

**County of Hawai'i**  
**State of Hawai'i**

**Single Audit of Federal Financial Assistance Programs**  
**June 30, 2011**

**County of Hawai'i**  
**State of Hawai'i**  
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**June 30, 2011**

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**SECTION I**  
**Introduction**

December 27, 2011

To the Chair and Members of the County Council  
County of Hawai'i

We have completed our audit of the basic financial statements of the County of Hawai'i, State of Hawai'i (the "County"), as of and for the year ended June 30, 2011. Our report containing our opinion on those basic financial statements is included in the County's Comprehensive Annual Financial Report. We have also audited the County's compliance with requirements applicable to its major federal financial assistance programs. We submit herein our reports on compliance and on internal control over financial reporting and over federal awards, the County's schedule of expenditures of federal awards, and the schedule of findings and questioned costs.

The audit objectives and scope of the audit were as follows:

**Audit Objectives**

1. To provide opinions on the fair presentation of the County's basic financial statements and the schedule of expenditures of federal awards as of and for the year ended June 30, 2011 in accordance with accounting principles generally accepted in the United States of America.
2. To consider the County's internal control over financial reporting in order to design our auditing procedures for the purpose of expressing our opinions on the financial statements.
3. To perform tests of the County's compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the determination of financial statement amounts.
4. To consider the County's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
5. To provide an opinion on the County's compliance with the requirements of laws, regulations, contracts, and grants that could have a direct and material effect on each major program.
6. To report on the status of prior year findings and questioned costs.

### Scope of Audit

We performed an audit of the County's basic financial statements and schedule of expenditures of federal awards as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133.

### Organization of Report

Our report is organized into three sections as follows:

1. Section I, entitled "Introduction," describes the objectives and scope of our audit and the organization and contents of this report.
2. Section II, entitled "Compliance and Internal Control over Financial Reporting," contains our report on the County's internal control over financial reporting and on compliance and other matters based upon our audit of the County's basic financial statements.
3. Section III, entitled "Compliance and Internal Control over Federal Awards," contains our report on the County's compliance with requirements that could have a direct and material effect on each major program and on the internal control over compliance in accordance with OMB Circular A-133, the County's schedule of expenditures of federal awards, and the schedule of findings and questioned costs.

Our report on the basic financial statements of the County as of and for the year ended June 30, 2011 is included under a separate cover. A separate management letter containing our observations regarding the County's internal controls dated December 27, 2011 has also been issued to the County Council.

We would like to take this opportunity to express our appreciation to the personnel of the County of Hawai'i for the cooperation and assistance extended to us during our audit. We will be pleased to discuss any questions that you or your associates may have regarding our recommendations.

Very truly yours,

*Accuity LLP*

**SECTION II**  
**Compliance and Internal Control**  
**Over Financial Reporting**

**Report of Independent Auditors 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  
County of Hawai'i

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Hawai'i, State of Hawai'i (the "County") as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 27, 2011. 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**

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in Finding No. 2011-1 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's 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 the County Council in a separate letter dated December 27, 2011.

The County's response to the finding identified in our audit is described in the accompanying corrective action plan. 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 the County Council, Legislative Auditor, management, others within the entity, 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.

*Accuity LLP*

Honolulu, Hawai'i  
December 27, 2011

**SECTION III**  
**Compliance and Internal Control**  
**Over Federal Awards**

**Report of Independent Auditors 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**

To the Chair and Members of the County Council  
County of Hawai'i

**Compliance**

We have audited the compliance of the County of Hawai'i, State of Hawai'i (the "County"), 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 year ended June 30, 2011. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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

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

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2011, and have issued our report thereon dated December 27, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Council, Legislative Auditor, management, others within the entity, 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.

*Accuity LLP*

Honolulu, Hawai'i  
December 27, 2011

**County of Hawai'i  
State of Hawai'i  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
<b>Office of National Drug Control Policy</b> Hawai'i Impact	07.000	G09HI0004A G10HI0004A	\$ 112,718 99,578	\$ 2,224 67,728 <u>69,952</u>
<b>Total Office of National Drug Control Policy</b>				
<b>U.S. Department of Agriculture</b> Food and Nutrition Service Passed through the State Department of Education Summer Food Service Program for Children Forest Service Passed through the State Department of Land and Natural Resources Cooperative Forestry Assistance	10.559 10.664	N/A 08-DG-11052012-180 09-DG-11052011-255	61,378 84,187 97,364	61,378 27,550 73,088 <u>100,638</u>
Subtotal CFDA 10.664			310,000	105,300 <u>267,316</u>
<b>Natural Resources Conservation Service</b> Watershed Protection and Flood Prevention Wailuku-Alenalo Watershed Kaumana Drive Flood Protection	10.904	65-9251-5-707		
<b>Total U.S. Department of Agriculture</b>				
<b>U.S. Department of Commerce</b> Economic Development Administration Economic Adjustment Assistance – Disaster Recovery Coordinators National Oceanic and Atmospheric Administration Passed through the State Department of Business, Economic Development and Tourism Coastal Zone Management Administration Awards Hawai'i Coastal Zone Management Program	11.307 11.419	07-79-06009 NA09NOS4190120 NA10NOS4190180	160,250 25,000 306,152	12,016 15,000 301,074 <u>316,074</u>
Subtotal CFDA 11.419				
Passed through the State Department of Defense Meteorologic and Hydrologic Modernization Development	11.467	NOAA-NWS-NW-SOP-2008- 2001311	20,000	17,227

