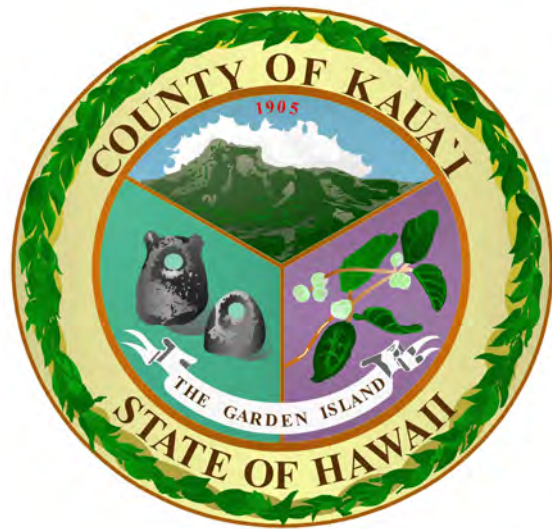


SINGLE AUDIT REPORTS

of the

County of Kaua'i, Hawai'i



**For the Fiscal Year Ended
June 30, 2009**

December 16, 2009

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

We have completed our audit of the basic financial statements of the County of Kaua'i, Hawai'i (the County), as of and for the year ended June 30, 2009. Our report containing our opinion on those basic financial statements is included in the County's Comprehensive Annual Financial Report. We transmit herewith our reports on internal control and compliance with applicable laws and regulations in accordance with the Single Audit Act of 1984, as amended, and the provisions of the US Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Objectives and Scope of Examination

The primary objective of our audit was to form an opinion as to whether the above mentioned financial statements present fairly the financial position of the County as of June 30, 2009 and the results of its operations for the year then ended.

Our audit was made in accordance with the specifications as outlined in the Request for Proposals for Professional Financial Auditing Services for Fiscal Years 2008-2010.

The scope of the audit was as follows:

1. Conduct a financial audit of the County to provide a basis to report on the fair presentation of the County's basic financial statements.
2. Provide an "in-relation-to" report on the combining and individual non-major fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements.
3. Provide an "in-relation-to" report on the Schedule of Expenditures of Federal Awards based on the auditing procedures applied during the audit of the basic financial statements. The Schedule of Expenditures of Federal Awards and related report, as well as the reports on the internal controls and compliance were not included in the Comprehensive Annual Financial Report, but were issued separately.



Our audit was performed in accordance with auditing standards generally accepted in the United States of America as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the US General Accounting Office's *Government Auditing Standards*, the provisions of the Single Audit Act of 1984, as amended, and the provisions of the US Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

We have also reviewed and updated the findings and other weaknesses identified in the County's financial statement audit for the fiscal year ended June 30, 2008.

Organization of Report

This Single Audit Report includes the following:

- 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*
- Independent Auditors' Report on Compliance with Requirements Applicable to 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
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings

The basic financial statements and related notes, along with other financial information of the County, as of and for the year ended June 30, 2009, and our opinion as to the fairness of the presentation of those statements are included in a separate report dated December 16, 2009. We have also included our comments on matters relating to the County's internal control and operations in a separate report also dated December 16, 2009.

We would like to take this opportunity to thank the staff of the County for their courteous cooperation and assistance during our audit.

RC HOLSINGER ASSOCIATES, P.C.

RC Holsinger Associates, P.C.

Honolulu, Hawai'i
December 16, 2009

COUNTY OF KAUAI, HAWAII
SINGLE AUDIT REPORTS
JUNE 30, 2009

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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
Līhu'e, 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 year ended June 30, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 16, 2009. 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.

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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential, will not be prevented or detected by the County's internal control.

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

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Personally
Implemented.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 09-01 and 09-02.

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

RC HOLSINGER ASSOCIATES, P.C.

A handwritten signature in black ink that reads "RC Holsinger Associates, P.C." in a cursive, slightly slanted font.

Honolulu, Hawai'i
December 16, 2009

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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
Līhu'e, Kaua'i, Hawai'i

Compliance

We have audited the compliance of the County of Kaua'i, Hawai'i (the County) with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 09-01 and 09-02.



Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be a significant deficiency or a material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, 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, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 16, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The County's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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, the County Council of Kaua'i, 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.

RC HOLSINGER ASSOCIATES, P.C.

RC Holsinger Associates, P.C.

