHS FY12	93.044	MA.2012.N	264,745
AGING TITLE III DHHS FY04	93.044	MA.2004.N	(3,215)
AGING TITLE III DHHS FY05	93.044	MA.2005.N	18,210

See Accompanying Independent Auditors' 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 and Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MAUI, STATE OF HAWAII
Schedule of Expenditures of Federal Awards (continued)
Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)			
AGING TITLE III DHHS FY06	93.044	MA.2006.1N	\$ 19,535
AGING TITLE III DHHS FY08	93.044	MA.2008.N	(77,282)
			<u>499,289</u>
AGING/DISABILITY RESOURCE CENTER	93.048	MA-ADRCHD-2010-N	282
HAWAII COMMUNITY LIVING	93.048	MA.CLP.2010.11.N	16,327
AGING/DISABILITY RESOURCE CENTER	93.048	MA-ADRCHD-2010-N	8,573
			<u>25,182</u>
ARRA09 HEALTHY AGING PARTNERSHIP	93.725	MA-ARRA-CDSMP-10-N	23,719
Administration for Children and Families:			
Pass-through State:			
CHILDCARE/DEVELOPMENT DHSS	93.575	GOCY 96-07-05	(24,660)
Centers for Disease Control and Prevention:			
Pass-through State:			
START LIVING HEALTHY FY09	93.068	MA-EBI-CDSMP-09-N	(181)
Substance Abuse and Mental Health Services Administration:			
Pass-through State:			
HAWAII STRATEGIC PREVENTION FRAMEWORK	93.243	ASO LOG#10-040	697
HAWAII STRATEGIC PREVENTION FRAMEWORK PII	93.243	ASO LOG#10-191	160
HAWAII STRATEGIC FRAMEWORK PHASE II	93.243	ASO#10-191	662,462
			<u>663,319</u>
Centers for Medicare and Medicaid Services:			
Pass-through State:			
HOSPITAL DISCHARGE PLANNING GRANT	93.779	MA-ADRCHD-2010-N	35,903
			<u>1,222,571</u>
Total U.S. Department of Health and Human Services			
EXECUTIVE OFFICE OF THE PRESIDENT			
HIGH INTENSITY DRUG TRAFFIC AREAS 2010	95.001	G10HI0003A	101
HIGH INTENSITY DRUG TRAFFIC AREAS 2011	95.001	G11HI0003A	18,622
			<u>18,723</u>
Total Executive Office of the President			
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Office of Community Planning and Development:			
KAUNAKAKAI PUMPER APPARATUS	14.219	10-2 PY09REPROGRMMD	366,891
HALE MAKUA WAILUKU SECURITY SYSTEM	14.219	B-10-DH-15-0003	87,499
HALE MAKUA KAHULUI SECURITY SYSTEM	14.219	B-10-DH-15-0003	97,702
LANAI LANDFILL D6 BULLDOZER	14.219	B-10-DH-15-0003	6,250
HANA POLICE STATION REHABILITATION	14.219	B-10-DH-15-0003	79,533
SOLAR PHOTOVOLTAIC INSTALLATION	14.219	B-10-DH-15-0003	129,875
KAUNAKAKAI PUMPER APPARATUS	14.219	B-10-DH-15-0003	331,405
CDBG PROGRAM ADMINISTRATION FY2011	14.219	B-09-DH-15-0003	9,877
MPD EMERGENCY RESPONSE VEHICLE HANA	14.219	B-11-DH-15-0003	103
KA HALE A KE OLA REHABILITATION/IMPROVEMENTS	14.219	B-11-DH-15-0003	269,308
PHOTOVOLTAIC MFSS WAILUKU WEINBERG	14.219	B-11-DH-15-0003	232,427
CDBG PROGRAM ADMINISTRATION FY2012	14.219	B-11-DH-15-0003	286,609
KAUNAKAKAI PUMPER APPARATUS	14.219	10-2 PY05REPROGRMMD	12,339