**County of Hawai'i  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
National Telecommunications and Information Administration Passed through the State Department of Defense Public Safety Interoperable Communications Grants Program	11.555	2007-GS-H7-0005	1,275,000	673,895 <u>1,019,212</u>
<b>Total U.S. Department of Commerce</b>				
<b>U.S. Department of Housing and Urban Development</b>				
Office of Housing Section 8 – Housing Assistance Payments Program – Special Allocations Kulaimano Elderly Housing	14.195	HI10-0002001	250,800	<u>133,215</u>
Office of Community Planning and Development <i>CDBG – State-Administered Small Cities Program Cluster</i> Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawai'i	14.228	B-09-DH-15-0002 B-10-DH-15-0002 Program Income	2,428,883 2,998,922	2,222,332 137,354 177,014
Passed through the Hawai'i Housing Finance and Development Corporation Neighborhood Stabilization Program ARRA – Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawai'i	14.255	B-08-DN-15-0001 B-09-HY-15-0002	5,374,200 647,364	4,867,652 <u>242,434</u> <u>7,646,786</u>
Subtotal CDBG – State-Administered Small Cities Program Cluster Passed through the Hawai'i Housing Finance and Development Corporation HOME Investment Partnerships Program	14.239	M08-SG-150102 M09-SG-150102 M10-SG-150102 Program income	989,346 996,793 999,573	10,000 561,130 18,583 42,519 <u>632,232</u>
Subtotal CFDA 14.239				
Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grant	14.251	B-06-SP-HI-0273	198,000	<u>76,828</u>

**County of Hawai'i  
State of Hawai'i  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
Office of Public and Indian Housing Section 8 – Housing Choice Vouchers	14.871	HI002VO 2010 HI002VO 2011 HI002 FSF005 HI002 FSF006	15,143,758 16,271,570 32,775 33,102	8,719,817 8,526,509 29,473 26,797
Subtotal CFDA 14.871				<u>17,302,596 *</u>
Passed through the State Department of Hawaiian Home Lands Native Hawaiian Housing Block Grants Native American Housing and Self Determination Act	14.873	03NHGHI001 08HBGHI0001	65,000 125,000	15,000 8,705
Subtotal CFDA 14.873			<u>23,705</u>	<u>25,815,362</u>
<b>Total U.S. Department of Housing and Urban Development</b>				
<b>U.S. Department of the Interior</b> Bureau of Land Management National Fire Plan – Rural Fire Assistance	15.242	H8140100025 H83000500001	15,600 18,000	15,600 18,000
<b>Total Department of the Interior</b>				<u>33,600</u>
<b>U.S. Department of Justice</b> Drug Enforcement Administration Drug Forfeitures Office of Juvenile Justice and Delinquency Prevention Passed through the State Department of Human Services Juvenile Accountability Incentive Block Grant	16.000	2011	122,182	122,182
Office for Victims of Crime Passed through the State Department of the Attorney General Crime Victim Assistance	16.523	DHS-06-OYS-3112 SA 586	58,032	31,240
Subtotal CFDA 16.575			<u>331,447</u> <u>309,717</u>	<u>173,374</u> <u>156,806</u>
Subtotal CFDA 16.575				<u>330,180</u>