Honolulu, Hawai'i
December 16, 2009

COUNTY OF KAUAI, HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-through Grantor/Title</u>	<u>CFDA Number</u>	<u>Grant Project Number</u>	<u>Program or Award Amount</u>	<u>Current Year Expenditure Amount</u>	<u>Total Cumulative Expenditures</u>	<u>Grant Balance</u>
US DEPARTMENT OF AGRICULTURE						
Passed Through State Department of Land and Natural Resources						
Cooperative Fire Assistance						
Volunteer Fire Assistance (F08016)		07-DG-11052012-109	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Volunteer Fire Assistance (F09001)		08-DG-11052012-160	50,000	6,557	6,557	43,443
Total Cooperative Fire Assistance	10 664		100,000	56,557	56,557	43,443
TOTAL US DEPARTMENT OF AGRICULTURE			\$ 100,000	\$ 56,557	\$ 56,557	\$ 43,443
US DEPARTMENT OF COMMERCE						
Passed Through Office of State Planning						
Coastal Zone Management Program Administration Grants						
Coastal Zone Management						
Fiscal year 2001		HCZM01	\$ 237,838	\$ 2,318	\$ 235,438	\$ 2,400
Fiscal year 2008		Z08001	285,155	7	285,155	-
Fiscal year 2009		Z09002	307,601	267,697	267,697	39,904
Fiscal year 2010		Z10001	287,721	161	161	287,560
Total Coastal Zone Management	11 419		1,118,315	270,183	788,451	329,864
EDA Special Project Funding						
Fishbowl Training Facility	11 300	D08011	480,000	295,608	296,511	183,489
TOTAL US DEPARTMENT OF COMMERCE			\$ 1,598,315	\$ 565,791	\$ 1,084,962	\$ 513,353
US DEPARTMENT OF ENERGY						
Passed Through State Department of Business, Economic Development and Tourism						
Energy Extension Service						
EES Administration 2008		D08059	\$ 65,769	\$ 2,252	\$ 65,769	\$ -
EES Administration 2009		D09059	72,269	61,162	61,162	11,107
Total Energy Extension Service	81 041		138,038	63,414	126,931	11,107
Rebuild America Training, Fiscal year 2001	81 119	REBU01	29,906	56	27,874	2,032
TOTAL US DEPARTMENT OF ENERGY			\$ 167,944	\$ 63,470	\$ 154,805	\$ 13,139
US DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through State Executive Office on Aging						
Special Programs for the Aging - Title III, Part C						
HP3D 2009		E09006	\$ 7,601	\$ 4,276	\$ 4,276	\$ 3,325
HP3D 2008		E08007	7,678	7,437	7,678	-
C2 KE0 2008		E08006	76,945	4,195	66,952	9,993
C2 KE0 2009		E09005	83,933	6,406	6,406	77,527
C1 KE0 2007 - AREA		E07011	113,197	54,004	93,915	19,282
HP3D07		E07003	7,799	1,221	7,799	-
CONG 2007		E07002	45,928	14,655	17,983	27,945
Home Delivered Nutrition Services, Fiscal year 2009		E09012	65,000	42,776	42,776	22,224
Home Delivered Nutrition Services, Fiscal year 2007		E07008	75,082	308	75,082	-
C1 KE0 2008		E08004	51,937	3,664	36,797	15,140
Total Title III, Part C	93 045		535,100	138,942	359,664	175,436
Special Programs for the Aging - Title III, Part B						
Grants for Supportive Services						
I & R Area 2009 Salary		E09001	110,628	87,793	110,625	3
C1 AEA 2009		E09003	93,212	44,316	44,316	48,896
C1 AEA 2008		E08005	46,146	471	46,146	-
AREA 2010		E10001	109,950	21,098	21,098	88,852
AREA 2009		E09002	105,000	51,771	51,771	53,229
AREA 2008		E08003	104,984	53,229	104,984	-
Total Title III, Part B	93 044		569,920	258,678	378,940	190,980

See notes to the schedule of expenditures of federal awards.

COUNTY OF KAUAI, HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
US DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)						
Special Programs for the Aging - Title III, Part E						
FCG Support Group		E07015	\$ 9,300	\$ (825)	\$ 8,975	\$ 325
FCG Group train CARE		E07014	10,960	4,892	8,676	2,284
Caregiver FY 2006		E06003	28,535	20,916	26,714	1,821
FCG Day Care		E06004	20,000	14,559	20,000	-
Care 2007		E07004	15,384	398	15,384	-
FGC Counseling		E07013	9,400	4,982	9,118	282
FCG Info serv		E07016	10,050	750	5,750	4,300
OUTREACH 2008		E08002	37,889	745	37,888	1
3E CARE ELDER		E10007	40,481	258	258	40,223
3E 2009 Care Elderly		E09008	53,975	15,337	25,022	28,953
CARE AEA & RESPITE		E08008	53,877	26,745	34,181	19,696
Total Title III, Part E	93 130		289,851	88,757	191,966	97,885
Special Programs for the Aging - Title III, Part D						
Enhance Fitness 2007		E07006	53,190	12,286	53,188	2
Enhance Fitness 2008		E08011	54,173	32,856	54,173	-
Health Promotion, Fiscal year 2006		HP3D06	9,579	301	9,579	-
Total Title III, Part D	93 043		116,942	45,443	116,940	2
Administration on Aging - Special Programs for the Aging						
Title IV and Title II Discretionary Projects						
CDSMP Grant 2009		E09010	8,000	5,508	5,508	2,492
Enhance Fitness 2008		E09011	74,000	32,634	33,034	40,966
Total Title IV and Title II Discretionary	93 048		82,000	38,142	38,542	43,458
Administration on Aging - Nutrition Service Incentive Program						
Food Distribution						
NSIP 09		E09007	45,003	20,501	20,501	24,502
NSIP08		E08009	45,798	26,338	45,798	-
Total Food Distribution	93 053		90,801	46,839	66,299	24,502
Passed Through Department of Human Services State of Hawaii						
TANF Dad's Coalition Project	93 558	R08002	4,500	4,400	4,400	100
Passed Through Office of State Attorney General						
Child Support Enforcement: Title IV, Part D						
Child Support Enf FY 07		S07001	276,805	11,175	247,533	29,272
Child Support Enf FY86-88		A70088	556,967	(68)	450,965	106,002
Total Title IV, Part D	93 563		833,772	11,107	698,498	135,274
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 2,522,886	\$ 632,308	\$ 1,855,249	\$ 667,637
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed Through State Department of Business, Economic Development and Tourism						
Home Investment Partnerships Program, Title II						
Fiscal year 1998		HIPA98	\$ 963,000	\$ 12,960	\$ 963,000	\$ -
Fiscal year 1999		HIPA99	963,000	168,153	963,000	-
Fiscal year 2000		HIPA00	963,000	679,764	963,000	-
Fiscal year 2001		HIPA01	963,000	163	644,972	318,028
Fiscal year 2002		HIPA02	972,400	157,524	795,985	176,415
Fiscal year 2003		HIPA03	1,547,034	372,633	1,542,497	4,537
Fiscal year 2004		HIPA04	1,069,380	427,489	998,639	70,741
Fiscal year 2005		HIPA05	1,006,556	143,296	647,256	359,300
Fiscal year 2006		HIPA06	996,172	741,081	900,631	95,541
Fiscal year 2007		HIPA07	995,755	396,619	396,619	599,136
Program Income		HIPAXX	4,966,800	951,437	3,814,980	1,151,820
Total Home Investment Partnerships Program, Title II	14 239		15,406,097	4,051,119	12,630,579	2,775,518