See Accompanying Independent Auditors' 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 and Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MAUI, STATE OF HAWAII
Schedule of Expenditures of Federal Awards (continued)
Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)			
HOUSING REHABILITATION LOAN PROGRAM	14.219	3659	\$ 15,000
KAUNAKAKAI PUMPER APPARATUS	14.219	10-2 PY07REPROGRMMD	11,706
HANA NUTRITION CENTER CONSTRUCTION	14.219	B-08-DH-15-0003	30,000
LANAI COMMUNITY HEALTH CENTER FACILITY	14.219	B-08-DH-15-0003	19,804
KAUNAKAKAI PUMPER APPARATUS	14.219	10-02	7,660
			<u>1,993,988</u>
Office of Community Planning and Development:			
Pass-through State:			
Title II Home Program:			
HOME FFY09 KAHAWAI APT	14.239	3033	4,316
HOME FFY09 ADMINSTRATION	14.239	N/A	11,115
HOME FFY06 CHDO MMSHH1 CONSTRUCTION	14.239	3397	68,944
HOME FFY07 CHDO MMSHH1 CONSTRUCTION	14.239	3398	92,867
HOME FFY04 CHDO LP KENOLIO	14.239	3283	45,534
HOME CHDO MAHCDC MMSHH1 EA	14.239	3327	17,000
HOME FFY05 CHDO LP KENOLIO	14.239	2510	4,692
HOME FFY07 ADMINSTRATION	14.239	N/A	5,650
HOME RPGM CHDO LP K'LIO L'LANI	14.239	3042	23,864
HOME FFY08 ADMINSTRATION	14.239	N/A	72,093
			<u>346,075</u>
Office of Public and Indian Housing:			
SEC 8 HOUSING VOUCHER FY2011	14.871	HI004	(6,392)
SEC 8 HOUSING VOUCHER ADMINISTRATION FY2011	14.871	HI004	12,542
SEC 8 HOUSING VOUCHER FY2012	14.871	HI004	16,730,802
SEC 8 HOUSING VOUCHER ADMINISTRATION FY2012	14.871	HI004	1,224,718
SEC 8 HOUSING FAMILY SELF-SUFFICIENT	14.871	N/A	71,172
			<u>18,032,842</u>
Total U.S. Department of Housing and Urban Development			<u>20,372,905</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Pass-through State:			
(DEPARTMENT OF HEALTH) HAZARDOUS MATERIAL EMERGENCY PREPAREDNESS	93.999	MOA 02-17-00	<u>3,226</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-through State:			
INTEROPERABLE EMERGENCY COMMUNITY GRANT	97.001	FY2008 IECGP	160
FEMA FIRE TRAINING FUNDS	97.026	11-106-036	15,651
KIHOLO BAY EARTHQUAKE 10/15/06	97.036	FEMA-1664-DR-HI10/15/06	8,460
STORMS 12/4-7/07	97.036	FEMA-1743-DR-HI12/4-7/0	76,148
			<u>84,608</u>
FFY09 LAW ENFORCEMENT TERRORISM PREVENTION	97.067	08/09-7/12	320,246
FFY09 CITIZENS CORPS PROGRAM	97.067	08/09-7/12	6,795
FFY09 ST HOMELAND SECURITY PROGRAM	97.067	08/09-7/12	45,933
FFY10 ST HOMELAND SECURITY PROGRAM	97.067	2010-SS-TO-0006	204,942
FFY08 ST HOMELAND SECURITY PROGRAM	97.067	2008-GE-T8-0022	482
			<u>578,398</u>
FFY10 CITIZENS CORPS PROGRAM	97.097	2010-SS-TO-0006	<u>1,402</u>
Total U.S. Department of Homeland Security			<u>680,219</u>

See Accompanying Independent Auditors' 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 and Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MAUI, STATE OF HAWAII
Schedule of Expenditures of Federal Awards (continued)
Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Pass-through State:			
WORKFORCE INVESTMENT ACT PY10-ADMINISTRATION	17.000	WIA BULLTN#19-09	\$ 80,304
WORKFORCE INVESTMENT ACT PY11-ADMINISTRATION	17.000	WIA BULLTN#03-11	77,649
			<u>157,953</u>
ARRA09 WORKFORCE INVESTMENT ACT-ADMINISTRATION	17.000	WIA BLTN#4-09	12,657
			<u>170,610</u>
WORKFORCE INVESTMENT ACT WIA	17.255	PL-105-220	(18,941)
WORKFORCE INVESTMENT ACT WIA PY01	17.255	WIA BULLTN#4-01 PY01	18,941
			<u>-</u>
Employment Training Administration:			
Pass-through State:			
WORKFORCE INVESTMENT ACT (DLIR)	17.250	PR99-TF-M-MC	36
ARRA09 WORKFORCE INVESTMENT DISLOCATED WORKER	17.225	WIA BLTN#409	(551)
WORKFORCE INVESTMENT ACT PY09-ADULT	17.258	WIA BULLTN06-09	4,602
WORKFORCE INVESTMENT ACT PY10-ADULT	17.258	WIA BULL#19-09	138,563
WORKFORCE INVESTMENT ACT PY11-ADULT	17.258	WIA BULLTN#03-11	137,748
			<u>280,913</u>
WORKFORCE INVESTMENT ACT PY09-YOUTH	17.259	WIA BULLTN06-09	14,448
WORKFORCE INVESTMENT ACT PY10-YOUTH	17.259	WIA BULLTN#19-09	206,720
WORKFORCE INVESTMENT ACT PY11-YOUTH	17.259	WIA BULLTN#03-11	21,202
			<u>242,370</u>
ARRA09 STATE ENERGY SECTOR TRAINING GRANT	17.275	WDC-ARRA-2010-13	270,824
WORKFORCE INVESTMENT ACT PY10-DISLOCATED WORKER	17.278	WIA BULLTN#19-09	216,838
WORKFORCE INVESTMENT ACT PY11-DISLOCATED WORKER	17.278	WIA BULLTN#03-11	147,000
			<u>363,838</u>
Total U.S Department of Labor			<u>1,328,040</u>
U.S. DEPARTMENT OF JUSTICE			
Drug Enforcement Agency (DEA):			
DOMESTIC CANNABIS ERADICATION/SUPPRESSION	16.000	2011-74	113,053
DOMESTIC CANNABIS ERADICATION/SUPPRESSION	16.000	2012-691/1/2012	43,878
DOMESTIC CANNABIS ERADICATION/SUPPRESSION	16.000	2005-60	(4,350)
FEDERAL JUSTICE POLICE FORFEITURES	16.000	1998/2000	287,451
			<u>440,032</u>
Office of Juvenile Justice and Delinquency Prevention:			
Pass-through State:			
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	16.523	CA-1131	35,483
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	16.523	DHS-12-OYS-263	5,443
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	16.523	OYS-1909PRJ#P.O.I.	(91)
ELECTRONIC EXPLOITATION CHILDREN	16.523	PROJ#02-DB-17	5,212
JUVENILE ACCOUNTABILITY BLOCK GRANT	16.523	DHS-05-OYS-2153	1,452
ELECTRONIC EXPLOITATION CHILDREN	16.523	02-DB-31	(4,296)
ELECTRONIC EXPLOITATION CHILDREN	16.523	03-DB-26	(3)
JUVENILE ACCOUNTABILITY BLOCK GRANT	16.523	DHS07-OYS-4108	(65)
			<u>43,135</u>