**County of Hawai'i  
State of Hawai'i  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
Recovery Act – State Victim Assistance Formula Grant Program ARRA – State Victim Assistance Formula Grant Program	16.801	09-SG-04	108,459	<u>63,688</u>
Bureau of Justice Assistance Passed through the Hawai'i County Economic Opportunity Council Community Capacity Development Office – The Weed and Seed Program Pahoa Weed and Seed	16.595	N/A	63,933	<u>52,910</u>
<i>JAG Program Cluster</i> Edward Byrne Memorial Justice Assistance Grant Program Justice Assistance Grant	16.738	2007-DJ-BX-0275 2008-DJ-BX-0509 2009-DJ-BX-0614 09-DJ-13	109,370 41,602 101,815 150,000	42,032 32,005 70,849 37,904
Elder Abuse and Exploitation Program Passed through the State Department of the Attorney General Hawai'i Narcotics Task Force		07-DJ-13 09-DJ-10 09-SU-20	42,500 100,000 113,885	17,774 30,597 83,021
Passed through the State Department of Attorney General Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories ARRA – Courthouse Booking Program	16.803	09-SU-15	99,000	11,960
Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government ARRA – Justice Assistance Grant Subtotal JAG Program Cluster	16.804	2009-DB-B9-2403	216,489	<u>119,468</u> <u>445,610</u>
Violence Against Women Office Passed through the State Department of the Attorney General Violence Against Women Formula Grants Violence Against Women Formula Grants Recovery Specialized Investigative Training	16.588	09-EF-08 09-EF-09 06-WF-03 07-WF-03 08-WF-12 09-EF-04 07-WF-06	81,678 43,822 39,865 31,298 47,438 43,800 24,193	81,678 39,611 1,494 18,404 30,067 41,950 4,044
Sexual Assault Forensic Examiner Stand by Pay Sexual Assault Forensic Examiners Training				

**County of Hawai'i  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
Domestic Violence/Sexual Assault		08-WF-08	65,304	35,856
Cell Phone/PDA Violence Against Women		08-WF-07	40,110	27,192
Enforcement of Protective Orders		08-GP-01	42,610	13,875
Sexual Assault/DNA Analysis		09-EF-05	125,000	96,944
Naaauo Where Knowledge is Learned		09-DJ-04	145,457	72,729
Subtotal CFDA 16.588				463,844
Office of Community Oriented Policing Services				
Public Safety Partnership and Community Policing Grants	16.710	2007-CK-WX-0249	443,405	85,066
Methamphetamine Initiative Grant				
<b>Total U.S. Department of Justice</b>				<b>1,594,720</b>
<b>U.S. Department of Labor</b>				
Employment and Training Administration				
Passed through the State Department of Labor and Industrial Relations				
Unemployment Insurance				
Title IX Reed Act	17.225	Reed-08-H	2,000,000	434,219
Senior Community Service Employment Program				
Special – Senior Community Service Employment Program	17.235	AD-18704-09-60-A-15	367,981	77,041
Subtotal CFDA 17.235		AD-19975-10-60-A-15	386,765	351,628
WIA Cluster		AD-19975-10-60-A-15	78,814	76,755
WIA Adult Program				505,424
WIA Youth Activities	17.258	AA-18635-09.55	470,993	217,825
WIA Dislocated Workers	17.259	AA-20190-10.55	527,605	306,867
ARRA – WIA Dislocated Workers		AA-18635-09.55	479,857	81,076
Subtotal WIA Cluster		AA-20190-10.55	496,124	405,533
ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.260	AA-18635-09.55	361,297	186,935
Subtotal WIA Cluster		AA-20190-10.55	607,025	480,201
ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors		AA-17117-08.55	378,105	70,082
<b>Total U.S. Department of Labor</b>				<b>1,748,519</b>
	17.275	GJ-19909-10-60-A-15	543,726	105,294
<b>Total U.S. Department of Labor</b>				<b>2,793,456</b>

**County of Hawai'i  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
<b>U.S. Department of Transportation</b>				
Federal Highway Administration				
Passed through the State Department of Transportation				
Highway Planning and Construction	20.205			
Bridge Inspection/Appraisals		BR-0100(29)	80,000	37,054
Reeds Island Bridge on Kaiulani Street in Hilo		BR-0100(47)	474,400	14,157
Route 2760 – Kawaiilani Street at Waiakea Stream		BR-2760(3)	6,782,088	33,040
Bridge Inspection/Appraisals		BR-NBIS(48)	80,000	75,679
Mamalahoa Highway Earthquake Repairs – MP4.4, MP8.9;				
Palani Road Pedestrian Overpass Repairs		ER-15(9)	4,264,123	256,114
Earthquake Repairs for Mamalahoa Highway – MP110.4 and				
Napoopoo Road MP9				
Alii Drive ROW		ER-15(11)	617,383	11,498
Alii Drive Design/Archaeological		RS-0187(1)	3,127,200	95,219
Waimea Trails and Greenways		RS-0187(4)	6,441,250	110,613
Kuakini Highway Improvements – Palani to Hualalai		STP-0100(51)	313,644	20,500
Alii Drive Culvert Replacement		STP-0110(1)	11,914,263	2,833,264
Alii Drive Improvements – Hualalai to Walua		STP-0186(1)	252,000	9,158
Palani Road Safety Improvements		STP-0186(2)	240,000	11,570
Lindsey Road Bridge/Waikoloa Stream		STP-0190(14)	6,359,754	551,156
Kamehameha Avenue Resurfacing – Wailoa Bridge to Ponoehawai Street		STP-0191(43)	577,940	71,187
Puainako Street Extension – Kilauea Avenue to Upper Kaumana Drive		STP-1910(1)	40,000	3,678
Kawaiilani Street Improvements – Iwalani to Pohakulani Street		STP-2000(3)	494,880	652
ARRA – Waimea ADA Sidewalks and Ramps		STP-2000(4)	28,730,980	14,915
ARRA – Ane Keohokaloie Highway		STP-2760(2)	1,517,320	27,420
Puna Makai Alternate Road		ARRA-0191(42)	841,010	359,045
Subtotal CFDA 20.205		ARRA-1880(1)	37,364,492	10,543,421
		TCSP-0100(70)	188,084	2,254
			<u>15,081,594</u>	*
<b>Federal Transit Administration</b>				
Passed through the State Department of Transportation				
Federal Transit – Capital Investment Grants	20.500			
5309 Capital Grant		HI-03-0039	2,140,007	28,603
		HI-04-0002	901,200	719,200
		HI-04-0003	1,485,000	164,462