See notes to the schedule of expenditures of federal awards.

COUNTY OF KAUAI, HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)						
Direct Programs						
Lower Income Housing Assistance Program						
Section 8 - Housing Choice Vouchers (252 Fund)	14 871		\$ 7,011,646	\$ 6,687,752	\$ 6,687,752	\$ 323,894
Community Development Block Grants						
Small Cities Program						
Disaster program income		CDBGDX	2,278,365	617,010	1,540,875	737,490
Fiscal year 2003		CDBG03	900,000	4,913	900,000	-
Fiscal year 2004		CDBG04	936,201	4,360	936,201	-
Fiscal year 2005		CDBG05	892,821	35,750	749,423	143,398
Fiscal year 2006		CDBG06	806,848	5,960	806,848	-
Fiscal year 2007		CDBG07	812,305	214,428	647,490	164,815
Fiscal year 2008		H08004	793,056	406,707	406,707	386,349
Neighborhood Stabilization Grant NSP1		H09001	4,745,800	80,015	80,015	4,665,785
Program Income		CDBGXX	1,565,433	25,000	1,120,373	445,060
Total Non-entitlement grants in Hawai'i	14 228		13,730,829	1,394,143	7,187,932	6,542,897
Special Projects Grant, EDI-SP	14 246	TECH04	497,050	40,474	497,050	-
TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 36,645,622	\$ 12,173,488	\$ 27,003,313	\$ 9,642,309
US DEPARTMENT OF JUSTICE						
Passed Through Office of State Attorney General						
Crime Victims Assistance Grants						
Victims of Crime, Fiscal Year 2006		A07021	\$ 186,841	\$ 58,732	\$ 186,841	\$ -
VOCA Exp Project		A09021	186,840	168,505	168,505	18,335
Total Crime Victims Assistance Grants	16 575		373,681	227,237	355,346	18,335
Byrne Formula Grant Program						
Statewide Narcotics Task Force, Fiscal year 2007		P08005	16,000	14,661	15,987	13
Statewide Narcotics Task Force, Fiscal year 2008		P09005	16,000	5,250	5,250	10,750
Statewide Marijuana Task Force, Fiscal year 2007		P08004	26,396	13,401	26,377	19
Statewide Marijuana Task Force, Fiscal year 2008		P09004	28,264	12,999	12,999	15,265
US DOJ/DEA DCE/SP Program 2009 LOA # 2009-67		P09001	160,000	41,663	41,663	118,337
US DOJ/DEA DCE/SP Program 2008		P08001	151,000	65,667	129,028	21,972
High Intensity Drug Traffic, Fiscal year 2007		P07003	47,210	4,499	47,210	-
High Intensity Drug Traffic, Fiscal year 2008		P08003	45,794	27,124	41,255	4,539
High Intensity Drug Traffic, Fiscal year 2009		P09003	31,125	4,265	4,265	26,860
Total Byrne Formula Grants	16 579		521,789	189,529	324,034	197,755
Edward Byrne Memorial Grants-State and Local Law Enforcement						
Property Crime Prosecution Unit PCPU		A09009	70,740	32,979	32,979	37,761
SANE 2007/2008		P07029	23,250	20,542	20,542	2,708
Stop Violence Against Women, Fiscal year 2007		A07005	46,823	637	46,823	-
Stop Violence Against Women, Fiscal year 2006		SVAW06	46,811	1,135	46,811	-
Domestic Violence Prosecuting Unit		A09008	21,762	18,539	18,539	3,223
Violence Against Women		A09005	46,403	25,515	25,515	20,888
Computer Enhanced Training (JAG005)		2005-DJ-BX-1465	45,370	6,317	45,309	61
Bryne Jag PGM, FY 08 PCPU		A08004	31,788	2,853	31,788	-
Bryne Jag PGM, FY 08 DVPU		A08006	47,085	19,035	47,085	-
Bryne Jag PGM PCPU - Special 01/08-12/08		A08009	118,000	67,118	118,000	-
Bryne Jag PGM DVPU - Special 02/08-12/08		A08008	52,892	30,549	52,892	-
Bryne Jag PGM Supplemental DVPU		A08005	18,127	1,512	18,127	-
Total Stop Violence Against Women Grants	16 588		569,051	226,731	504,410	64,641

See notes to the schedule of expenditures of federal awards.

