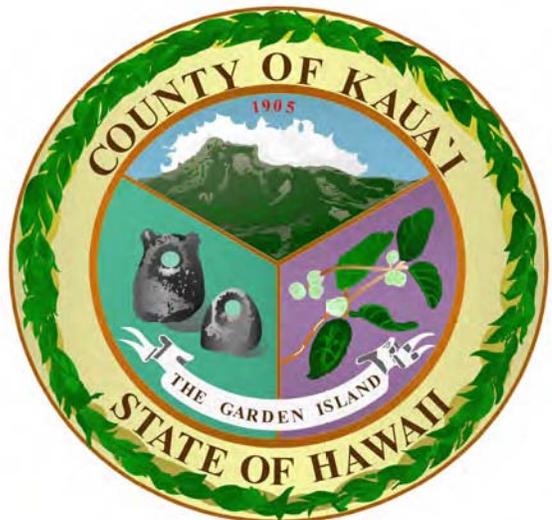


# **SINGLE AUDIT REPORTS**

**County of Kauaʻi, Hawaiʻi**



**For the Fiscal Year Ended  
June 30, 2012**

December 12, 2012

To the Chair and Members of  
the County Council of Kaua'i, Hawai'i  
Lihue, Kaua'i, Hawai'i

We have completed our financial audit of the basic financial statements of the County of Kaua'i (the County), as of and for the fiscal year ended June 30, 2012. Our report containing our opinion on those basic financial statements is included in the County's *Comprehensive Annual Financial Report*. We submit herein our reports on the County's internal control over financial reporting and compliance, the County's compliance with requirements that could have a direct and material effect on each of its major federal programs, and our report on the schedule of expenditures of federal awards.

## **OBJECTIVES OF THE AUDIT**

The primary purpose of our audit was to form an opinion on the fairness of the presentation of the County's basic financial statements as of and for the fiscal year ended June 30, 2012, and to comply with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, which establishes audit requirements for state and local governments that receive federal financial assistance. More specifically, the objectives of the audit were as follows:

1. To provide a basis for an opinion on the fairness of the presentation of the County's financial statements.
2. To determine whether expenditures and other disbursements have been made and all revenues and other receipts to which the County is entitled have been collected and accounted for in accordance with the laws, rules and regulations, administrative directives, policies and procedures of the County, the State of Hawai'i and the federal government (where applicable).
3. To determine whether the County has established sufficient internal controls to properly manage federal financial assistance programs and to comply with the applicable laws, regulations, contracts, and grants.
4. To determine whether the County has complied with the laws, regulations, contracts, and grants that may have a direct and material effect on the financial statements and on each major federal financial assistance program.

## SCOPE OF THE AUDIT

Our audit was performed in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133. The scope of our audit included an examination of the transactions and accounting records of the County for the fiscal year ended June 30, 2012.

## ORGANIZATION OF THE REPORT

This report is presented in five parts as follows:

- Part I - Our report on internal control over financial reporting and on compliance and other matters.
- Part II - Our report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance.
- Part III - The schedule of findings and questioned costs.
- Part IV - The summary schedule of prior audit findings.
- Part V - The corrective action plan.

We wish to express our sincere appreciation for the excellent cooperation and assistance extended by the staff of the County.

Sincerely,

N&K, CPAs, INC.



Ron T. Shiigi  
Principal

COUNTY OF KAUA'I, HAWAI'I

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**PART I**

**AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

**INDEPENDENT AUDITORS' 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**

To the Chair and Members of  
the County Council of Kaua'i, Hawai'i  
Lihue, Kaua'i, Hawai'i

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Kaua'i, Hawai'i (the County), as of and for the fiscal year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 12, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with 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. Other auditors audited the financial statements of the Department of Water, which is the County's discretely presented component unit, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

**Internal Control Over Financial Reporting**

Management of the County is responsible for establishing and maintaining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-02 to 2012-04 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-01 to be a significant deficiency.

### **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 statement 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 12, 2012.

The County's response to the findings identified in our audit is described in Part V, Corrective Action Plan of this report. We did not audit the County's response and, accordingly, we express no opinion on it.

N&K CPAs, Inc.

ACCOUNTANTS | CONSULTANTS

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

*N&K CPAs, Inc.*

Honolulu, Hawai'i  
December 12, 2012

**PART II**

**AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**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 ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Chair and Members of  
the County Council of Kaua'i, Hawai'i  
Lihue, Kaua'i, Hawai'i

### **Compliance**

We have audited the County of Kaua'i's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 fiscal 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 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 its major federal programs for the fiscal 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 the accompanying schedule of findings and questioned costs as items 2012-06 to 2012-08.

### **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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questions costs as items 2012-05, 2012-09 and 2012-10 to be material weaknesses.

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

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 significant deficiencies, as defined above.

## 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 of Kaua'i (the County), as of and for the fiscal year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 12, 2012. We did not audit the financial statements of the Department of Water, which is the County's discretely presented component unit. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The County's response to the findings identified in our audit is described in Part V, Corrective Action Plan of this report. We did not audit the County's response and, accordingly, we express no opinion on it.