**County of Hawai'i  
State of Hawai'i  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
Job Access Reverse Commute		HI-04-0004	2,152,133	454,806
Subtotal CFDA 20.500		HI-37-X003	312,716	312,716
Formula Grants for Other Than Urbanized Areas	20.509	RTAP	20,000	1,679,787
		HI-18-X025	465,131	10,863
		HI-18-X027	1,082,378	87,709
		HI-18-X020	25,154	453,907
		HI-18-028	565,534	21,306
Subtotal CFDA 20.509				433,836
				1,007,621
National Highway Traffic Safety Administration Passed through the State Department of Transportation State and Community Highway Safety Program Prosecutor's Training	20.600	AL10-02(03-S-01)	80,000	44,921
		N/A	66,287	11,473
Roadblock Program		AL10-02(01-H-02)	95,340	20,739
Seatbelt Enforcement		AL11-02(01-H-02)	94,000	53,464
Click It or Ticket		OP10-05(01-H-02)	72,000	23,374
Speed Enforcement		OP11-05(01-H-02)	72,000	43,412
Aggressive Driving Project		OP10-05(02-H-01)	14,800	14,645
Traffic Investigation Program		OP11-05(02-H-01)	15,400	9,024
Data Grant		SC10-06(01-H-02)	78,000	37,971
Distracted Driving		SC11-06(01-H-02)	78,168	54,253
Subtotal CFDA 20.600		SC10-06(02-H-01)	36,000	7,903
Total U.S. Department of Transportation		SC11-06(02-H-01)	36,112	10,841
		PT10-01(02-H-01)	8,125	1,506
		PT11-01(02-H-01)	13,510	4,974
		TR10-03(05-H-01)	78,000	1,393
		TR11-03(05-H-01)	78,000	3,346
		DD1-10(02-H-02)	25,278	7,897
				351,136
				18,120,138

**County of Hawai'i  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
<b>U.S. Environmental Protection Agency</b>				
Office of Water				
Passed through the State Department of Health				
Capitalization Grants for Clean Water State Revolving Funds	66.458			
ARRA – Komohana Heights Large Capacity Cesspool Replacement		C150006219	1,085,800	88,709
ARRA – Honokaa Large Capacity Cesspool Conversion		NPS007200	5,332,346	2,932,655
Subtotal CFDA 66.458				<u>3,021,364 *</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468			
Honoumu Production Well		DW105-0001	3,263,438	274,549
Pahala Production Well		DW109-0001	1,870,832	4,974
Kapulena Well Development Phase I		DW133-0002	799,516	761,165
ARRA – Ahualoa Well Development		DW130-0005	4,742,200	2,242,136
Subtotal CFDA 66.468				<u>3,282,824 *</u>
Surveys, Studies, Investigations, and Special Purpose Grants	66.606			
South Kona Watershed Irrigation Program		X-96956801-0	347,200	121,029
Special Appropriation – Kau Cesspool Replacement Project		XP-96942401-1	1,842,150	113,853
Water Infrastructure – Upgrade of Drinking Water System		XP-97951001-1	970,000	620,554
Subtotal CFDA 66.606				<u>855,436</u>
<b>Total U.S. Environmental Protection Agency</b>				<u>7,159,624</u>
<b>U.S. Department of Energy</b>				
Passed through the State Department of Business, Economic Development and Tourism				
State Energy Program	81.041			
Energy Conservation Program		DE-FG26-05R021608	70,920	67,756
Energy Efficiency and Conservation Block Grant Program	81.128	DE-SC0002799	737,800	177,000
<b>Total U.S. Department of Energy</b>				<u>244,756</u>