COUNTY OF KAUAI, HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-through Grantor/Title	CFDA Number	Grant Project Number	Program or Award Amount	Current Year Expenditure Amount	Total Cumulative Expenditures	Grant Balance
US DEPARTMENT OF JUSTICE (continued)						
JAG 2007 Subpoena Services	16 738	A08001	\$ 44,074	\$ 22,075	\$ 22,870	\$ 21,204
Teen Court Hale Opio	16 540	A07004	126,465	29,042	126,464	1
Passed Through State Office of Health and Human Services						
Youth Accountability Incentive Block Grant						
Youth Life Skill Inventory (YLSI)	16 523	A09007	10,000	10,000	10,000	-
Community Oriented Policing Services						
Passed Through Hawai'i Community Foundation						
Education and prevention						
HCF, Drug Response Plan Year One		HCFMAY	81,000	2	81,000	-
HCF Drug Response Plan Year Two		M07004	90,000	1,369	77,303	12,697
HCF KPD Crystal Meth 2008 - Year Two		P08002	250,000	119,160	235,370	14,630
Parks and Rec Year Two HCF meth grant		R08001	60,000	59,067	60,000	-
Total COPS Education and prevention	16 710		481,000	179,598	453,673	27,327
Title V Delinquency Prevention Program OJJDP						
Passed Through Office of Youth Services - State of Hawai'i						
Big Brothers and Sisters Title V Program	16 548	M07002	120,000	70,000	115,000	5,000
Drug Enforcement						
Green box RMS Interface/Records Management	16 000	P07028	71,481	42,888	71,480	1
TOTAL US DEPARTMENT OF JUSTICE			\$ 2,317,541	\$ 997,100	\$ 1,983,277	\$ 334,264
US DEPARTMENT OF LABOR						
Passed Through State Department of Labor and Industrial Relations						
Reed Act Agreement Reed-06-K	17 803	D07070	\$ 1,258,994	\$ 732,748	\$ 1,073,309	\$ 185,685
Workforce Investment Act						
Adult Program-Local area funds, Title I, FY 2006						
		WIAAP6	197,245	11,907	197,245	-
Adult Program-Local area funds, Title I, FY 2007		D07050	172,472	6,697	172,234	238
Adult Program-Local area funds, Title I, FY 2008		D08050	157,147	20,639	147,058	10,089
Adult Program-Local area funds, Title I, FY 2009		D09050	119,078	81,569	81,569	37,509
Total Adult Program	17 258		645,942	120,812	598,106	47,836
Dislocated Workers, FY 2006						
		WIADW6	78,720	495	78,720	-
Dislocated Workers, FY 2007		D07051	64,001	2,047	57,251	6,750
Dislocated Workers, FY 2008		D08051	103,082	(1,003)	94,360	8,722
Dislocated Workers, FY 2009		D09051	47,048	41,386	41,386	5,662
Total Dislocated Workers	17 260		292,851	42,925	271,717	21,134
Youth Program 2007 (OUT)						
		D07061	102,517	4,309	100,364	2,153
Youth Program 2007 (IN)		D07060	49,232	5,709	45,246	3,986
Youth Program 2008 (IN)		D08060	38,818	(585)	34,602	4,216
Youth Program 2008 (OUT)		D08061	80,868	2,456	76,650	4,218
Youth Program 2009 (IN)		D09061	12,268	5,279	5,279	6,989
Youth Program 2009 (OUT)		D09060	90,989	59,202	59,202	31,787
Total Youth Activities	17 259		374,692	76,370	321,343	53,349
Administrative, FY 2008						
		D08049	42,212	9,678	37,126	5,086
Administrative, FY 2007		D07049	43,134	8,437	36,013	7,121
Administrative, FY 2009		D09049	49,932	37,216	37,216	12,716
Total Administrative			135,278	55,331	110,355	24,923
Total Workforce Investment Act			1,448,763	295,438	1,301,521	147,242
TOTAL US DEPARTMENT OF LABOR			\$ 2,707,757	\$ 1,028,186	\$ 2,374,830	\$ 332,927

See notes to the schedule of expenditures of federal awards.