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

*N&K CPAs, Inc.*

Honolulu, Hawai'i  
December 12, 2012

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>						
Office of National Drug Control Policy						
High Intensity Drug Trafficking Areas Program:						
High Intensity Drug Traffic, Fiscal year 2012		P12003	\$ 31,465	\$ 18,577	\$ 18,577	\$ 12,888
High Intensity Drug Traffic, Fiscal year 2010		P10003	<u>41,212</u>	<u>337</u>	<u>41,212</u>	<u>--</u>
Total High Intensity Drug Trafficking Areas Program	95.001		<u>72,677</u>	<u>18,914</u>	<u>59,789</u>	<u>12,888</u>
<b>TOTAL EXECUTIVE OFFICE OF THE PRESIDENT</b>			<u>72,677</u>	<u>18,914</u>	<u>59,789</u>	<u>12,888</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Pass-through State of Hawai'i - Hawai'i Child Nutrition Programs --						
Summer Food Service Program for Children:						
Summer Fun Meals FY 2012		R13036	<u>20,591</u>	<u>20,590</u>	<u>20,590</u>	<u>1</u>
Total Summer Food Service Program for Children	10.559		<u>20,591</u>	<u>20,590</u>	<u>20,590</u>	<u>1</u>
Pass-through State Department of Land and Natural Resources - Cooperative Forestry Assistance:						
Volunteer Fire Assistance (F12001)		11-DG-11052012-031	96,457	9,257	9,257	87,200
Volunteer Fire Assistance (F11001)		10-DG-11052012-082	84,187	84,187	84,187	--
Volunteer Fire Assistance (F10001)		09-DG-11-52012-255	<u>97,365</u>	<u>34,281</u>	<u>97,365</u>	<u>--</u>
Total Cooperative Forestry Assistance	10.664		<u>278,009</u>	<u>127,725</u>	<u>190,809</u>	<u>87,200</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>298,600</u>	<u>148,315</u>	<u>211,399</u>	<u>87,201</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>						
Pass-through Office of State Planning -						
Coastal Zone Management Administration Awards:						
Fiscal Year 2012		Z12001	287,721	231,788	231,788	55,933
Fiscal Year 2011		Z11001	<u>248,509</u>	<u>945</u>	<u>248,508</u>	<u>1</u>
Total Coastal Zone Management Administration Awards	11.419		<u>\$ 536,230</u>	<u>\$ 232,733</u>	<u>\$ 480,296</u>	<u>\$ 55,934</u>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
U.S. DEPARTMENT OF COMMERCE (Continued)						
Pass-through National Marine Sanctuary Foundation--						
National Oceanic & Atmospheric Administration (NOAA)--						
Marine Sanctuary Program--						
Preserve America Community Grant Program		D10064	\$ 3,000	\$ 3,000	\$ 3,000	\$ --
Preserve America Community Grant Program		M10007	<u>4,000</u>	<u>3,743</u>	<u>3,743</u>	<u>257</u>
Total Marine Sanctuary Program	11.429		<u>7,000</u>	<u>6,743</u>	<u>6,743</u>	<u>257</u>
Pass-through State Civil Defense Agency -						
Public Safety Interoperable Communications Grant Program (PSIC):						
PSIC Communication Grant (C07400)		2007-GS-H7-0005	<u>1,376,974</u>	<u>2,750</u>	<u>1,376,974</u>	<u>--</u>
Total Public Safety Interoperable Communications Grant Program	11.555		<u>1,376,974</u>	<u>2,750</u>	<u>1,376,974</u>	<u>--</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			<u>1,920,204</u>	<u>242,226</u>	<u>1,864,013</u>	<u>56,191</u>
U.S. DEPARTMENT OF ENERGY						
Pass-through State Department of Business, Economic Development and Tourism - Energy Extension Service:						
EEXT Plan Adm. FY 2007		D07059	57,269	5	57,269	--
EES Administration Extension Service 2011		D10159	72,269	12,815	72,269	--
Energy Grant For Vehicles		D10059	<u>276,000</u>	<u>276,000</u>	<u>276,000</u>	<u>--</u>
Total State Energy Program	81.041		<u>405,538</u>	<u>288,820</u>	<u>405,538</u>	<u>--</u>
Direct Award:						
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG):						
ARRA EECBG Kealia Fire Station		D10061	<u>267,900</u>	<u>202,320</u>	<u>246,772</u>	<u>21,128</u>
Total ARRA Energy Efficiency and Conservation Block Grant Program	81.128		<u>267,900</u>	<u>202,320</u>	<u>246,772</u>	<u>21,128</u>
TOTAL U.S. DEPARTMENT OF ENERGY			<u>\$ 673,438</u>	<u>\$ 491,140</u>	<u>\$ 652,310</u>	<u>\$ 21,128</u>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>ENVIRONMENTAL PROTECTION AGENCY</b>						
Direct Award:						
Congressionally Mandated Projects:						
Wailua WWTP Improvements (W12075-410 Fund)		XP-00T11101-0	\$ 970,000	\$ 1,333	\$ 1,333	\$ 968,667
Pakala/Kaumakani WWT Work (W07017-410 fund)		XP-96967701-1	<u>382,300</u>	<u>106,738</u>	<u>382,300</u>	<u>--</u>
Total Congressionally Mandated Projects	66.202		<u>1,352,300</u>	<u>108,071</u>	<u>383,633</u>	<u>968,667</u>
Pass-through State Department of Health -						
Capitalization Grants for Clean Water State Revolving Funds:						
Waimea Expansion - Sewer Revolving Funds		W10009 (410)	<u>8,668,072</u>	<u>2,805,726</u>	<u>4,537,060</u>	<u>4,131,012</u>
Total Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>8,668,072</u>	<u>2,805,726</u>	<u>4,537,060</u>	<u>4,131,012</u>
Pass-through State Department of Health -						
ARRA - Capitalization Grants for Clean Water State Revolving Funds:						
ARRA Waimea WWTP		W10008 (410)	<u>7,438,075</u>	<u>3,371,321</u>	<u>7,438,075</u>	<u>--</u>
Total ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>7,438,075</u>	<u>3,371,321</u>	<u>7,438,075</u>	<u>--</u>
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<u>17,458,447</u>	<u>6,285,118</u>	<u>12,358,768</u>	<u>5,099,679</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Pass-through State Executive Office on Aging -						
Special Programs for the Aging - Title III, Part C - Nutrition Services:						
C2 KEO 09 Elderly		E09005	84,238	26,387	84,238	--
C1 KEO 2010		E10004	27,548	19,586	22,707	4,841
C1 AEA 2011		E11003	55,598	32	30,552	25,046
C1 KEO 2011		E11004	70,212	6,217	6,217	63,995
C2 KEO 2011		E11005	89,207	16,716	80,238	8,969
C1 KEO 2012		E12004	<u>95,000</u>	<u>54,470</u>	<u>54,470</u>	<u>40,530</u>
Total Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		<u>\$ 421,803</u>	<u>\$ 123,408</u>	<u>\$ 278,422</u>	<u>\$ 143,381</u>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>						
Special Programs for the Aging - Title III, Part B -						
Grants for Supportive Services and Senior Centers:						
I & R Area 2009 Salary		E09001	\$ 135,018	\$ 3	\$ 135,018	\$ --
AREA 2011		E11001	171,249	65,348	113,909	57,340
AREA 2010		E10001	190,057	25,047	190,057	--
SLP AREA 2011		E11002	105,000	30,092	105,000	--
AEA AREA 2012		E12001	117,974	25,449	25,449	92,525
AEA AREA 2012		E12002	105,000	78,355	78,355	26,645
Total Special Programs for the Aging - Title III, Part B -						
Grants for Supportive Services and Senior Centers	93.044		<u>824,298</u>	<u>224,294</u>	<u>647,788</u>	<u>176,510</u>
Special Programs for the Aging - Title III, Part E:						
CARE AEA and Respite		E08008	53,877	1	53,877	--
3E 2011 CARE		E11007	57,049	36,213	49,017	8,032
3E CARE ELDER		E10007	53,975	915	53,218	757
3E 2009 Care Elderly		E09008	54,194	781	54,194	--
3E 2012 CARE ELDER		E12007	56,934	30,809	30,809	26,125
Total National Family Caregiver Support, Title III, Part E	93.052		<u>276,029</u>	<u>68,719</u>	<u>241,115</u>	<u>34,914</u>
Special Programs for the Aging - Title III, Part D -						
Disease Prevention and Health Promotion Services:						
CDSMP 2010		E10010	19,444	(6,400)	19,444	--
Enhance Fitness 2011		E11011	43,030	37,917	41,482	1,548
Enhance Fitness 2010		E10011	31,547	9,949	31,547	--
HP3D 2009 Other Services		E09006	7,678	--	7,678	--
HP3D 2010		E10006	7,678	3,102	5,325	2,353
HP3D 2011 Elderly		E11006	7,662	1,977	1,977	5,685
HP3D 2012 Elderly		E12006	7,662	2,970	2,970	4,692
Total Special Programs for the Aging - Title III, Part D -						
Disease Prevention and Health Promotion Service	93.043		<u>\$ 124,701</u>	<u>\$ 49,515</u>	<u>\$ 110,423</u>	<u>\$ 14,278</u>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>						
Special Programs for the Aging - Title IV and Title II Discretionary						
HDPM-ADRC Enhance Fitness		E10017	\$ 66,902	\$ 33,963	\$ 33,963	\$ 32,939
ADRC FY 10-12		E10013	58,285	3,994	6,410	51,875
CDSMP and EF Cost		E12010	41,282	27,620	27,620	13,662
Enhance Fitness 2008		E09011	54,000	(19,998)	54,000	--
Total Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048		<u>220,469</u>	<u>45,579</u>	<u>121,993</u>	<u>98,476</u>
ARRA - Special Programs for the Aging - Title IV and Title II Discretionary Projects						
ARRA - Chronic Disease DSM		E11010	22,360	19,872	21,468	892
Total ARRA Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048		<u>22,360</u>	<u>19,872</u>	<u>21,468</u>	<u>892</u>
Administration on Aging - Nutrition Services Incentive Program:						
Food Distribution:						
NSIP 11		E11008	45,731	45,731	41,893	3,838
Total Nutrition Services Incentive Program	93.053		<u>45,731</u>	<u>45,731</u>	<u>41,893</u>	<u>3,838</u>
Pass-through State Department of Health - Centers for Disease Control and Prevention:						
ARRA - Communities Putting Prevention to Work (CPPW) Grant		M11001	95,474	68,717	95,473	1
Total ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724		<u>95,474</u>	<u>68,717</u>	<u>95,473</u>	<u>1</u>
Pass-through State Administration on Aging - Centers for Medicare and Medicaid Services:						
Hospital Discharge FY10-12		E10012	92,735	28,700	44,300	48,435
Medicare Benefit		E10015	3,464	3,464	3,464	--
Total Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		<u>\$ 96,199</u>	<u>\$ 32,164</u>	<u>\$ 47,764</u>	<u>\$ 48,435</u>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>						
Health Resources Services Administration (HRSA):						
Health Care and Other Facilities #C76HF06278		ARTFEQ	\$ 332,265	\$ 235,695	\$ 332,265	\$ --
Total Health Care and Other Facilities	93.887		<u>332,265</u>	<u>235,695</u>	<u>332,265</u>	<u>--</u>
Pass-through State Department of Health - Alcohol and Drug Abuse Division - Substance Abuse and Mental Health Services Administration (SAMSHA):						
Block Grants for Prevention and Treatment of Substance Abuse:						
SPF SIG Underage Drinking Prevention Grant Phase 2		M10012	1,512,441	691,084	994,441	518,000
Pass-through State Department of Health						
Mental Health Transformation Grant		P12032	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>--</u>
Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243		<u>1,532,441</u>	<u>711,084</u>	<u>1,014,441</u>	<u>518,000</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>3,991,770</u>	<u>1,624,778</u>	<u>2,953,045</u>	<u>1,038,725</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Pass-through State Department of Business, Economic Development and Tourism - Home Investment Partnerships Program, Title II:						
Fiscal year 2008		H08005	989,345	(186,189)	605,366	383,979
Fiscal year 2011		H12005	975,364	379,074	379,074	596,290
Fiscal year 2010		H11005	999,574	779,795	779,795	219,779
Fiscal year 2009		H10005	996,792	13,090	85,000	911,792
Fiscal year 2003		HIPA03	1,547,034	(20)	1,545,099	1,935
Fiscal year 2007		HIPA07	995,755	(350,384)	482,673	513,082