See Accompanying Independent Auditors' 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 and Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MAUI, STATE OF HAWAII
 Schedule of Expenditures of Federal Awards (continued)
 Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (continued)			
Office of Victims of Crime:			
Pass-through State:			
SPECIAL NEEDS ADVOCACY PROGRAM	16.575	08-VA-01	\$ 90,109
SPECIAL NEEDS ADVOCACY PROGRAM	16.575	08-VA-01	177,921
			<u>268,030</u>
ARRA09 VICTIMS OF CRIME ACT PROGRAM 2009	16.801	09-SG-1	3,177
Bureau of Justice Assistance:			
Pass-through State:			
STATEWIDE MARIJUANA ERADICATION	16.579	03-DB-1	1,999
POLICE AGAINST STREET SALES	16.579	03-DB-3	(451)
POLICE AGAINST STREET SALES 05	16.579	04-DB-10	15,221
STATEWIDE NARCOTICS TASK FORCE	16.579	03DB-16	2,866
			<u>19,635</u>
Violence Against Women Office:			
Pass-through State:			
VAWA BETTERINVESTING TRAINING	16.588	08-WF-10	7,242
DOMESTIC VIOLENCE VAWA	16.588	FY2009STOP	50,016
DOMESTIC VIOLENCE INVESTIGATION	16.588	FY2010STOP	31,252
VAWA VIOLENT CRIMES AGAINST WOMEN	16.588	09-WF-05	2,454
			<u>90,964</u>
Office of Community Oriented Policing Services:			
Pass-through State:			
COPS HIRING PROGRAM	16.710	2010UMWX0091	363,659
HAWAII COPS METHAMPHETAMINE GRANT 04-CK-02	16.710	04-CK-02	6,987
			<u>370,646</u>
Office of Juvenile Justice and Delinquency Prevention:			
Pass-through State:			
ALCOHOL SALES TO MINORS 11-12	16.727	MOA 11-12	3,127
NATIONAL INCIDENT BASED REPORTING SYSTEM 03	16.733	N/A	(318)
GANG RESISTANCE EDUCATION/TRAINING	16.737	2004-JV-FX-0133	(805)
Bureau of Justice Assistance:			
JUSTICE ASSISTANCE GRANT PROGRAM	16.738	2010-DJ-BX-0448	21,883
NEIGHBORHOOD CRIME WATCH	16.738	08-DJS-1	43,340
STATEWIDE MARIJUANA ERADICATION	16.738	09-DJ-07	30,327
HAWAII NARCOTICS	16.738	09-DJ-08	46,539
E BYRNE MEMORIAL 2011	16.738	2011DJBX2095	60,355
E BYRNE MEMORIAL JAG SEXUAL ASSAULT	16.738	10-DJ-02	42,427
E BYRNE MEMORIAL 2008	16.738	2008-DJ-BX-0507	20,708
			<u>265,579</u>
Pass-through State:			
ARRA09 E BYRNE MEMORIAL JAG	16.803	09-SU-17	114,324
E BYRNE MEMORIAL/POLICE ARRA	16.804	2009DBB90609	65,706
Bureau of Alcohol, Tobacco, and Firearms:			
GANG RESISTANCE EDUCATION AND TRAINING (ATF)	21.052	ATC#020139	1,488