COUNTY OF KAUAI, HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-through Grantor/Title</u>	<u>CFDA Number</u>	<u>Grant Project Number</u>	<u>Program or Award Amount</u>	<u>Current Year Expenditure Amount</u>	<u>Total Cumulative Expenditures</u>	<u>Grant Balance</u>
US DEPARTMENT OF TRANSPORTATION						
Passed Through State Department of Transportation						
Public Transportation for Nonurbanized Areas						
Federal Transit Administration, Section 5311						
FTA Kaua'i BASEYARD		FTA015	\$ 3,010,000	\$ (3)	\$ 3,010,000	\$ -
FTA BUS HI18x023		FTA023	301,881	32,308	301,881	-
FTA 5311 Grant 2009		T09001	513,023	408,369	408,369	104,654
FTA HI-18-X025 OPS 2008		T08001	488,131	(18,933)	465,131	23,000
Total Public Transportation, Section 5311	20 509		4,313,035	421,741	4,185,381	127,654
Federal Transit Administration, Section 5309						
FTA Federal Transit Administration		FTA039	1,457,667	350,063	933,518	524,149
FTA Section 5309 Facilities		T07001	1,485,000	452,221	519,859	965,141
Total Federal Transit Administration 5309	20 500		2,942,667	802,284	1,453,377	1,489,290
Highways Planning and Construction (Federal-Aid Highway Program)						
Bridge Replacement - Off system						
Omao/Puuopae/Kilauea Bridge BR-0700(32)		OMAO (410)	10,273,042	5,246,181	8,993,949	1,279,093
Bridge Insp-Variou BR-NBIS(33)		NBIS33 (410)	88,000	105	79,936	8,064
Statewide Transportation Improvement Program						
Kokee Rd Resurfacing STP-0552(3)		W09018 (410)	160,000	28,640	28,640	131,360
Ahukini to Lydgate bikepath STP-0700(51)		AHULYD (410)	625,000	9,157	430,002	194,998
Kapa'a-Kaua'i Bikepath STP-0700(48)		STP048 (410)	13,810,000	812,859	13,278,645	531,355
Lydgate-Kapa'a Bikepath CMAW-0700(49)		LYDKAP (410)	2,941,654	488,204	1,938,840	1,002,814
ADA Curb Ramps CMAQ-0700 (52)		CMAQ52 (410)	2,809,476	1,529,776	2,218,347	591,129
Ala Kinoiki Road STP-0522(1)		ALAKIN (410)	1,930,288	1,950	1,867,062	63,226
FHWA Emergency Evacuation Road PL-0700(55)		GPSGIS (410)	327,403	24,824	224,825	102,578
Kuna Bay-Anahola Bikepath CMAQ-0700(56)		KUNABA (410)	390,000	189	69,535	320,465
Nawiliwili/Ahukini Bikepath CMAQ-0700(57)		NAWAHU (410)	630,001	9,367	228,397	401,604
Total Highways Planning and Construction	20 205		33,984,864	8,151,252	29,358,178	4,626,686
State and Community Highway Safety						
Highway Safety Grant - Prosecutors		A09010	8,230	4,915	4,915	3,315
Roadblock funds 2008/2009		P08013	11,000	1,468	6,268	4,732
Roadblock PGM 2009		P09010	62,500	32,915	32,915	29,585
KPD Roadblock PGM 2008		P08010	46,000	7,879	37,408	8,592
KPD Seatbelt Program 2009		P09014	35,170	25,217	25,217	9,953
KPD Seatbelt Program 2008		P08011	31,170	137	14,608	16,562
Speed Enforcement 2009		P09012	46,075	27,746	27,746	18,329
Speed Enforcement 2008		P08012	40,075	17,112	29,885	10,190
KPD Traffic Services 2009		P09013	8,000	5,499	5,499	2,501
Traffic Data 2009		P09009	51,800	2,020	2,020	49,780
Traffic Data 2008		P08009	51,200	11,933	16,616	34,584
DOT SA08-0804-K-01 - Prosecutors		A08010	2,804	1,318	2,804	-
Total State and Community Highway Safety	20 600		394,024	138,159	205,901	188,123
TOTAL US DEPARTMENT OF TRANSPORTATION			\$ 41,634,590	\$ 9,513,436	\$ 35,202,837	\$ 6,431,753
CORPORATION FOR NATIONAL SERVICE						
Direct Program						
Retired Senior Volunteer Program (RSVP)						
Title II, Part A, Older Americans Volunteer Program						
RSVP - Calendar year 2009 - 09SRPHI002		E09013	\$ 76,271	\$ 30,056	\$ 30,056	\$ 46,215
RSVP - Calendar year 2008		E08012	76,271	16,108	76,271	-
TOTAL CORPORATION FOR NATIONAL SERVICE			\$ 152,542	\$ 46,164	\$ 106,327	\$ 46,215

See notes to the schedule of expenditures of federal awards.