Program Income		HIPAXX	<u>6,264,520</u>	<u>667,911</u>	<u>5,585,015</u>	<u>679,505</u>
Total Home Investment Partnerships Program	14.239		<u>\$ 12,768,384</u>	<u>\$ 1,303,277</u>	<u>\$ 9,462,022</u>	<u>\$ 3,306,362</u>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)</b>						
Direct Programs:						
Lower Income Housing Assistance Program - Section 8 Housing Choice Vouchers (252 fund)			\$ <u>7,747,752</u>	\$ <u>7,111,627</u>	\$ <u>7,111,627</u>	\$ <u>636,125</u>
Total Section 8 Housing Choice Vouchers	14.871		<u>7,747,752</u>	<u>7,111,627</u>	<u>7,111,627</u>	<u>636,125</u>
Community Development Block Grants						
State's Program and Non-Entitlement Grants in Hawai'i :						
Disaster Program Income		CDBGDX	3,175,741	85,100	2,777,007	398,734
Fiscal year 2011		H11004	740,145	484,608	484,608	255,537
Fiscal year 2010		H10004	880,943	173,237	779,644	101,299
Fiscal year 2005		CDBG05	892,821	(1)	892,821	--
Fiscal year 2009		H09004	805,594	12,878	708,754	96,840
Fiscal year 2007		CDBG07	812,305	13,522	812,305	--
Fiscal year 2008		H08004	793,056	4,600	764,699	28,357
Neighborhood Stabilization Grant NSP1		H09001	3,402,152	(83,442)	3,237,353	164,799
Program Income - NSP		HNSPXX	1,604,274	214,848	343,113	1,261,161
Program Income		CDBGXX	<u>2,094,263</u>	<u>90,255</u>	<u>1,751,023</u>	<u>343,240</u>
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		<u>15,201,294</u>	<u>995,605</u>	<u>12,551,327</u>	<u>2,649,967</u>
State's Program and Non-Entitlement Grants in Hawai'i :						
ARRA - CDBG Recovery Grant		H10001	<u>215,156</u>	<u>42,969</u>	<u>215,156</u>	<u>--</u>
Total ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.255		<u>215,156</u>	<u>42,969</u>	<u>215,156</u>	<u>--</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>\$ <u>35,932,586</u></b>	<b>\$ <u>9,453,478</u></b>	<b>\$ <u>29,340,132</u></b>	<b>\$ <u>6,592,454</u></b>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Pass-through Office of State Attorney General:						
Crime Victim Assistance Grants:						
VOCA FY 2011		A12021	\$ 192,417	\$ 134,924	\$ 134,924	\$ 57,493
VOCA FY 2010		A10021	194,208	131	194,208	--
VOCA FY 2009		A09012	35,641	925	35,641	--
VOCA FY 2008		A11021	<u>184,256</u>	<u>43,569</u>	<u>178,604</u>	<u>5,652</u>
Total Crime Victim Assistance	16.575		<u>606,522</u>	<u>179,549</u>	<u>543,377</u>	<u>63,145</u>
Byrne Formula Grant Program:						
Statewide Narcotics Task Force, FY 11		P11005	72,212	54,465	64,131	8,081
Statewide Narcotics Task Force Supplemental		P10105	16,887	15,641	16,887	--
USDOJ/DEA DCE Program FY 2011		P11001	100,000	95,383	99,959	41
HIDTA 2010		P11003	36,465	14,631	36,389	76
DCE/SP FY 2012		P12001	<u>75,000</u>	<u>17,788</u>	<u>17,788</u>	<u>57,212</u>
Total Byrne Formula Grant Program	16.579		<u>300,564</u>	<u>197,908</u>	<u>235,154</u>	<u>65,410</u>
Violence Against Women Formula Grants:						
Stop Violence Against Women - 2012		A12005	24,121	24,121	24,121	--
Stop Violence Against Women - 2011		A11005	47,002	27,696	45,051	1,951
Stop Violence Against Women - 2010		A10005	<u>22,458</u>	<u>(121)</u>	<u>22,457</u>	<u>1</u>
Total Violence Against Women Formula Grants	16.588		<u>93,581</u>	<u>51,696</u>	<u>91,629</u>	<u>1,952</u>
Edward Byrne Memorial Grants - State and Local Law Enforcement:						
Marijuana Eradication Task Force		P11004	80,244	48,310	67,183	13,061
JAG FY 10 Local		A11025	40,854	6,081	9,081	31,773
Drug Prosecution Unit		A11022	105,000	33,036	98,149	6,851
Cold Case Prosecuting Unit		A12027	96,500	6,298	6,298	90,202
JAG Subpoena Services 2010		A10001	14,145	2,225	14,145	--
JAG Local Solicitation 2009		A10025	44,831	11,909	26,713	18,118
Drug Prosecuting Unit FY 13		A12022	<u>106,000</u>	<u>42,699</u>	<u>42,699</u>	<u>63,301</u>
Total Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>\$ 487,574</u>	<u>\$ 150,558</u>	<u>\$ 264,268</u>	<u>\$ 223,306</u>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>U.S. DEPARTMENT OF JUSTICE (Continued)</b>						
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to States and Territories:						
ARRA Drug Prosecution Unit		A10022	\$ 115,938	\$ 4,200	\$ 115,937	\$ 1
Total ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803		<u>115,938</u>	<u>4,200</u>	<u>115,937</u>	<u>1</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government:						
ARRA Edward Byrne Grant		A09011	191,079	60,842	102,984	88,095
Total ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804		<u>191,079</u>	<u>60,842</u>	<u>102,984</u>	<u>88,095</u>
Pass-through State Department of Health - ADAD - Enforcing Underage Drinking Laws Program:						
Prohibited Alcohol Sale to Minors FY 11		P11017	17,000	15,117	17,000	--
Prohibited Alcohol Sale to Minors FY 10		P10017	11,907	1,341	11,907	--
Total Enforcing Underage Drinking Laws Program	16.727		<u>28,907</u>	<u>16,458</u>	<u>28,907</u>	<u>--</u>
Pass-through State Department of Human Services Office of Youth Services						
Juvenile Accountability Block Grants (JABG):						
JABG FY 10 Hale Opio Kaua'i Inc. (DHS-11-OYS-123)		A11004	22,750	2,170	22,750	--
Total Juvenile Accountability Block Grants	16.523		<u>22,750</u>	<u>2,170</u>	<u>22,750</u>	<u>--</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b>\$ 1,846,915</b>	<b>\$ 663,381</b>	<b>\$ 1,405,006</b>	<b>\$ 441,909</b>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>U.S. DEPARTMENT OF LABOR</b>						
Pass-through State Department of Labor and Industrial Relations:						
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors						
ARRA- State Energy Sector Partnership (SESP) II Grant Program		D11064	\$ 273,278	\$ 102,780	\$ 122,065	\$ 151,213
Total ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275		273,278	102,780	122,065	151,213
Workforce Investment Act (WIA):						
Adult Program FY 2012		D12050	142,143	475	475	141,668
Adult Program FY 2011		D11050	152,768	85,645	105,645	47,123
Adult Program Local area funds, Title I, FY 2010		D10050	114,056	2,518	79,392	34,664
Total WIA Adult Program	17.258		408,967	88,638	185,512	223,455
Dislocated Workers, FY 2012		D12051	166,015	475	475	165,540
Dislocated Workers, FY 2011		D11051	186,619	73,365	125,365	61,254
Total WIA Dislocated Workers	17.260		352,634	73,840	125,840	226,794
Youth Programs 2012		D12060	70,861	38,131	38,131	32,730
Youth Programs 2012		D12061	64,146	37,009	37,009	27,137
Youth Programs 2011		D11061	67,758	60,075	60,202	7,556
Youth Programs 2011		D11060	71,287	65,952	66,080	5,207
Total WIA Youth Activities	17.259		274,052	201,167	201,422	72,630
Administrative, FY 2012		D12049	49,239	6,514	6,514	42,725
Administrative, FY 2011		D11049	53,158	3,916	44,118	9,040
Total WIA Administrative	N/A		102,397	10,430	50,632	51,765
Total Workforce Investment Act (WIA)			1,138,050	374,075	563,406	574,644
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<b>\$ 1,411,328</b>	<b>\$ 476,855</b>	<b>\$ 685,471</b>	<b>\$ 725,857</b>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>						
Pass-through State Department of Transportation:						
Formula Grants for Other Than Urbanized Areas -						
Federal Transit Administration (FTA), Section 5311:						
FTA Section 5311 X024/25		T12005	\$ 268,840	\$ 268,552	\$ 268,552	\$ 288
FTA 5311 Grant FY 10		T11001	554,680	174,293	174,293	380,387
FTA Section 5311 (b) (2), FY 09		T10002	20,941	8,706	10,380	10,561
FTA 5311 Grant FY 09		T10001	1,082,378	330,301	1,063,645	18,733
FTA 5311 Grant FY 08		T09001	513,023	9,857	511,804	1,219
FTA 5311 Grant FY 06		T08001	488,131	6,987	488,131	--
Total Formula Grants for Other Than Urbanized Areas	20.509		<u>2,927,993</u>	<u>798,696</u>	<u>2,516,805</u>	<u>411,188</u>
FTA Federal Transit Capital Investment Grants, Section 5309:						
FTA Section 5309, FY 2005		FTA039	1,457,667	332,034	1,457,668	(1)
FTA Section 5309, FY 2008		T10010	509,200	369,864	371,034	138,166
FTA Section 5309, FY 2009 & 2010		T11010	1,772,133	117,996	180,892	1,591,241
FTA Section 5309, FY 2006		T07001	1,485,000	146,417	1,375,021	109,979
Total Federal Transit - Capital Investment Grants	20.500		<u>5,224,000</u>	<u>966,311</u>	<u>3,384,615</u>	<u>1,839,385</u>
FTA New Freedom Program, Section 5317:						
FTA Section 5317 Award		T11020	121,123	16,548	66,848	54,275
Total New Freedom Program	20.521		<u>121,123</u>	<u>16,548</u>	<u>66,848</u>	<u>54,275</u>
ARRA - Highway Planning and Construction (Federal-Aid Highway Program):						
Statewide Transportation Improvement Program:						
ARRA-Lydgate-Kapaa Bikepath CMAQ-0700(49)		W10041 (410)	4,120,000	1,165,491	1,165,491	2,954,509
Total ARRA - Highway Planning and Construction	20.205		<u>\$ 4,120,000</u>	<u>\$ 1,165,491</u>	<u>\$ 1,165,491</u>	<u>\$ 2,954,509</u>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
U.S. DEPARTMENT OF TRANSPORTATION (Continued)						
Highway Planning and Construction (Federal-Aid Highway Program):						
Bridge Replacement - Off system:						
Hanapēpē Bridge Repair BR-0545(1)		W09017 (410)	\$ 100,000	\$ 20,267	\$ 45,073	\$ 54,927
Puuopae Bridge Repair BR-0700(59)		W09019 (410)	480,000	219,557	226,659	253,341
Kapahi Bridge Replacement BR-0700(53)		KAPAHI (410)	436,000	243,777	251,774	184,226
Opaekaa Bridge Design BR-0700(60)		W10002 (410)	520,000	254,415	263,393	256,607
Statewide Transportation Improvement Program:						
Data Diagram Software - Police Traffic Safety Unit		P10016 (250)	19,495	19,495	19,495	--
Maluhia Road Improvements STP-0520(3)		MALUHI (410)	776,002	7,900	14,184	761,818
Kokee Road Resurfacing STP-0552(3)		W09018 (410)	4,345,437	33,106	117,904	4,227,533
Ahukini to Lydgate bikepath STP-0700(51)		AHULYD (410)	625,000	19,322	451,346	173,654
North Leg Kōloa Rd. STP-05220(002)		W07007 (410)	992,000	4,334	4,334	987,666
Lydgate-Kapaa Bikepath CMAW-0700(49)		LYDKAP(410)	6,506,792	820,806	3,779,655	2,727,137
Safe Improvements Kūhi'ō to Rice St. STP-5720(1)		STP572 (410)	256,000	114,497	146,285	109,715
Kōloa Safety Improvements HHRP-0530(001)		W12065 (410)	135,000	5,905	5,905	129,095
Hanapēpē Road Improvements STP-0545(2)		W12067 (410)	200,000	1,711	1,711	198,289
Puhi Road Ultra Thin layer STP-5010(1)		W10042 (410)	147,200	14,422	31,713	115,487
Nawiliwili/Ahukini Bikepath CMAQ-0700(57)		NAWAHU (410)	1,094,001	3,933	389,968	704,033
FHWA Multi-Modal Land Transportation Plan HI021(2005)		T11030 (250)	400,000	289,328	315,041	84,959
Total - Highway Planning and Construction	20.205		<u>17,032,927</u>	<u>2,072,775</u>	<u>6,064,440</u>	<u>10,968,487</u>
State and Community Highway Safety:						
Highway Safety Grant - Prosecutors - FY 11		A11026	14,400	738	9,720	4,680
Highway Safety Grant - Prosecutors - FY 12		A12026	8,390	4,523	4,523	3,867
Alcohol Roadblock PGM - FY 12		P12010	105,925	17,035	17,035	88,890
Roadblock PGM - Police - 2011		P11010	146,300	20,632	101,270	45,030
KPD Distracted Driver 2012		P12007	29,930	5,792	5,792	24,138
KPD Distracted Driver 2011		P11007	28,004	806	5,881	22,123