See Accompanying Independent Auditors' 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 and Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MAUI, STATE OF HAWAII
Schedule of Expenditures of Federal Awards (continued)
Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (continued)			
GANG RESISTANCE EDUCATION AND TRAINING (ATF)	21.053	ATC#03000169	\$ 5,066
Total U.S. Department of Justice			<u>1,689,786</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration:			
Pass-through State:			
BRIDGE INSPECTION/APPRaisal	20.205	BR-NBIS(44)	81,107
DATA PROGRAMMING SOFTWARE	20.205	SHSP FLEX1 2008	50,866
FHWA PROJECTS STATE REVIEWS	20.205	N/A	17,235
PAPAHAWAHAWA BRIDGE REPLACEMENT	20.205	BR0900(49)	2,394,179
KAMEHAMEHA/HINA AVE TRAFFIC SIGNAL	20.205	STP-3940(1)	448,847
WAIHONU BRIDGE REPLACEMENT	20.205	STP0900(68)	364,111
KAHOOLOPOO BRIDGE REPLACEMENT	20.205	BR0900-078	5,291
KAHEKILI HIGHWAY PAVEMENT/REHABILITATION	20.205	STP3405(3)	954,063
HALIIMAILE ROAD IMPROVEMENTS	20.205	STP-A371(1)	808,300
MAKANI ROAD RESURFACING/HALEAKAL	20.205	STP-3630(1)	2,909
LONO AVE PAVEMENT REHABILITATION	20.205	STO-3950(007)	348,117
PUKALANI STREET PAVEMENT	20.205	STP-3620(001)	1,639
KIHEI BIKEWAY-PIILANI NORTH	20.205	03115(2)	596,789
MARKET STREET IMPROVEMENT-MOKUHAO	20.205	3405(1)	61,755
PAIHI BRIDGE REPLACEMENT	20.205	BR0900(61)	6,530
			<u>6,141,738</u>
ARRA09 MARKET STREET IMPROVEMENT	20.205	ARR3405(2)FED	794,062
ARRA09 OHUKAI ROAD RESURFACE	20.205	ARR3190(1)FED	47,275
			<u>841,337</u>
			<u>6,983,075</u>
Federal Transit Administration:			
Pass-through State:			
FTA 5309 FFY 2010 BUS & FACILITIES	20.509	HI-04-0004	1,181,607
FTA RURAL TRANSIT ASSISTANCE PROGRAM FFY10	20.509	HI-18-X028	9,534
FTA RURAL TRANSIT ASSISTANCE PROGRAM FFY12	20.509	HI-18-X028	4,192
RURAL TRANSIT ASSISTANCE PROGRAM 04	20.509	ORD#3167	1,130
FTA 5309 BUS PROGRAM FY06	20.509	HI-03-0039	3,670
RURAL TRANSIT ASSISTANCE PROGRAM 06	20.509	HI-18-7019STP 8.2155	6,709
FTA 5309 BUS PROGRAM FFY2005 FY07	20.509	HI-03-0039STP 8.1551	1,580
FTA RURAL TRANSIT ASSISTANCE PROGRAM 07	20.509	HI-18-X025	666
FTA 5309 BUS PROGRAM FFY06	20.509	HI-04-0003STP8-2505	72,000
FED TRANSIT ADMINISTRATION #5311 FFY2008	20.509	HI-18-X020	6,887
FTA RURAL TRANSIT ASSISTANCE PROGRAM FFY08	20.509	HI-18-X020	1,395
			<u>1,289,370</u>
National Highway Traffic Safety Administration:			
Pass-through State:			
MPD TRAFFIC DATA PROGRAM	20.600	TR11-03(04M-01)	2,105
MPD ROADBLOCK PROGRAM FY11	20.600	AL11-02(01-M-03)	88,075
MPD SPEED ENFORCEMENT PROGRAM	20.600	SC11-06(01-M-03)	51,613
MPD CHILD RESTRAINT PROGRAM FY11	20.600	OP11-05(03-M-01) 10/1/10	9,504
MPD TRAFFIC SERVICES FY2011	20.600	PT11-01(03-M-01)	9,092
MPD SEATBELT PROGRAM	20.600	OP11-05(01-M-03)	32,050
NHTSA MFD TC STRUCK KIT GRANT	20.600	EM11-0410/1/2010-9/30/20	29,280
FFY12 MPD TRAFFIC DATA	20.600	TR12-03(06-M-01)	2,877
FFY12 MPD DISTRACTED DRIVING	20.600	DD12-10(01-M-03)	10,515