COUNTY OF KAUAI, HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-through Grantor/Title</u>	<u>CFDA Number</u>	<u>Grant Project Number</u>	<u>Program or Award Amount</u>	<u>Current Year Expenditure Amount</u>	<u>Total Cumulative Expenditures</u>	<u>Grant Balance</u>
US DEPARTMENT OF HOMELAND SECURITY						
Federal Emergency Management Agency						
Assistance to Fire Fighters Grant Program (AFG) Fire Grants						
AFG - Burn Trailer - EMW-2006-FG-16655		F08014	\$ 264,744	\$ 264,744	\$ 264,744	\$ -
SAFER Grant - EMW-2009-FF-00748		F09SFR	1,625,700	114,053	114,052	1,511,648
Total Assistance to Fire Fighters Grant Program	97 044		1,890,444	378,797	378,796	1,511,648
FEMA Project Impact						
Project Impact - Hazard Mitigation Strategy (IMPACT)	83 544	EMF-2000-GR-0010	274,651	(5,746)	264,651	10,000
Passed Through State Department of Defense						
Civil Defense - State and Local Emergency						
Hazard Mitigation grant program (HMGP)						
Critical Infrastructure GIS Hazard Mitigation Grant		X08001	206,250	80,392	122,148	84,102
Wind Design Code Project - PDMC-09-HI-2005		WINDDC	135,000	90,000	135,000	-
Total Hazard Mitigation Grant Program	97 039		341,250	170,392	257,148	84,102
Passed Through State Department of Defense						
Disaster Grants Public Assistance						
FEMA 1814-DR Flood		C09001	4,715	4,713	4,713	2
Kiholo Earthquake		X08101	861	861	861	-
FEMA Disaster 1640 Dr Hi		X07006	1,419,163	62,628	1,002,564	416,599
Total Disaster Grants/Public Assistance	97 036		1,424,739	68,202	1,008,138	416,601
Passed Through State Department of Defense						
Emergency Management Performance Grant						
Emergency Management Performance Grant FY 08/09	97 042	C08500	71,860	71,860	71,860	-
Passed Through State Department of Defense						
Homeland Security Grant Program/State Homeland Security						
HSCCP 2005	97 067	HSCCP5	23,055	20,249	23,055	-
Homeland Security, Part I	97 067	CBRNE3	479,400	(102,380)	479,400	-
Homeland Security, Part II	97 067	SHSGP3	2,156,379	219,613	2,156,379	-
Homeland Security 2005	97 067	SHSGP5	1,090,863	109,899	1,090,863	-
State Homeland Security	97 004	HSGSTA	1,955,310	327,827	1,955,309	1
Homeland Security Grant	97 004	C06100	832,000	262,520	285,511	546,489
Homeland Security Grant 2007	97 004	C07100	922,877	264,054	264,054	658,823
Law Enforcement Terrorism Prevention Program	97 053	HSGLET	301,356	19,992	301,356	-
Law enforcement Terrorism Prevention Program	97 067	LETTP5	300,993	6,166	300,992	1
Law Enforcement Terrorism Prevention Program 2007	97 067	C07200	401,840	9,832	9,832	392,008
Law Enforcement Terrorism Prevention Program 2006	97 067	C06200	268,000	246,553	246,553	21,447
Citizen Corp 2002 (Current CFDA # 97 067 for CCP)	97 053	CERT02	102,573	(614)	102,573	-
Citizen Corp 2006	97 067	C06300	38,582	15,308	15,308	23,274
Total Homeland Security Grant program			8,873,228	1,399,019	7,231,185	1,642,043
TOTAL US DEPARTMENT OF HOMELAND SECURITY			\$ 12,876,172	\$ 2,082,524	\$ 9,211,778	\$ 3,664,394
TOTAL ALL FEDERAL PROGRAMS			\$ 100,723,369	\$ 27,159,024	\$ 79,033,935	\$ 21,689,434

Notes for credit entries greater than (\$1,000)
CBRNE3 - Credit in amount of (\$102,380) - expense moved to benefit above award
IMPACT - Credit in amount of (\$5,746) - Grant closing entry moving expense out of grant
T08001 - Credit in amount of (\$18,933) - moving expense to correct grant year

See notes to the schedule of expenditures of federal awards.

COUNTY OF KAUAI, HAWAII
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity 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*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Subrecipients

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

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
US Department of Labor		
Workforce Investment Act Youth Activities	17.259	\$ 103,257
Workforce Investment Act Adult Program	17.258	119,078
Workforce Investment Act Dislocated Workers	17.260	<u>47,048</u>
Total US Department of Labor		269,383
US Department of Housing and Urban Development		
Community Development Block Grant/State Programs and Non-entitlement Grants in Hawai'i	14.228	203,988
US Department of Health and Human Services		
Special Programs for the Aging, Title III, Part B, Grants for Supporting Services	93.044	105,000
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	111,353
Special Programs for the Aging, Title III, Part D	93.043	13,235
Special Programs for the Aging, Title III, Part E	93.130	<u>76,831</u>
Total US Department of Health and Human Services		<u>306,419</u>
Grand Total		<u>\$ 779,790</u>

COUNTY OF KAUAI, HAWAII
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
JUNE 30, 2009

3. Loans Outstanding

The County had the following newly issued loan balances outstanding as of June 30, 2009. These loan program amounts are also included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

<u>Cluster/Program Title Outstanding</u>	<u>CFDA Number</u>	<u>Amount</u>
Home Investment Partnership Program	14.239	\$ 17,234
Community Development Block Grants	14.228	<u>140,366</u>
Grand Total		<u>\$ 157,600</u>

COUNTY OF KAUAI, HAWAII
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified: __yes √no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? __yes √none reported
- Noncompliance material to financial statements noted: __yes √no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? __yes √no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? __yes √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 Circular A-133? __yes √no

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
	<i>Department of Housing and Urban Development</i>
14.871	Section 8 Housing Choice Vouchers
14.228	Community Development Block Grant/Small Cities Program
14.239	Home Investment Partnership Program
	<i>Department of Labor</i>
17.803	Uniformed Services Employment and Reemployment Rights
	<i>Department of Homeland Security</i>
97.004	State Homeland Security Grant Program
	<i>Department of Transportation</i>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs? \$814,771

Auditee qualified as low-risk auditee? __yes √no

COUNTY OF KAUAI, HAWAII
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Section II - Financial Statement Findings

Finding No.: 09-01

Questioned Costs: None

Grants Management

Requirement: Grants reimbursements must be filed in accordance with specific grant provisions.

Condition: Twenty grant programs were tested for compliance. Of the twenty tested programs, one failed to submit timely reimbursement reports.

Cause: The reimbursing agency is in the process of restructuring, causing a delay in the County's reconciliation process which is required before reimbursement is submitted.

Effect: Failure to properly track grant activities can impair planning and budgeting decisions due to the inaccuracy of information on available funds and cause the County to not receive its funds in a timely manner.

Recommendation: Grant management procedures should be evaluated and revised, as necessary.