**County of Hawai'i  
State of Hawai'i  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
Administration on Aging				
Passed through the State Executive Office on Aging				
Special Programs for the Aging – Title III, Part D –	93.043	3D-4-2008	16,800	3,260
Disease Prevention and Health Promotion Services		3D-4-2009	16,800	4,073
		3D-4-2010	16,800	1,814
				<u>9,147</u>
Subtotal CFDA 93.043				
<b>Aging Cluster</b>				
Special Programs for the Aging – Title III, Part B –	93.044	3B-4-2009	403,185	9,313
Grants for Supportive Services and Senior Centers		3B-4-2010	437,970	292,864
		3B-4-2011	437,970	71,646
	93.045	3C1-4-2009	284,933	2,380
		3C1-4-2010	304,332	101,367
		3C1-4-2011	322,264	211,328
		3C2-4-2009	126,903	22,468
		3C2-4-2010	83,084	79,982
		3C2-4-2011	196,190	42,195
	93.053	N/A	103,740	17,929
		N/A	103,267	64,363
				<u>915,835</u>
<b>Subtotal Aging Cluster</b>				
Special Programs for the Aging – Title IV and Title II – Discretionary Projects	93.048	HI-EBI-08-N-CDSMP	110,358	28,429
Chronic Disease Self-Management Program		90CD1207	55,848	2,269
Community Living Program				<u>30,698</u>
Subtotal CFDA 93.048				
National Family Caregiver Support, Title III, Part E	93.052	3E-4-2010	126,578	45,860
		3E-4-2011	136,502	38,368
				<u>84,228</u>
Subtotal CFDA 93.052				

**County of Hawai'i  
State of Hawai'i  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
Substance Abuse and Mental Health Services Administration Passed through the State Department of Health Substance Abuse and Mental Health Services -- Projects of Regional and National Significance Hawaii Strategic Prevention Framework -- State Incentive Grant ("HI-SPF") Non-Competitive Funding	93.243	5U79SPO13944-4 5U79SPO13944-5	313,950 2,103,140	140,166 436,192 <u>576,358</u>
Subtotal CFDA 93.243				
Centers for Medicare and Medicaid Services Passed through the State Executive Office on Aging Centers for Medicare and Medicaid Services Research, Demonstrations, and Evaluations Hospital Discharge	93.779	1LOCMS030434	92,735	15,970 <u>1,632,236</u>
<b>Total U.S. Department of Health and Human Services</b>				
<b>Corporation for National and Community Service</b> Retired and Senior Volunteer Program	94.002	10SRPHI002	85,318	85,318
<b>U.S. Department of Homeland Security</b> Passed through the State Department of Defense Disaster Grants -- Public Assistance (Presidentially Declared Disasters) Kiholo Earthquake Honshu (Tohoku), Japan Earthquake and Tsunami Subtotal CFDA 97.036	97.036	FEMA-1664-DR-HI FEMA-1967-DR-HI	4,187,848 334,370	479,685 313,373 <u>793,058</u> <u>139,000</u>
Emergency Management Performance Grants Assistance to Firefighters Grants Health and Wellness Protective Clothing Subtotal CFDA 97.044	97.042 97.044	2010-EP-E0-0042 EMW-2008-FO-05181 EMW-2009-FO-07593	139,000 424,963 303,738	101,263 282,073 <u>383,336</u>

**County of Hawai'i  
State of Hawai'i  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number	Federal Program Award Amount	Federal Expenditures
Cooperating Technical Partners North Kona Flood Study Digital Flood Insurance Rate Map Subtotal CFDA 97.045	97.045	EMF-2008-GR-0810 EMF-2009-GR-0916	250,000 71,300	2,590 49,692 <u>52,282</u>
Passed through the State Department of Defense Pre-Disaster Mitigation Multi Hazard Mitigation Plan Update	97.047	EMF-2008-PC003	361,448	50,197
Homeland Security Grant Program Law Enforcement Terrorism Prevention Program Citizen Corps	97.067	2007-GE-T7-0013 2007-GE-T7-0013 2008-GE-T8-0022 2007-GE-T7-0013 2008-GE-T8-0022 2009-SS-ET9-0006	400,310 10,000 18,281 663,868 1,077,180 931,487	52,610 3,696 4,917 190,879 296,573 86,983 <u>635,658</u>
Subtotal CFDA 97.067				
Recovery Act – Assistance to Firefighters ARRA-Fire Station Construction	97.115	EMW-2009-FC-02761R	4,113,686	525,723 *
<b>Total U.S. Department of Homeland Security</b>				<u>2,579,254</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 61,414,944</u>

(\*) Denotes major federal financial assistance program as defined by OMB Circular A-133.

**County of Hawai'i**  
**State of Hawai'i**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Hawai'i, State of Hawai'i (the "County") and its discretely presented component unit, the Department of Water Supply (the "Department") 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.