See Accompanying Independent Auditors' 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 and Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MAUI, STATE OF HAWAII
Schedule of Expenditures of Federal Awards (continued)
Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (continued)			
FFY12 MPD ROADBLOCK PROGRAM	20.600	AL12-02(01-M-03)	\$ 144,995
FFY12 MPD SPEED ENFORCEMENT	20.600	SC12-06(01-M-03)	42,860
MPD CHILD RESTRAINT PROJECT FFY12	20.600	OP12-05(03-M-01)10/1/11	8,380
MPD TRAFFIC SERVICES FY2012	20.600	PT12-01(03-M-01)	5,410
FFY12 MPD SEATBELT ENFORCEMENT	20.600	OP12-05(01-M-03)	51,134
MAUI SAFE COMMUNITY SPEED	20.600	SC03-06	(130)
MPD ROADBLOCK PROGRAM	20.600	AL04-02(01M-03)	(34)
MAUI SAFE COMMUNITY/BIKE SAFETY	20.600	PS03-08	2,154
NATIONAL HIGHWAYS-SEATBELT DEMO PROGRAM	20.600	DTNH22-02-G-25310	11,103
MAUI TRAFFIC SAFETY PROGRAM-DOT	20.600	AL04-02(02-M-01)	4,872
MPD ROADBLOCK PROGRAM FY05 DOT	20.600	AL05-02(01-M-03)	31,507
MPD ROADBLOCK PROGRAM	20.600	AL06-05(01-M-030)	(342)
			<u>537,020</u>
Pipeline and Hazardous Materials Safety Administration:			
Pass-through State:			
HAZARDOUS MATERIALS EMERGENCY PREPAREDNESS GRANT	20.703	HM HMP-0164-10-01-00	775
HAZARDOUS MATERIALS EMERGENCY PREPAREDNESS GRANT	20.703	HM HMP-0223-11-01-00	2,466
			<u>3,241</u>
Total U.S. Department of Transportation			<u>8,812,706</u>
U.S. DEPARTMENT OF ENERGY			
ENERGY EFFICIENCY/CONSERVATION BLOCK GRANT	81.128	DE-SC0002951	<u>209,789</u>
U.S. DEPARTMENT OF THE INTERIOR			
National Park Service:			
Pass-through State:			
NATIONAL PARK SERVICE LAND WATER CONSERVATION	15.916	15-00158	<u>21,403</u>
ENVIRONMENTAL PROTECTION AGENCY			
Office of the Chief Financial Officer:			
EPA KAA FORCE MAIN REPLACEMENT PROJECT	66.202	XP-00T-54001-010/1/10-1	444,151
KAMOLE HI-LIFT PUMP STAG GRANT	66.202	DW213-0008	914,930
			<u>1,359,081</u>
Office of Water:			
Pass-through State:			
ARRA09 CLEAN WATER PUMP STATION RENOVATION- CONSTRUCTION	66.458	C150052	<u>2,208,189</u>
OMAOPIO #1 UPPER TANK-300K GAL	66.468	7001509-02	102,544
LOWER PAIA TANK REPLACEMENT	66.468	09-0970015	535,792
LOWER OMAOPIO TANK 40KGAL	66.468	7001509-02	446,713
NAPILI WELL 'A' TANK	66.468	70015	82,499
ARRA09 WEST OLINDA TANK REPLACEMENT	66.468	70023	266,995
			<u>1,434,543</u>
Total Environmental Protection Agency			<u>5,001,813</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 40,254,206</u>

See Accompanying Independent Auditors' 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 and Notes to 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, 2012

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 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 financial statements.

3. Relationship to Financial Statements

Federal financial assistance revenues are reported in the County's financial statements. Actual expenditures related to the major programs have been reconciled to the accounting records underlying the County's 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, 2012, the outstanding principal amounted to \$67,277,961 that bear interest at 0.00 percent to 2.60 percent. The loans require semi-annual principal and interest payments and loan fees through fiscal year 2032. The County has 30 projects funded with these loans.

**COUNTY OF MAUI
STATE OF HAWAII**

Notes to Schedule of Expenditures of Federal Awards

Fiscal Year Ended June 30, 2012

State Revolving Fund Loans outstanding as of June 30, 2012 are as follows:

<u>Year</u>	<u>Description</u>	<u>Loan Number</u>	<u>Final Maturity</u>	<u>Outstanding Balance June 30, 2012</u>
1994	Wailuku/Kahului	C150052-14	2013	\$ 596,206
1995	Lahaina Construction	C150054-05	2013	505,260
1997	Lahaina Pump Station No. 3	C150054-07	2016	656,257
1997	Kihei Phase IIB	C150077-06	2016	2,251,245
1998	Kihei Reuse Core Distribution	C150077-09	2017	1,092,457
1999	Lahaina Pump Station No. 17	C150054-17	2018	217,644
2001	Kuhua Camp	C150054-14	2020	828,026
2002	Lahaina Solids	C150054-20	2021	695,800
2003	Wailuku/Kahului Phase II	C150052-16	2022	7,218,264
2004	Lahaina Pump Station Nos. 5 & 6	C150054-12	2026	2,429,124
2004	Kahului Pump Station Mod	C150052-30	2026	1,952,247
2006	Lahaina Pump Station	C150054-09	2027	1,352,991
2008	Wailuku Pump Station	C150052-19	2028	8,274,158
2009	Wailuku-Kahului Wastewater	C150052-32	2028	1,703,356
2009	Lahaina Wastewater Pump	C150054-06	2028	6,084,448
2009	Central Maui Landfill Gas Collection	NPS0052-39	2028	2,990,293
2009	Islandwide EPA Consent Decree	C150052-31	2028	7,250,861
2009	Molokai Integrated Solid Waste	NPS0041-07	2029	2,890,202
2010	Front Street Sewer Line Rehabilitation	C150054-11	2030	412,370
2010	Hyatt/Kaanapali Force Main Replacements	C150054-25	2030	1,608,334
2010	Countywide Pump Station Renovation	C150052-28	2028	636,715
2011	Kihei No. 2 Force Main Replacement	C150077-20	2031	1,022,921
				52,669,179
Department of Water Supply:				
2000	Kamaole WTF Improvements	DW213-0001	2019	3,327,983
2008	Kamaole WTF Clear Well Replacement	DW213-0003	2027	7,625,566
2010	Napili Well "A" Site Improvements	DW214-0009	2029	1,023,660
2012	Makawao Waterline Replacement	DW213-0006	2031	657,116
2012	Kamaole WTP High Lift Pumps	DW213-0008	2032	541,448
2012	Upper Omaopio Road Tank Replacement	DW247-0005	2032	310,778
2012	Lower Paia Tank Replacement	DW212-0007	2032	565,796
2012	Middle and Lower Omaopio Road Tank	DW247-0006	2032	556,435
				14,608,782
Total State Revolving Fund Loans				\$ 67,277,961

**COUNTY OF MAUI
STATE OF HAWAII**

Schedule of Findings and Questioned Costs

Fiscal Year Ended June 30, 2012

(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 12-01 through 12-05 (Refer to Appendix 1).
- (c) No instances of noncompliance material to the 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-12-01 and SA-12-03 (Refer to Appendix 2).
- (b) The independent 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-12-01 and SA-12-03 (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 Choice Voucher Program (CFDA No. 14.871)
 - U.S. Department of Labor – Employment Training Administration – ARRA Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors – State Energy Sector Training Grant (CFDA No. 17.275)
 - U.S. Department of Transportation – Federal Highway Administration – Highway Planning and Construction (CFDA No. 20.205)

**COUNTY OF MAUI
STATE OF HAWAII**

Schedule of Findings and Questioned Costs

Fiscal Year Ended June 30, 2012

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

Environmental Protection Agency – Office of the Chief Financial Officer – Congressionally Mandated Projects – Stabilization Tribal Assistance Grant (CFDA No. 66.202)

Environmental Protection Agency – Office of Water – Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458)

Environmental Protection Agency – Office of Water – Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468)

- (e) A threshold of \$1,207,626 was used to distinguish between Type A and Type B programs.
- (f) The County did qualify as a low-risk auditee.

(2) Findings Relating to the Audit of the County’s 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, 2012

Finding 12-01- Internal Controls over the New Automated Payroll Processing System*Condition*

During the last two fiscal years, the Department of Finance has been working on the conversion to a new automated payroll processing system. Included in the conversion to this new automated processing system was a move toward a fully automated employee time recording system. This conversion also required a change from a more manual, centralized time recording system at the Division of Payroll to a more decentralized system, with payroll responsibilities disbursed out to the individual departments.

With the move from a highly centralized system to a decentralized system for capturing employee time records, we noted that the internal controls over the processing of payroll varied from department to department and could be improved to ensure the completeness and accuracy over payroll.

We also noted some distinct inconsistencies between departments with respect to capturing employee time records. Some departments have gone fully automated with all employees responsible for inputting their time worked into the automated system. Other departments have maintained a manual time keeping system for some or all of the employees in their departments. For the manual time keeping systems, some departments utilize formal timesheets, while other departments utilize informal time summaries. Those manual time records are submitted to a centralized employee in the department for input into the automated system. In addition, for both automated and manual time keeping systems, we found inconsistencies in the documentation of supervisory reviews of employee time records.

During our audit, we reviewed 60 employee time records submitted throughout the fiscal year and compared those time records to the information in the automated pay registers, which is used to record personnel expenditures into the County's general ledger. We noted 7 instances where the information submitted on the employee time record (e.g., hours worked, vacation or sick leave taken, or special compensation) did not agree with the automated time register. We also noted 2 instances where the time records were not properly approved by the employees' supervisor.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2012

Criteria

A control environment should exist over the payroll processing for the County to ensure that accurate and approved hours worked by employees are entered into the processing system, that proper controls exist for any type of input override mechanism, and that paid leave amounts are being accurately tracked.

Employee time records, whether manual timesheets or automated time records, should be approved by the employee and their supervisor and properly support the personnel expenditures reflected in the automated pay register used to record expenditures into the County's general ledger.