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>U.S. DEPARTMENT OF TRANSPORTATION (Continued)</b>						
KPD Seat Belt Program 2012		P12014	\$ 90,920	\$ 34,853	\$ 34,853	\$ 56,067
KPD Seat Belt Program 2011		P11014	72,867	8,835	52,980	19,887
KPD Speed Enforcement 2012		P12012	39,634	23,667	23,667	15,967
KPD Speed Enforcement 2011		P11012	36,008	5,220	14,720	21,288
KPD Traffic Service 2011		P11013	13,770	2,215	4,694	9,076
KPD Traffic Record FY 12		P12009	102,610	1,293	1,293	101,317
KPD Traffic Record FY 11		P11009	50,810	3,841	6,021	44,789
KPD Youth Deterrence - 2011		P11008	25,100	22,100	23,403	1,697
Ringor EX Glove - Fire Department		F12002	1,050	1,050	1,050	--
Total State and Community Highway Safety	20.600		<u>765,718</u>	<u>152,600</u>	<u>306,902</u>	<u>458,816</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>30,191,761</u>	<u>5,172,421</u>	<u>13,505,101</u>	<u>16,686,660</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>						
Direct Program -						
Retired Senior Volunteer Program (RSVP):						
Title II, Part A, Older Americans Volunteer Program:						
RSVP - CY 2012 - 12SRPHI001		E12016	62,847	6,588	6,588	56,259
RSVP - CY 2010 - 09SRPHI002		E10016	78,559	2	78,559	--
RSVP - CY 2011 - 09SRPHI002		E11016	78,559	44,304	78,559	--
Total Retired and Senior Volunteer Program	94.002		<u>219,965</u>	<u>50,894</u>	<u>163,706</u>	<u>56,259</u>
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<u>219,965</u>	<u>50,894</u>	<u>163,706</u>	<u>56,259</u>
<b>U.S. DEPARTMENT OF TREASURY</b>						
Treasury Forfeiture Fund	21.000	CAFJUS	37,747	6	37,747	--
<b>TOTAL U.S. DEPARTMENT OF TREASURY</b>			<u>\$ 37,747</u>	<u>\$ 6</u>	<u>\$ 37,747</u>	<u>\$ --</u>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>						
Federal Emergency Management Agency (FEMA):						
Assistance to Fire Fighters Grant Program (AFG) Fire Grants						
AFG Driver Simulator EMW-2008-FO-01949		F09002	\$ 211,028	\$ 174,360	\$ 174,360	\$ 36,668
SAFER Grant - EMW-2009-FF-00748		F09SFR	<u>1,625,700</u>	<u>292,613</u>	<u>1,479,225</u>	<u>146,475</u>
Total Assistance to Fire Fighters Grant	97.044		<u>1,836,728</u>	<u>466,973</u>	<u>1,653,585</u>	<u>183,143</u>
Civil Defense - State and Local Emergency						
Hazard Mitigation Grant Program:						
Piikoi Building Retrofit		W09020	183,000	63,626	96,426	86,574
Historic County Building Hazard Mitigation		W11002	<u>461,250</u>	<u>5,647</u>	<u>415,512</u>	<u>45,738</u>
Total Hazard Mitigation Grant	97.039		<u>644,250</u>	<u>69,273</u>	<u>511,938</u>	<u>132,312</u>
Pass-through State Department of Defense:						
Disaster Grants - Public Assistance (Presidentially Declared Disasters):						
Rain Event Civil Defense Agency FEMA-4062-DR-HI		C12RAI	10,129	10,129	10,129	--
Rain Event Fire Department FEMA-4062-DR-HI		F12RAI	12,851	12,851	12,851	--
Rain Event Finance Department FEMA-4062-DR-HI		X12006	2,196	2,196	2,196	--
Kiholo Earthquake FEMA-1664-DR-HI		X08101	<u>861</u>	<u>--</u>	<u>861</u>	<u>--</u>
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		<u>26,037</u>	<u>25,176</u>	<u>26,037</u>	<u>--</u>
Homeland Security Grant Program/State Homeland Security:						
Homeland Security Grant 2010		C10100	1,102,512	631,681	659,491	443,021
Homeland Security Grant 2009		C09100	1,000,000	125,880	128,583	871,417
Homeland Security Grant 2008		C08100	1,077,180	679,512	960,306	116,874
Citizen Corp 2008		C08300	<u>9,819</u>	<u>1,050</u>	<u>8,024</u>	<u>1,795</u>
Total Homeland Security Grant Program	97.067		<u>3,189,511</u>	<u>1,438,123</u>	<u>1,756,404</u>	<u>1,433,107</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>5,696,526</u>	<u>1,999,545</u>	<u>3,947,964</u>	<u>1,748,562</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 99,751,964</u>	<u>\$ 26,627,071</u>	<u>\$ 67,184,451</u>	<u>\$ 32,567,513</u>