**County of Hawai'i**  
**State of Hawai'i**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

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**2. Subrecipients**

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

Program Title	CFDA Number	Amount Provided to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>		
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawai'i	14.228	\$ 1,150,007
ARRA – Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawai'i	14.255	237,602
HOME Investment Partnerships Program	14.239	<u>224,750</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>1,612,359</u>
<b>U.S. Department of Justice</b>		
Juvenile Accountability Incentive Block Grant	16.523	28,994
Crime Victim Assistance	16.575	117,853
ARRA – State Victim Assistance Formula Grant Program	16.801	<u>53,128</u>
<b>Total U.S. Department of Justice</b>		<u>199,975</u>
<b>U.S. Department of Labor</b>		
Unemployment Insurance – Title IX Reed Act	17.225	385,863
WIA Adult Program	17.258	486,375
WIA Youth Activities	17.259	457,938
WIA Dislocated Workers	17.260	623,526
ARRA – WIA Dislocated Workers	17.260	33,576
ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	<u>64,293</u>
<b>Total U.S. Department of Labor</b>		<u>2,051,571</u>
<b>U.S. Department of Health and Human Services</b>		
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243	<u>331,007</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>331,007</u>
<b>Total Provided to Subrecipients</b>		<u>\$ 4,194,912</u>

**County of Hawai'i**  
**State of Hawai'i**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

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**Section I – Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued Unqualified  
 Internal control over financial reporting  
 • Material weaknesses identified?     yes   X   no  
 • Significant deficiencies identified?   X   yes     none reported  
 Noncompliance material to financial statements noted?     yes   X   no

**Federal Awards**

Internal control over major programs  
 • Material weaknesses identified?     yes   X   no  
 • Significant deficiencies identified?     yes   X   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   X   no  
 Identification of major programs

<b>CFDA</b>	<b>Name of Federal Program or Cluster</b>
<b>Numbers</b>	
14.871	Section 8 – Housing Choice Vouchers
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
97.115	Assistance to Firefighters

Dollar threshold used to distinguish between type A and  
 type B programs \$1,842,000  
 Auditee qualified as low-risk auditee?   X   yes     no

**County of Hawai'i**  
**State of Hawai'i**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

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**Section II – Financial Statement Findings**

**Finding No. 2011-01: Information Technology (Significant Deficiency)**

**Condition**

Information technology (“IT”) is a strategic element of the operations of the County of Hawai'i (the “County”) and the Department of Water Supply (the “Department”), a component unit of the County. Because of the high volume of transactions at the County and the Department, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audits for the year ended June 30, 2011, we performed IT general controls reviews of the following systems operated by the County and the Department:

County

- Windows Domain
- Eden
- Integrated Assessment System
- Revenue Collection

Department

- Windows Domain
- Select Financial System
- Public Utility Billing System
- ARB N\_Sight Mobile System

Our review resulted in several IT control deficiencies as follows:

Physical and logical security

- Lack of formal security administration policies and procedures addressing:
  - New, transferred and terminated user account administration
  - Maintenance of audit evidence to support approval of employee access to the system
  - Identification of terminated employees who continue to have access to the system
  - Identification of employees whose access to system resources are not commensurate with their job responsibilities
  - Minimum password security settings
  - Network security reviews
  - Minimum environmental security requirements
  - Physical access to the servers
- Weak password security settings or the lack of system functionality to enforce strong password policies.
- Sharing of user accounts.
- Terminated users continued to have access to certain systems.
- Lack of segregation of duties in the area of systems and applications administration.
- Lack of restricted access to certain systems.

Change management

- Lack of a formalized change management process for certain systems.

Backup and Recovery

- No formal backup, retention and restoration policy.

**County of Hawai'i**  
**State of Hawai'i**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

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**Criteria**

When IT is used to initiate, record, process and report on transactions included in the financial statements, the systems and related processes should include internal controls to prevent or detect potential misstatements.

**Effect**

Internal controls in the following areas address the following risks:

Physical and logical security

Unauthorized access to these systems could result in either the destruction or theft of data, unauthorized or nonexistent transactions being made or transactions being inaccurately recorded.

Change management

Unauthorized or untested changes promoted to the production environment could cause the systems to either process data differently than intended or unexpectedly compromise the integrity of the data maintained.

Backup and Recovery

The loss of data as a result of backups not being performed.

**Cause**

The primary cause was due to the lack of IT policies and procedures which include internal controls to address the IT risks discussed above.

**Recommendation**

We recommend that the County and the Department perform the following:

- Develop or update IT policies and procedures to include internal control procedures addressing the IT risks above.
- Identify procedures to ensure that IT policies and procedures are consistently followed.