Cause

The change from a centralized to a decentralized system for capturing employee time has created a new internal control environment requiring changes to existing internal controls and implementation of new internal controls to deal with this new control environment.

During this conversion to the new automated processing system, a "historical entry" mechanism (which is essentially an input override mechanism) has been used by the Division of Payroll and some departments to correct employee automated time records prior to processing payroll for the period.

Effect

The lack of sufficient internal controls to ensure the completeness and accuracy of payroll records and the use of an input override mechanism could lead to inaccurate payments to County employees and inaccurate reporting of personnel costs in the County's financial statements.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2012

Recommendation

With the change from a centralized payroll processing system to a more decentralized system, and the conversion away from a manual method of capturing employee time to a more automated method, new internal controls are needed at the departmental level and at the Division of Payroll to ensure the semi-monthly payroll is being processed accurately. We recommend that management move toward a more uniform system of capturing employee time than is currently being used. We also recommend that the internal controls over the submission, review, and approval of employee time records each pay period be enhanced at each department and at the Division of Payroll to ensure that accurate employee compensation expenditures are recorded in the County's general ledger.

Specifically, internal controls should include (1) utilizing a standardized timesheet for departments capturing employee time records on a manual basis, (2) requiring explicit documentation (i.e., electronic or manual initials) evidencing supervisory reviews for all automated and manual employee time records, (3) performing sufficient reviews of payroll processing at the departmental level prior to updating into the County's automated payroll register, (4) devoting certain Division of Payroll resources to perform periodic reviews of employee and departmental time records, (5) ensuring that paid time off is being tracked properly at the departmental level, and (6) ensuring that entry override is limited to certain employees with password security.

Views of Responsible Officials and Planned Corrective Action

The Department of Finance will continue to actively work with all departments to develop procedures for greater consistency in capturing employee time, as well as reviewing and approving payroll time records. We are currently negotiating Countywide training sessions with the software vendor to assist in this effort. The Division of Payroll is working towards establishment of an internal control framework which provides greater audit controls and system review procedures to ensure completeness and accuracy of payroll transactions. During the first two years of the new payroll system implementation, the County of Maui has realized the following system improvements and efficiencies:

- Automated pay rule application and calculation
- Electronic general ledger recordation
- Improved tracking for payroll position budget appropriations
- Better leave tracking with electronic time off requests
- Conversion to electronic timesheets

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2012

Finding 12-02- Timely Completion of Operating Account Bank Reconciliation

Condition

During our audit, we noted that the June 30, 2012 bank reconciliation for one of the County's general operating cash accounts was not completed until mid-October 2012 due to unrecorded general ledger transactions pertaining to the Treasury Division's operations. This cash account amounted to \$84.2 million at June 30, 2012.

Criteria

All transactions should be recorded in the general ledger on a timely basis to allow the Finance Department to complete monthly bank reconciliations in a timely manner.

Cause

General ledger transactions pertaining to the Treasury Division's operations were not recorded on a timely basis.

Effect

The County's inability to perform timely and accurate reconciliations for all cash accounts could lead to misstatements of cash balances in the County's interim and year-end financial statements and/or allow incorrect reconciling items to go undetected.

Recommendation

We recommend that all cash accounts be reconciled in a timely manner each month.

Views of Responsible Officials and Planned Corrective Action

Management concurs with the auditors' comments and agrees that cash accounts need to be reconciled in a timely manner. To reduce the likelihood of unrecorded general ledger transactions, additional documentation procedures have been instituted for bank wire transactions.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2012

Finding 12-03- Inaccurate Journal Entries to Record Investment Transactions

Condition

During our audit, we noted inaccurate journal entries to record investment transactions during the first eight months of the fiscal year.

Criteria

Journal entries relating to investment transactions should be recorded into the County's general ledger accurately and on a timely basis.

Cause

The County did not adhere to established policies and procedures for recording journal entries.

Effect

Although corrections were made to the general ledger investment accounts during the latter part of the fiscal year, interim investment reports submitted to County management for review at September 30 and December 31 were materially misstated.

Recommendation

We recommend that journal entries relating to investment transactions be recorded accurately and timely into the County's general ledger.

Views of Responsible Officials and Planned Corrective Action

Management concurs with this finding. The Treasury Division filled all vacant positions by the last quarter of fiscal year 2012. As such, the investment recording deficiencies ended and prior entries were corrected.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2012

Finding 12-04- Reconciliation of Real Property Tax Refunds*Condition*

During our audit procedures performed on real property tax refunds, we noted that reconciliations between the Real Property Tax Division's records and the Fiduciary Fund general ledger accounts were not performed for the pending tax cases remaining under appeal.

Criteria

Monthly reconciliations should be performed between the Real Property Tax Division's records and the Fiduciary Fund general ledger accounts for real property tax assessments held by the County associated with pending tax cases remaining under appeal.