**County of Kaua'i, Hawai'i**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2012**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activities of the County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

**NOTE B - SUBRECIPIENTS**

Of the federal expenditures presented in the schedule of expenditures of federal awards, the County provided federal awards to subrecipients as follows:

Federal Grantor/Program/Grant	CFDA Number	Amount Provided to Subrecipients
U.S. Department of Labor		
Workforce Investment Act Youth Activities	17.259	\$ 118,209
Workforce Investment Act Adult Program	17.258	125,933
Workforce Investment Act Dislocated Workers	17.260	159,784
State Energy Sector Partnership Grant (ARRA)	17.275	<u>150,000</u>
Total U.S. Department of Labor		<u>553,926</u>
U.S. Department of Housing and Urban Development		
Community Development Block Grant/State Programs and Non-entitlement Grants in Hawaii	14.228	<u>535,429</u>
Total U.S. Department of Housing and Urban Development		<u>535,429</u>
U.S. Department of Health and Human Services		
Special Programs for the Aging, Title III, Part B	93.044	108,447
Special Programs for the Aging, Title III, Part C	93.045	117,159
Special Programs for the Aging, Title III, Part D	93.043	8,049
Special Programs for the Aging, Title III, Part E	93.052	<u>68,869</u>
Total U.S. Department of Health and Human Services		<u>302,524</u>
Total Provided to Subrecipients		<u>\$ 1,391,879</u>

**County of Kaua'i, Hawai'i**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Fiscal Year Ended June 30, 2012**

**NOTE C - LOANS OUTSTANDING**

The County had the following newly issued loan balances outstanding as of June 30, 2012. These loan program amounts are also included in the federal expenditures presented in the schedule of expenditures of federal awards.

Cluster/Program Title Outstanding	CFDA Number	Amount
Community Development Block Grants	14.228	\$ <u>170,200</u>

**NOTE D - OUTSTANDING LOAN BALANCES**

The State Revolving Fund Loans are for the construction of necessary wastewater treatment facilities and projects. As of June 30, 2012, the outstanding principal amounted to \$18,238,386 that bears interest at 0.50 percent to 3.78 percent. The loans require semi-annual principal and interest payments and loan fees through fiscal year 2030. The County has 10 projects funded with these loans.

**PART III**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2012**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**Federal Awards**

Internal control over major programs:		
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants - State's Program and Non-Entitlement Grants in Hawai'i
14.239	Home Investment Partnerships Program
14.871	Section 8 Housing Choice Vouchers
20.205	Highway Planning and Construction
20.500	Federal Transit - Capital Investment Grants
20.509	Formula Grants for Other Than Urbanized Areas
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$798,000
Auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Ref.**  
**No.**      **Internal Control Findings**

**2012-01    Compile Vacation and Sick Leave Records Properly - Significant Deficiency**

The County prepared a summary leave schedule to compute its accrued compensated absence liability balance and reported the liability to the Department of Finance. The liability was based on the balance of earned hours per individual leave records multiplied by each employee's hourly salary rate. Each department in the County uses a different manual process to maintain and report the vacation and sick leave records which resulted in errors in the amount of hours and dollars reported to the Department of Finance. The following were the conditions noted during our review of vacation and sick leave files:

- There were five instances where vacation or sick leave hours per the employee's leave log did not agree to the department's summary sheet.

**Recommendation**

The County should validate the amounts of vacation and sick leave balances being reported against the personnel and payroll records to ensure accuracy and completeness before reporting the balance to the Department of Finance. The County should implement a standardized process and schedule to track employees' leave hours. The County should also increase the number of random quality control reviews of leave records to ensure that vacation and sick leave records are accurately reported.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

**Ref.**  
**No. Internal Control Findings (Continued)**

**2012-02 Recognize Tax Appeals Filed in the Period Taxes Are Paid - Material Weakness**

In June 2011, two large, multi-parcel projects made payments for the real property tax assessments (including back assessments) and subsequently filed an appeal of the taxes assessed. In the fiscal year ended June 30, 2011, these property taxes were reported as tax revenues as the transfer to the Real Property Tax Trust Fund was not made for the amount of taxes collected on appeal. The County should not have recognized revenues for these taxes that were on appeal. The transfer for these properties on appeal was made in March 2012.

The County over stated real property tax revenues in the fiscal year ended June 30, 2011 by \$3,612,983.52. For the fiscal year ended June 30, 2012, the County made a prior period adjustment to properly state the beginning fund balance and current fiscal year real property tax revenues.