**County of Hawai'i**  
**State of Hawai'i**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

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**Section III – Federal Award Findings and Questioned Costs**

None

**County of Hawai'i  
State of Hawai'i  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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**Section IV – Status of Prior Year Findings and Questioned Costs**

**Financial Statement Findings**

**Finding No. 2010-01: Information Technology (Significant Deficiency)**

During our prior year audit, we performed an IT general controls review of the following systems operated by the County and the Department:

County

- Windows Domain
- Eden
- Integrated Assessment System
- Revenue Collection

Department

- Windows Domain
- Select Financial System
- Public Utility Billing System
- ARB N\_Sight Mobile System

Our review resulted in several IT control deficiencies over physical and logical security, change management, and backup and recovery.

**Status**

Partially resolved. In fiscal year 2011, the County and the Department took the following actions to address the control deficiencies listed above:

- The County enabled password complexity for the Windows Domain.
- The County performed a full restoration test for the Eden application.
- The Department migrated the Select Financial System to the Department's IT division to segregate the duties of systems and application administration.
- The Department also adopted a formal backup and retention policy.

The remaining IT control deficiencies have not been resolved, however, the County and the Department are in the process of developing policies and procedures to address them. As the unresolved deficiencies are reported in current year Finding 2011-01, this finding will not carry forward.

**County of Hawai'i**  
**State of Hawai'i**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

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**Finding No. 2010-02: Accounting for Capital Assets Should Be Improved (Significant Deficiency)**

During our prior year audit, we identified various issues related to the County's accounting for capital assets including capital outlays that were improperly expensed, capital assets that were misclassified or not capitalized, and depreciation expense taken on fully depreciated assets. Additionally, we noted a lack of procedures to periodically reevaluate the estimated useful lives and to ensure that infrastructure disposals are properly recorded.

**Status**

Resolved. During our current year audit, we noted that management has implemented proper accounting practices to prevent material misstatements as noted above. The County has made progress on the conversion of the manual infrastructure records to the accounting system and should continue to focus on completing the conversion.

**Finding No. 2010-03: Restatement of Beginning Net Assets (Significant Deficiency)**

During our prior year audit, we identified the following errors that required the restatement of the Department's beginning net assets in the June 30, 2010 financial statements:

- Unbilled amounts earned as of year end were not accrued for.
- Invoices for services spanned two fiscal years but the expenses were not allocated between fiscal years.
- The Department continued to record depreciation expense on fully depreciated assets.
- Consulting project costs were improperly capitalized as deferred charges and the construction costs of an abandoned project were not written off from construction work in progress.

**Status**

Resolved. The County restated the Department's beginning net assets in its financial statements for the year ended June 30, 2010 to correct the errors identified. We also noted that management of the Department implemented proper accounting practices and policies to prevent material misstatements as noted above.

**County of Hawai'i**  
**State of Hawai'i**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

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**Federal Award Findings and Questioned Costs**

	<b>Questioned Cost</b>
<b>Finding No. 2010-04: Suspension and Debarment (Significant Deficiency)</b>	<b>\$ _____ -</b>

**Federal Agency:** U.S. Department of Transportation  
U.S. Environmental Protection Agency

**CFDA Number and Title:** 20.205 – Highway Planning and Construction  
20.509 – Formula Grants for Other Than Urbanized  
Areas  
66.458 – Capitalization Grants for Clean Water State  
Revolving Funds  
66.468 – Capitalization Grants for Drinking Water State  
Revolving Funds

During our prior year audit, for 7 out of 27 items we tested, either a suspension and debarment certification was not obtained or the County did not perform a verification check.

**Status**

Resolved. No similar instances of noncompliance were noted during our current year audit. The County formalized procedures that assigned responsibility at the department level for the performance of suspension and debarment verification checks.

	<b>Questioned Cost</b>
<b>Finding No. 2010-05: Subrecipient Central Contractor Registration</b>	<b>\$ _____ -</b>

**Federal Agency:** U.S. Department of Housing and Urban Development

**CFDA Number and Title:** 14.255 – ARRA – Community Development Block  
Grant/State's Program and Non-Entitlement Grants  
in Hawai'i

During our prior year audit, we noted that the County did not monitor the subrecipients receiving American Recovery and Reinvestment Act ("ARRA") funds to ensure that subrecipients were properly registered on the Central Contractors Registration ("CCR").

**Status**

Resolved. No similar instances of noncompliance were noted during our current year audit. The Office of Housing and Community Development formalized procedures to notify all potential subrecipient applicants of the CCR registration requirement, to include an addendum to the subrecipient agreements specifying the requirements, to require subrecipients to submit proof of current registration with any application for funding, and to ensure prior to executing contracts that the subrecipients' CCR registration are valid for the duration of the contract period.