Management Response: As identified in the prior year finding 08-01, demand reports are being used by the departments to reconcile their grant projects; comparisons of revenue and expense are also questioned. Federal grants with expense in excess of the revenue will be brought to the attention of the fiscal/grant staff. The County Finance Department is looking into getting a grants management module to enhance our grants management capability. This would allow for management of reports and when they are required to be submitted from a central location by the Grants Program Manager in Finance Accounting. We are currently looking into four different possible systems that could do what we will need to better manage the grants program.

COUNTY OF KAUAI, HAWAII
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Section III - Federal Award Findings and Questioned Costs

Finding No.: 09-02
CFDA No.: 20.205
Programs: Highway Planning and Construction
Federal Agency: US Department of Transportation
Award Periods: July 1, 2008 - June 30, 2009
Questioned Costs: None

Requirement: County of Kaua'i Public Works under the above referenced federal funding, is required to submit Quarterly Progress and Expenditure Reports within 30 days after the end of the fiscal quarter.

Condition: Quarterly Progress and Expenditure Reports relating to four projects were tested for compliance. Within the four projects tested, six reports were not filed in a timely manner.

Cause: The reimbursing agency is in the process of restructuring, causing a delay in the County's reconciliation process which is required before the Quarterly Progress and Expenditure Reports are submitted.

Effect: Failure to properly track grant activities can impair planning and budgeting decisions due to the inaccuracy of information on available funds and cause the County to not receive its funds in a timely manner.

Recommendation: Grant management procedures should be evaluated and revised, as necessary.

Management Response: The six quarterly reports identified are FHWA funded projects through the STIP program. All of the reports involved reconciliation of expenditures and determination of cost eligibility relative to the scope of work involved with each project. Due to discussions regarding cost eligibility and fact finding requests by the reviewing agency and the County, quarterly submittals and subsequent revisions to the quarterly reports were delayed beyond the 30 day requirement.

Resolution of this issue has been achieved through a cooperative agreement between the County and State DOT regarding the submittal of quarterly progress and expenditure reports. Cost eligibility issues will be reflected as adjustments by reference to the affected prior period in the current quarterly submittal as opposed to revisions to previous submittals.

COUNTY OF KAUAI, HAWAII
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Section IV - Summary Schedule of Prior Audit Findings

Finding No.: 08-01

Grants Management: Similar to the prior year finding 07-09, during our audit, similar issues were identified related to the County's grants programs. Of the eighteen projects selected in the current year, we identified several exceptions in the following areas:

- 1) Failure to post cash receipts to the correct grant (one program)
- 2) Failure to file for reimbursement in a timely manner (two programs)
- 3) Failure to monitor the grant expenditures not to exceed total appropriation (one program)

The primary reason for the errors above was the failure to communicate effectively with grant administrators overall grants management in a timely manner. It was also noted that not all grant administrators reconcile their data to the general ledger. Failure to properly track grant activities can impair planning and budgeting decisions due to the inaccuracy of information on available funds. In addition, the County is non-compliant with reporting requirements for two federal grants.

Recommendation: We recommend the County evaluate the results of corrective action taken in the prior year to strengthen its control over grant management and identify items for follow-up.

Status: As noted in Finding 09-01, similar errors were identified during the current year audit. This finding is still applicable.

Management Response: As of this date, there has been training provided to departmental fiscal and grant staff on the use of the demand project report set up by type code. The specific type code assigned to the department is used to link all of the department's projects together in one report. Information Technology also provided consultation on posting payroll expenses directly to the project using the project code in the payroll system. This would help to eliminate many of the adjusting journal entries that were required after payroll was posted. Monitoring open projects and revenue and expense variances has continued with some success. Efforts to use the reports that are available in the system were explored. Many open grant projects just required minor accounting entries and then could be closed. Continued efforts to offer training to departmental staff on accounting and grant requirements is accepted openly. The one on one attention seems to be more popular vs. the larger classroom arena.

COUNTY OF KAUAI, HAWAII
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2009

Section IV - Summary Schedule of Prior Audit Findings - Continued

Finding No.: 08-02
CFDA No.: 20.500 and 20.509
Programs: Federal Transit Capital Investment Grant and
 Formula Grants for Other than Urbanized Areas
Federal Agency: US Department of Transportation
Award Periods: July 1, 2005 - June 30, 2008
Questioned Costs: None

Quarterly Progress and Expenditure Reports: In accordance with the grant contracts maintained by the County of Kaua'i Transportation Agency under the above referenced federal funding, the County is required to submit a Quarterly Progress and Expenditure Report within 30 days after the end of the fiscal quarter. We examined the quarterly reports relating to five projects in which the County incurred costs under the above referenced programs. We noted that sixteen reports relating to four projects were not submitted on a timely basis.

Recommendation: We recommend management design and implement a system that identifies the required filing dates, the individual responsible for report preparation, and the actual date of submission.

Status: As noted in finding 09-02, similar errors were identified during the current year audit. This finding is still applicable in another department.

Management Response: The following quarter-ending June 30, 2009 grant reports were submitted July 31, 2009, and are pending reimbursement by state DOT (prior reports & reimbursement requests have all been submitted/reimbursed).

Project Number	Reimbursement Amount
FTA039	\$ 225,566
T07001	249,550
T09001	116,651
Total	\$ 591,767

COUNTY OF KAUAI, HAWAII
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Section IV - Summary Schedule of Prior Audit Findings - Continued

Finding No.: 08-03
CFDA No.: 14.228
Program: Community Development Block Grant/State's Program and Non-entitlement Grants in Hawai'i
Federal Agency: US Department of Housing and Urban Development (HUD)
Award Period: July 1, 2007 - June 30, 2008
Questioned Costs: None

Suspension and Debarment: During our audit, we noted the County does not verify whether the subrecipient entities or its principals are suspended or debarred.