**Recommendation**

The County should establish procedures to ensure that the balance in the Real Property Trust Fund is properly stated which would include reconciling the balance to the active appeals at fiscal year end.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

**Ref.**  
**No. Internal Control Findings (Continued)**

**2012-03 Reconcile Real Property Tax Trust Fund Account - Material Weakness**

The County utilizes its Real Property Tax software to produce reports that identify parcels where the owners have filed an appeal of their property values used to assess the real property taxes owed. According to Section 5A-12.12 of the Kaua'i County Code (Code) the County is required to transfer the real property taxes paid pending appeal to the Real Property Tax Trust Fund. The County's procedure to comply with the Code is to periodically run these reports and then transfer the taxes paid to the Real Property Tax Trust Fund. During the current year's audit, we noted the following:

- In March 2012, the Real Property Tax Collection Division (Division) computed the taxes paid and on appeal, then transferred that amount from the General Fund into the Real Property Tax Trust Fund. This transfer totaled \$6,727,447. In May 2012, the Division ran a special report to attempt to identify additional appeals which were recently filed and subsequently transferred \$4,359,667 from the General Fund to the Real Property Tax Trust Fund. During our audit, we noted that this transfer was made in error and the special report included the appeals that were already transferred in March 2012.
- In June 2012, a refund of \$1,233,943 was made from the General Fund for properties on appeal through an Authorized Adjustment that decreased the taxes due. The Division's procedures were to refund Authorized Adjustments from the General Fund; however, Authorized Adjustments were normally not made on properties on appeal. Since these properties were on appeal and the taxes paid had already been transferred into the Real Property Tax Trust Fund, the refund should have been made from the trust fund. This refund from the General Fund understated real property tax revenues by the \$1.2 million refunded.
- The current procedures used by the Division are to periodically run reports of the outstanding appeals and then compare them with the balance in the Real Property Tax Trust Fund bank account. The difference between the bank balance and the reports were then requested to be transferred from the General Fund to the Real Property Tax Trust Fund. This process could allow errors or fraud to go undetected. Since this account is a trust fund, the practice should be to maintain a listing of the amounts being held in trust, and any additions or deletions should be accounted for. The listing should be balanced against the outstanding appeals on a monthly basis and any discrepancies should be investigated.

As of June 30, 2012, the Real Property Tax Trust Fund held \$9,751,303 for active appeals. The errors noted during the current year's audit resulted in an understatement of real property tax revenues of approximately \$5.6 million for the fiscal year ended June 30, 2012.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

**Ref.**

**No.**      **Internal Control Findings (Continued)**

**2012-03 Reconcile Real Property Tax Trust Fund Account (Continued)**

**Recommendation**

The County should establish procedures to ensure that the balance in the Real Property Tax Trust Fund is properly stated which would include reconciling the report of active and open appeals to the balance in the trust fund at fiscal year end. The reconciliation of the account should be done monthly with the bank reconciliation and should support the balance in the account.

**County of Kauaʻi, Hawaiʻi**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

**Ref.**

**No. Internal Control Findings (Continued)**

**2012-04 Properly Record and Maintain Housing Records - Material Weakness**

The Housing Fund purchases properties that the County intends on holding for resale or leasing on a long-term basis as leasehold property. These properties are maintained separately from the County-wide capital asset system until they are sold as leasehold property, at which time they are added to the capital asset system. During the preparation of the current year financial statements, there were several discrepancies noted in the details of the capital assets and property inventory listing, and when accumulated, resulted in a prior period adjustment. The following are the discrepancies noted:

- Construction in progress held the costs for homes that did not belong in the Housing Revolving Fund totaling approximately \$840,000.
- Land costs of approximately \$586,000 were included in both the capital asset land cost and inventory balances.

The Housing Fund also holds County owned affordable rental housing projects. The County uses various sources of funds, including federal funds to construct these projects. In March 2010, the County entered into an agreement with a non-profit developer to provide funds for the construction of the Paʻanau Village Phase 2 housing project. During the construction of the project, the County included amounts provided to the developer as construction in progress in the Housing Fund's capital assets. As of June 30, 2012, approximately \$1.9 million provided to the developer overstated the capital assets of the County in the Housing Fund.

**Recommendation**

The County should establish procedures to ensure that the capital asset records of the County are properly stated. These procedures should include reconciling the balance reported in the financial statements to the capital asset records of the County. In addition, the County should establish procedures to ensure that development agreements are reviewed for proper recording of the expenditures.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

<u>Ref. No.</u>	<u>Compliance and Internal Control Findings</u>	<u>Questioned Costs</u>
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**2012-05 Properly Identify All Federal Programs - Material Weakness**

<b>Federal agency:</b>	Environmental Protection Agency
<b>Pass through entity:</b>	State of Hawaii, Department of Health
<b>CFDA No.:</b>	66.458
<b>Program:</b>	Capitalization Grants for Clean Water State Revolving Funds

**Criteria:** The Capitalization Grants for Clean Water State Revolving Funds grant is awarded to the State of Hawaii, Department of Health to create and maintain Clean Water State Revolving Funds (CWSRFs) to: (1) enable the States to encourage construction of wastewater treatment facilities to meet the enforceable requirements of the Clean Water Act (Act); (2) increase the emphasis on nonpoint source pollution control and protection of estuaries; and (3) establish permanent financing institutions in each State to provide continuing sources of financing to maintain water quality. The CWSRF provides loans and other types of financial assistance (but not grants) to qualified communities and local agencies. The County has been a recipient of these funds through low-interest loans for many years. 40 CFR Part 31 requires subgrantees of these funds to have audits in accordance with OMB Circular A-133.

**Condition:** We noted the current fiscal year Schedule of Expenditures of Federal Awards (SEFA) did not include the amounts loaned for the fiscal year under the CWSRF. We noted that in the two prior fiscal year audits, these amounts were also not covered by the audit.

Fiscal Year 2012	\$2,805,726
Fiscal Year 2011	\$1,556,452
Fiscal Year 2010	\$4,876,448

**Cause:** The County did not properly identify the source of the loan funding that was provided by the State's Department of Health. The loan documents stated that a Single Audit in accordance with OMB Circular A-133 was required by the County, and therefore the County should have investigated this requirement.

County of Kaua'i, Hawai'i  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
 Fiscal Year Ended June 30, 2012

<u>Ref.</u> <u>No.</u>	<b>Compliance and Internal Control Findings (Continued)</b>	<b>Questioned Costs</b>
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**2012-05 Properly Identify All Federal Programs (Continued)**

**Effect:** The current fiscal year unadjusted SEFA was understated by approximately \$2.8 million. The County had understated the SEFA in the prior fiscal years by the amounts borrowed under this revolving loan program. At June 30, 2012, the total outstanding balance on these loans under the CWSRF was approximately \$18.2 million.

\$            --

**Recommendation:** The County should ensure that all federal programs are properly identified. The County receives various funding from the State departments and should ensure that any federal funds are properly identified and reported in accordance with OMB Circular A-133.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

<b>Ref. No.</b>	<b>Compliance and Internal Control Findings (Continued)</b>	<b>Questioned Costs</b>
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**2012-06 Certification for Federally Funded Employees**

**Federal agency:** U.S. Department of Housing and Urban Development  
**CFDA No.:** 14.871  
**Program:** Section 8 Housing Choice Vouchers

**Criteria:** In accordance with OMB Circular A-87, compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular. In accordance with this Circular, where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program or the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

**Condition:** During our testing of the allowable costs compliance requirement for the Section 8 Housing Choice Vouchers program, we noted that the program had employees that spent 100% of their time on the grant but did not obtain semi-annual certifications signed by the employees or their supervisors confirming that they worked solely on grant related activities in accordance with OMB Circular A-87 guidelines for payroll.

**Cause:** Although proper controls are in place to ensure that only employees that spend time on grant-related activities actually charged time to the program, there was no documentation maintained to confirm that the time allocated to the program for these employees were periodically reviewed by the employees or their supervisors.