Cause

The County did not adhere to established policies and procedures for reconciling real property tax assessments held by the County.

Effect

The lack of reconciling the records at the Real Property Tax Division and the balances in the Fiduciary Fund general ledger for pending tax cases remaining under appeal could cause a misstatement of General Fund real property tax revenue.

Recommendation

We recommend that reconciliations be performed between the records at the Real Property Tax Division and the Fiduciary Fund general ledger accounts for real property tax assessments held by the County associated with pending tax cases remaining under appeal on a timely basis each month.

Views of Responsible Officials and Planned Corrective Action

Management concurs with this finding. The Collections Section of the Real Property Tax Division is taking corrective action by performing monthly reconciliations of the Fiduciary Fund general ledger accounts related to property tax appeals.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2012

Finding 12-05- Internal Controls over Miscellaneous Cash Receipts*Condition*

During our audit, we noted that internal controls over miscellaneous cash receipts collected by various divisions/departments of the County could be improved. We noted that there was a lack of adequate segregation of duties over cash receipts, particularly at Building Permits and Parks and Recreation, between employees responsible for receiving the cash from the public and recording the cash transaction into the daily cash summary report and reconciling this summary report to the daily bank deposit.

Criteria

Proper internal controls over miscellaneous cash receipts received directly from the public dictate that adequate segregation of duties exist to ensure that an employee receiving the cash is not the same employee that records the receipt transaction into the accounting records and reconciles the cash deposited into the bank. Evidence of this segregation of accounting duties and the appropriate level of supervisory review should be reflected on the daily cash receipt summary report in the form of sign offs by personnel involved.

Cause

Policies and procedures to enhance the segregation of duties over cash receipts have not been maintained.

Effect

The lack of adequate internal controls over miscellaneous cash receipts could result in a loss of revenues to the County.

Recommendation

We recommend that adequate internal controls be maintained to ensure that adequate segregation of duties exist and that miscellaneous cash receipts are accurately collected, deposited and recorded in the County's general ledger. Evidence of the performance and review of the various employees should be documented on daily cash summary report in the form of sign offs by personnel involved.

**COUNTY OF MAUI
STATE OF HAWAII**

Significant Deficiencies

June 30, 2012

Views of Responsible Officials and Planned Corrective Action

We concur with this finding. The Department of Finance is currently in the process of creating the Internal Control Officer position which was approved in the fiscal year 2013 budget. This position will work to ensure that adequate internal controls are in place for all accounting activities in the County.

**COUNTY OF MAUI
STATE OF HAWAII**

Single Audit Findings

Fiscal Year Ended June 30, 2012

**Finding SA-12-01
Allowable Costs**

U.S. Department of Labor
Employment Training Administration
ARRA Program of Competitive Grants for Worker Training and
Placement in High Growth and Emerging Industry Sectors
Pass-through State of Hawaii
State Energy Sector Training Grant
WDC-ARRA-2010-13
CFDA No. 17.275

Condition

During our audit of the State Energy Sector Training Grant, we noted that seven first class air fare travel tickets totaling \$1,474 were charged to the ARRA grant. Program staff was unable to justify the reason of the first class travel disbursement.

Criteria

The Office of Management and Budget (OMB) Circular A-87, Cost Principles Applicable to Grants and Contracts stipulates that commercial air travel costs in excess of the customary standard commercial airfare (coach or equivalent) is unallowable except when it would require circuitous routing, travelling during unreasonable hours, excessive or prolonged travel, result in additional costs that would offset transportation savings or offer accommodations not reasonably adequate for travelers' medical need. The program must justify and document these conditions.

Questioned Costs

Total questioned costs amounted to \$693, which was the difference between first class and coach fares.

Cause

The County does not have adequate policies and procedures to ensure that first class travel is not allowed.

**COUNTY OF MAUI
STATE OF HAWAII**

Single Audit Findings

Fiscal Year Ended June 30, 2012

Effect

The deficiency resulted in noncompliance with applicable Federal laws and regulations.

Recommendation

We recommend that the County establish policies and procedures to ensure compliance with applicable Federal laws and regulations.

Views of Responsible Officials and Planned Corrective Action

Management agrees with the finding that first class air travel was booked on an interisland trip. The County understands that first class airfare is unallowable except in justifiable and documented circumstances and will adhere to the provisions of OMB Circular A-87.

**COUNTY OF MAUI
STATE OF HAWAII**

Single Audit Findings

Fiscal Year Ended June 30, 2012

Finding SA-12-02 - 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

Fiscal Year Ended June 30, 2012

Finding SA-12-03 - Centralized Position to Monitor Federal Program Compliance*Condition*

During our audit, we noted that the County expended over \$40 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

Effective monitoring of the County's compliance requirements will enhance 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, including ARRA grant requirements.

**COUNTY OF MAUI
STATE OF HAWAII**

Single Audit Findings

Fiscal Year Ended June 30, 2012

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.