HUD Rule 2 CFR 2424 and OMB Circular A-133 prohibits recipient of federal funds to make subawards to subrecipient entities that are suspended or debarred or whose principals are suspended or debarred. The recipient must verify that the subrecipient entity is not suspended or debarred or otherwise excluded. This verification can be accomplished by examining the Excluded Parties List System (EPLS) maintained by US General Service Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Recommendation: We recommend management design and implement procedures to ensure the subrecipient entities and its principals are in compliance with the Suspension and Debarment requirement.

Status: We noted that this is consistent with our review of records during fieldwork. This finding has been resolved.

Management Response: We have designed and implemented procedures to verify whether subrecipient entities or its principals are suspended or debarred before we enter into Subrecipient Agreements with them. As stated in our corrective action plan, effective January 8, 2009, when evaluation of applications for CDBG funding began for Program Year 2009, CDBG staff checked applicants who were all potential sub recipients against the Excluded Parties List System (EPLS) to verify that these entities and/or individuals were in good standing - not suspended or debarred. In addition, as stated in our corrective action plan, the following language is now included in our subrecipient agreements:

Debarment and Suspension - In accordance with 2 CFR Part 2424, the County is prohibited from contracting with subrecipients who are debarred or suspended.

The Subrecipient certifies that it is in good standing in that the organization and its principals are not suspended or debarred. The Subrecipient further certifies that it will continue to be in good standing for the purposes and duration of this Agreement. In the event that the organization or any of its principals become suspended or debarred, the Subrecipient shall immediately inform the County who may suspend or terminate this Agreement in accordance with 24 CFR 85.43 and 24 CFR 85.44.

COUNTY OF KAUAI, HAWAII
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Section IV - Summary Schedule of Prior Audit Findings - Continued

Finding No.: 08-04
CFDA No.: 14.871
Program: Section 8 - Housing Choice Voucher Program
Federal Agency: US Department of Housing and Urban Development (HUD)
Award Period: July 1, 2007 - June 30, 2008
Question Costs: None

Eligibility: Similar to prior year finding 07-13, the County is required to gather information on income, family size and housing conditions for both new and continuing participants on an annual basis. Based on the information gathered, County caseworkers assess whether or not applicants are eligible to participate in the program based on Federal and County eligibility guidelines. During our testing, we noted that certain controls of the County that monitor eligibility were ineffective which led to the following:

- 1) For two participants, it was noted that head of household's signature was missing from authorized Third Party Verification.
- 2) For six participants, it was noted that required documents were included in file but not checked off the Document Checklist.
- 3) For four participants, it was noted that the date of the original Housing Assistance Payment (HAP) contract which contract amendment referred to did not agree to the date of the original contract.
- 4) For seven participants, it was noted that picture ID of household members could not be located.
- 5) For one participant, it was noted that the Rent Reasonableness Checklist could not be located.
- 6) For five participants, it was noted that date of birth per copy of birth certificate did not agree to that on Form 50058.
- 7) For one participant, it was noted that the participant failed to provide a copy of the Hawaii's General Excise Tax Return Statement to support self-employment income as required.
- 8) For one participant, it was noted the HAP payment was calculated incorrectly.
- 9) For one participant, it was noted that the family member's full-time student status was not substantiated properly.
- 10) For two participants, it was noted that copies of social security card and birth certificate could not be located.
- 11) For five participants, it was noted that Enterprise Income Verification could not be located.
- 12) For one participant, it was noted that no written approval of live-in aide being added to the household could be located.
- 13) For one participant, it was noted that anticipated income was calculated incorrectly.
- 14) For one participant, it was noted that annual housing inspection checklist could not be located.

Recommendation: We recommend that the management evaluate the results of quality control program as described in its prior year corrective plan to strengthen its controls over eligibility, identify areas requiring additional attention and ultimately reduce the number of errors.

COUNTY OF KAUAI, HAWAII
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Section IV - Summary Schedule of Prior Audit Findings - Continued

Status: We noted no significant compliance deficiencies in our review of tenant files during fieldwork. This finding has been resolved.

Management Response: Management has completed Quality Control Reviews of 33% of 750 files for the fiscal year 2008 thru 2009. Quality Control Reviews have allowed us to identify areas of concern and are discussed with the caseworkers pursuant to the corrective action described above. Due to the vacant housing specialist position being frozen by the administration, there is some concern that the headway made recently with regard to the quality of work may decline due to the additional caseloads placed on each caseworker due to the vacant position not being filled. We have reviewed the possibility of removing interim reexaminations as mentioned in our corrective action plan; however HUD regulations require all agencies to perform interim re-certifications for decreases in income but not increases. This past year our funding has been reduced and therefore any interim re-certifications due to increases in income must be completed to lower the HAP payment amounts made to landlords and preserve as much funding as possible and avoid having to terminate families off the program. Other strain on the Section 8 budget are due to economic factors including layoffs and employment terminations. This has caused an increase in interim certifications needing to be done for income decreases to help families lower their portion of the rent and keep them housed. Unfortunately, this also puts increased strain on caseworkers who have already seen their annual recertification caseloads increased by 100 cases each due to the vacant position not being filled. In addition, the addition of additional interim certifications could cause the quality of work to once again decline.