**Effect:** There was no documentation maintained to confirm the time allocated to the program for these employees.

\$           --

**Recommendation**

The County should obtain semi-annual certifications from all employees that spend 100% of their time on federally funded grants, confirming that they worked solely on grant related activities. The certification should be signed by either the employees or their supervisors.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

<b>Ref. No.</b>	<b>Compliance and Internal Control Findings (Continued)</b>	<b>Questioned Costs</b>
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**2012-07 Identification of Subrecipient Expenditures**

**Federal agency:** U.S. Department of Housing and Urban Development  
**CFDA No.:** 14.228/14.255  
**Program:** Community Development Block Grants Cluster (CDBG)

**Criteria:** In accordance with OMB Circular A-133, the pass-through entity should identify in the Schedule of Expenditures of Federal Awards (SEFA) the total amount provided to subrecipients from each Federal program.

**Condition:** During our testing of the subrecipient monitoring compliance requirement for the CDBG program, we noted that the program was unable to provide a complete listing of expenditures that were provided to subrecipients during the current fiscal year.

**Cause:** Although proper controls are in place to ensure that subrecipient activities are monitored during the award, there are no policies and procedures in place to identify the amount of expenditures provided to subrecipients from total program expenditures during the fiscal year.

**Effect:** The County was unable to identify the amount of current fiscal year expenditures that were provided to subrecipients for SEFA reporting purposes.

\$            --

**Recommendation**

The County should implement policies and procedures to review current fiscal year expenditures to identify expenditures provided to subrecipients and ensure that those expenditures are supported by subrecipient activity.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

<b>Ref. No.</b>	<b>Compliance and Internal Control Findings (Continued)</b>	<b>Questioned Costs</b>
<b>2012-08</b>	<b>Federal Funding Accountability and Transparency Act (FFATA) Reporting</b>	
	<p><b>Federal agency:</b> U.S. Department of Housing and Urban Development</p> <p><b>CFDA No.:</b> 14.228/14.255</p> <p><b>Program:</b> Community Development Block Grants Cluster (CDBG)</p>	
	<p><b>Criteria:</b> In accordance with 2 CFR part 170, the County is required to report executive compensation and first-tier subcontract awards on contracts and orders expected to be \$25,000 or more made with a new Federal Assistance Identification Number effective October 1, 2010 through the Federal Funding Accountability and Transparency Subaward Reporting System.</p> <p><b>Condition:</b> During our testing of the reporting compliance requirement for the CDBG program, we noted that the County did not address the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements for its first-tier subcontract awards.</p> <p><b>Cause:</b> There are no policies and procedures in place to compile and report data to address the FFATA reporting requirements.</p> <p><b>Effect:</b> The County did not report data to address the FFATA reporting requirements.</p>	<p>\$ <u>          </u> --</p>
	<p><b>Recommendation</b></p> <p>The County should implement policies and procedures to comply with federal regulations and submit the required FFATA reports for the program.</p>	

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

<b>Ref.</b>		<b>Questioned</b>
<b><u>No.</u></b>	<b>Compliance and Internal Control Findings (Continued)</b>	<b><u>Costs</u></b>

**2012-09 Reconcile Federal Expenditures - Material Weakness**

**Federal agency:** U.S. Department of Transportation

**Pass through entity:** State of Hawaii, Department of Transportation

**CFDA No.:** 20.500 and 20.509

**Program:** Federal Transit - Capital Investment Grants and Formula Grants for Other than Urbanized Areas

**Criteria:** The County is required to prepare Federal financial reports from the accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

**Condition:** During our testing of the reporting compliance requirement, we noted that the amounts reported by the Department of Transportation (Department) to the pass-through entity was not supported by the accounting records used to prepare the audited financial statements and the Schedule of Expenditures of Federal Awards.

- The cumulative beginning expenditures reported to the grantor on one of the grants (T07001) was greater than the amounts recorded in the project's accounting records by \$42,047. The Department was unable to reconcile the difference.

During the fiscal year, one of the quarterly reports on the same grant (T07001) reported \$2,964 more expenditures than the accounting records. The Department was unable to reconcile the difference.

As a result, the cumulative amount of expenditures reported to the grantor exceeded the accounting records by \$45,011.

- The cumulative beginning expenditures reported to the grantor on another grant (T10001) was less than the amounts recorded in the project's accounting records by \$29,588. The Department was unable to reconcile the difference.

During the fiscal year, the Department reported \$37,595 more expenditures than the accounting records (T10001). The Department was unable to reconcile the difference.

As a result, the net cumulative amount of expenditures reported to the grantor exceeded the accounting records by \$8,007.

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

<b>Ref. <u>No.</u></b>	<b>Compliance and Internal Control Findings (Continued)</b>	<b>Questioned <u>Costs</u></b>
<b>2012-09</b>	<b>Reconcile Federal Expenditures - Material Weakness</b>	
	<p><b>Cause:</b> The Department was not following the County's procedures to reconcile the financial reports to the general ledger accounting system, which is the underlying support of the audited financial statements and the Schedule of Expenditures of Federal Awards.</p> <p><b>Effect:</b> The amounts reported by the County were not supported by the County's accounting records.</p> <p><b>Recommendation</b></p> <p>The Department should follow the County's established policies and procedures to reconcile financial reports to the general ledger accounting system .</p>	<p>\$ <u>53,018</u></p>

**County of Kaua'i, Hawai'i**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Fiscal Year Ended June 30, 2012**

<b>Ref. No.</b>	<b>Compliance and Internal Control Findings (Continued)</b>	<b>Questioned Costs</b>
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**2012-10 Improve Controls Over Matching - Material Weakness**

**Federal agency:** U.S. Department of Transportation

**Pass through entity:** State of Hawaii, Department of Transportation

**CFDA No.:** 20.500

**Program:** Federal Transit - Capital Investment Grants

**Criteria:** The program requires the County to fund a portion of the expenditures incurred. Generally, the federal share of the capital costs cannot exceed 80%.

**Condition:** During our testing of the reporting compliance requirement, we noted three instances totaling \$3,808, where the County was unable to support the 20% support for the County's match.

**Cause:** The Department allocates the expenditures for the grant based on the matching percentage, typically 80%. When preparing the quarterly reports, the Department process does not include a process to reconcile the County's share of the expenditures to the amounts reported in the federal report.

**Effect:** The County over reported the federal share of the expenditures on the program.

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**Recommendation**

The Department should follow the County's established policies and procedures to reconcile financial reports to the general ledger accounting system .

**PART IV**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**County of Kaua'i, Hawai'i**  
**STATUS REPORT**  
**Fiscal Year Ended June 30, 2012**

This section contains the current status of our prior audit recommendations. The recommendations are referenced to the pages of the previous audit report for the fiscal year ended June 30, 2011, dated December 15, 2011.

**SECTION II - FINANCIAL STATEMENT FINDINGS**

<u>Recommendations</u>	<u>Status</u>
<p><b>2011-01    Compile Vacation and Sick Leave Records Properly</b> (page 31)</p> <p>The County should validate the amounts of vacation and sick leave balances being reported against the personnel and payroll records to ensure accuracy and completeness before reporting the balance to the Department of Finance. The County should implement a standardized process and schedule to track employees' leave hours. The County should also increase the number of random quality control reviews of leave records to ensure that vacation and sick leave records are accurately reported.</p>	<p>Not accomplished. Refer to finding 2012-01.</p>

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

<u>Recommendations</u>	<u>CFDA Number</u>	<u>Status</u>
<p><b>2011-02    Ensure that Equipment Acquisitions Funded by Federal Awards are Properly Recorded</b> (page 32)</p> <p>The County should ensure that all agencies comply with the established procedures to properly report fixed assets to the Department of Finance.</p>	<p><b>11.555</b></p>	<p>Accomplished.</p>

**PART V**  
**CORRECTIVE ACTION PLAN**

**Bernard P. Carvalho, Jr.**  
Mayor



**Wallace G. Rezendes, Jr.**  
Director of Finance

**Gary K. Heu**  
Managing Director

**Sally A. Motta**  
Deputy Director of Finance

**DEPARTMENT OF FINANCE**  
**County of Kaua'i, State of Hawai'i**  
4444 Rice Street, Suite 280, Lihu'e, Hawai'i 96766  
TEL (808) 241-4200 FAX (808) 241-6529

December 12, 2012

Ronald T. Shiigi  
N & K CPAs, Inc.  
American Savings Bank Tower  
1001 Bishop Street, Suite 1700  
Honolulu, HI 96813-3696

Dear Mr. Shiigi:

Attached are the County of Kaua'i's responses and corrective action plans related to your fiscal year 2012 audit report *Single Audit Report's* Current Finding and Recommendations. We appreciate the opportunity to comment on the audit report.

Sincerely,

Wallace G. Rezendes Jr.  
Director of Finance

Attachment

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Ref No. 2012-01      COMPILE VACATION AND SICK LEAVE RECORDS PROPERLY**

Auditor’s Recommendation:      The County should validate the amounts of vacation and sick leave balances being reported against the personnel and payroll records to ensure accuracy and completeness before reporting the balance to the Department of Finance. The County should implement a standardized process and schedule to track employees’ leave hours. The County should also increase the number of random quality control reviews of leave records to ensure that vacation and sick leave records are accurately reported.

Corrective Action:      The County acknowledges that the vacation and sick leave monitoring and reporting activity needs to be strengthened to reduce the risk of errors, especially as it is governed by various acts, regulations, policies, collective bargaining agreements, directives and guidelines. The County intends to initiate utilization of the existing accrual system which automatically calculates each employees leave entitlements such as vacation and sick leave credits based on their respective collective agreements. The County intends to provide random quality monitoring and reporting controls to support departments proper processing of leave transactions.

End Date:      On-going

Responding Person:      Wallace G. Rezendes Jr., Director of Finance  
(808)-241-4200

**Ref No. 2012-02      RECOGNIZE TAX APPEALS FILED IN THE PERIOD TAXES ARE PAID**

Auditor’s Recommendation:      The County should establish procedures to ensure that the balance in the Real Property Trust Fund is properly stated which would include reconciling the balance to the active appeals at fiscal year end.

Corrective Action:      All funds being transferred between Real Property Trust Account and the County General Account will now require a second approval from the Real Property Review Officer prior to actual transfer being processed. A minimum of one transfer will be completed prior to the closing date of the fiscal year to insure all funds are transferred in the actual year of appeal.

End Date:      On-going

Responding Person:      Sally Motta, Deputy Director of Finance, Department of Finance  
Phone: (808) 241-4281

**Ref No. 2012-03                    RECONCILE REAL PROPERTY TAX TRUST FUND ACCOUNT**

Auditor’s Recommendation:            The County should establish procedures to ensure that the balance in the Real Property Tax Trust Fund is properly stated which would include reconciling the report of active and open appeals to the balance in the trust fund at fiscal year end. The reconciliation of the account should be done monthly with the bank reconciliation and should support the balance in the account.

Corrective Action:                    Appeals Litigated Funds Report will be run on a **monthly** basis and reconcile with the Treasury Trust Fund Bank Statement and will be reconciled with the bank balance on a monthly basis.

End Date:                                On-going

Responding Person:                    Sally Motta, Deputy Director of Finance, Department of Finance  
Phone: (808) 241-4281

**Ref No. 2012-04                    PROPERLY RECORD AND MAINTAIN HOUSING RECORDS**

Auditors Recommendations:            The County should establish procedures to ensure that the capital asset records of the County are properly stated. These procedures should include reconciling the balance reported in the financial statements to the capital asset records of the county. In addition, the County should establish procedures to ensure that development agreements are reviewed for proper recording of the expenditures.

Corrective Action:                    The Housing Agency will establish procedures to include reviews of development agreements in determination of cost recordation. The Housing Agency will work with the Finance department to establish procedures for the reconciling of balances related to capital asset land costs and inventory balances.

End Date:                                On-going

Responding Person:                    Kamuela Cobb-Adams, Housing Director  
Phone: (808) 241-4418

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Ref No. 2012-05      PROPERLY IDENTIFY ALL FEDERAL PROGRAMS**

Auditor’s Recommendation:      The County should ensure that all federal programs are properly identified. The County receives various funding from the State departments, and should ensure that any federal funds are properly identified and reported in accordance with OMB Circular A-133.

Corrective Action:      In the past, the Capitalization Grants for Clean Water State Revolving Funds (CWSRFs) were treated solely as loans. Loan documents were processed at the County level not grant award documents, it was thought to have been loans and was not reported on the SEFA. With the identification of this finding we will on the current Schedule of Expenditures of Federal Awards (SEFA) and future SEFA’s report on the amounts that were drawn down over the fiscal year being audited. A review of other programs or funding that may be similar in nature will be conducted by the end of this calendar year by the Budget Analyst in Finance, to ensure that future reporting of this nature is accurate on the SEFA.

End Date:      On-Going

Responding Person:      Ann M.K. Wooton, Budget Analyst, Department of Finance  
Phone (808) 241-4213

**Ref No. 2012-06      CERTIFICATION FOR FEDERALLY FUNDED EMPLOYEES**

Auditor’s Recommendations:      The County should obtain semi-annual certifications from all employees that spend 100% of their time on federally funded grants, confirming that they worked solely on grant related activities. The certification should be signed by either the employees or their supervisors.

Corrective Action:      For HUD Section 8 employees, we have included a certification on our timesheets that attest to Section 8 employees spending 100% of their time on the Section 8 Program. The timesheet is signed by the employee and the Department Head.

End Date:      On-going

Responding Person:      Kamuela Cobb-Adams, Housing Director  
Phone: (808) 241-4418

**Ref No. 2012-07 IDENTIFICATION OF SUBRECIPIENT EXPENDITURES**

Auditor’s Recommendations: The County should implement policies and procedures to review current fiscal year expenditures to identify expenditures provided to subrecipients and ensure that those expenditures are supported by subrecipient activity.

Corrective Action: The Housing Agency has a process in place to ensure that the payments to sub recipients are properly supported. Sub recipient expenditures will be identified and provided to Grants Program Manager for the SEFA notes at year end. Housing will have the breakdown of expenditures provided for the SEFA notes available for review.

End Date: On-going

Responding Person: Kamuela Cobb-Adams, Housing Director  
Phone: (808) 241-4418

**Ref No. 2012-08 FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA) REPORTING**

Auditor’s Recommendations: The County should implement policies and procedures to comply with federal regulations and submit the required FFATA reports for the program.

Corrective Action: The Housing Agency is scheduled to meet with neighbor island Community Development Block Grant (CDBG) colleagues and staff from the Housing and Urban Development (HUD), Honolulu Field Office on December 6, 2012, to receive guidance and instructions on the requirements for Federal Funding Accountability and Transparency Act (FFATA) reporting. Upon completion of guidance and training, we will commence FFATA reporting for Program Year 2013 awards.

End Date: On-going

Responding Person: Kamuela Cobb-Adams, Housing Director  
Phone: (808) 241-4418

**Ref No. 2012-09                      RECONCILE FEDERAL EXPENDITURES**

Auditor’s Recommendation:                      The Department should follow the County’s established policies and procedures to reconcile financial reports to the general ledger accounting system.

Corrective Action:                      The Transportation Agency acknowledges this weakness, has consulted with the Finance Department for training on the general ledger accounting system, and will follow the County’s established policies and procedures to reconcile financial reports to the general ledger accounting system. The Agency is conducting a thorough review of the financial reports in question to reconcile them to the general ledger accounting system.

End Date:                      On-going

Responding Person:                      Celia Mahikoa, Executive on Transportation  
(808) 246-8110

**Ref No. 2012-10                      IMPROVE CONTROLS OVER MATCHING**

Auditor’s Recommendation:                      The Department should follow the County’s established policies and procedures to reconcile financial reports to the general ledger accounting system.

Corrective Action:                      The Transportation Agency acknowledges this weakness, and has consulted with the Finance Department for achieving the most effective controls over matching. The Agency will follow the County’s established policies and procedures to reconcile financial reports to the general ledger accounting system.

End Date:                      On-going

Responding Person:                      Celia Mahikoa, Executive on Transportation  
(808) 246-8110