**County of Hawai'i  
State of Hawai'i  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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	<b>Questioned Cost</b>
<b>Finding No. 2009-01: Activities Allowed and Unallowed – Calculation of Federal Expenditures</b>	<u>\$ 27,965</u>

**Federal Agency:** U.S. Department of Homeland Security  
**CFDA Number and Title:** 97.036 – Disaster Grants – Public Assistance  
(Presidentially Declared Disasters): Kiholo  
Earthquake  
**Award Number and Award Year:** FEMA-1664-DR-HI 10/15/06 – 10/15/10

Per the prior auditor's testing of the activities allowed and unallowed compliance requirement, it was noted that the County overstated the federal share of eligible costs related to the Ikuo Hisaoka Gymnasium by \$27,965. The amount the County reported was based on the actual expenditures, however, as the Ikuo Hisaoka Gymnasium was insured at the time of loss, the expenditures should have been based on the insurance deductible in accordance with Title 44 Code of Federal Regulations (44 CFR) §206.250(c).

**Status**

Unresolved. We understand that the County has sought the assistance of the Hawai'i State Civil Defense in determining the correct portion eligible for federal aid and is currently awaiting a response.

# **Corrective Action Plan**

## CORRECTIVE ACTION PLAN

### Financial Statement Findings:

#### **Finding 2011-01 Information Technology (Significant Deficiency)**

**Recommendation:** We recommend that the County and the Department perform the following:

- Develop or update IT policies and procedures to include internal control procedures addressing the IT risks above.
- Identify procedures to ensure that IT policies and procedures are consistently followed.

**General Comment:** Not all the comments applied to both entities which have separate IT environments and staff. We have broken out the response into two pieces and have done our best to respond fully to the comment. We acknowledge the importance of good internal controls especially in the area of information technology.

**Water Department's Comment:** The Department has implemented several IT internal controls which address the concerns raised by the auditors. Controls over user access and passwords have been improved with the creation of unique logins and passwords for each user that are no longer shared. Passwords must now be changed every 3 months and terminals are automatically locked after 3 minutes of inactivity. The number of users with administrative permissions has been reduced to 2 in the accounting application and 5, who are all supervisors, in the billing application.

The accounting application and operating system has been moved to a new server located in a locked and air conditioned room under the control of IT. The Department is currently moving the billing system to this new server as well. IT is responsible for backing up the server and storing backup tapes off site, while Finance will continue to serve as administrator for logons, passwords, and access permissions.

**County's Comment:** The County has worked to address the concerns raised by the auditor and will continue to do so in the upcoming fiscal year. Internal controls regarding user access are being improved as procedures requiring the Department of Human Resources to notify IT of all employee terminations are being developed. IT has also implemented an Active Directory password policy requiring that complex passwords must be changed every 90 days and the system disallows the reuse of the last 5 passwords.

The County's mission-critical servers are housed in secure, environmentally monitored locations, which are protected by cipher lock and/or badge access.

The Eden application change management is governed by the County's FRESH Oversight Committee. The committee reviews upgrades to the Eden system, such as version changes and hot fixes, from the vendor Tyler Technologies. The committee considers the feasibility of implementing a system change, and if approved, authorizes the Eden test systems to be updated. The test systems are then assessed until all modules are checked for accuracy, and perform as expected within the context of County procedures in processing data. Once all Eden modules and functions are tested and performing satisfactorily, the committee approves moving the tested version into production.

Mission critical data is continuously backed-up to disk and tape backups provide supplemental archives and have proven capable of restoring folders, files and emails when necessary. Backup logs provide monitoring, and indexes of stored data.

IT's Disaster Recovery plan was reviewed and updated to conform to ongoing infrastructure, personnel, and technology changes. IT has begun moving some of the County's mission-critical IT equipment from locations that are prone to damage from natural disaster to secure, hardened locations.

We acknowledge that there are some areas for improvement and we will work towards addressing these. In many cases we need to formalize our procedures already in place which we will also work

on. However, we are not aware of any situations or issues that arose due to our lack of written policies and procedures.

**Anticipated Completion Date:** Some items have already been implemented, others will be implemented by June 30, 2012 and for a few items this will be an ongoing effort as we strive to improve our internal controls over information technology.

**Contact People:** Rick Sumada, Waterworks Controller  
Department of Water Supply  
Burt Tsuchiya, Director of Information Technology  
County of Hawaii

#### **Status of Prior Year Findings:**

##### **Finding 2010-01 Information Technology (Significant Deficiency)**

**Recommendation:** We recommend that the County and the Department perform the following:

- Develop or update IT policies and procedures to include internal control procedures addressing the IT risks above.
- Identify procedures to ensure that IT policies and procedures are consistently followed.
- Work with vendor programmers to address any internal control deficiencies due to system limitations.

**County's Comment:** Refer to County's comment to Current Year Finding 2011-01 for status update.

**Anticipated Completion Date:** Some items have already been implemented, others will be implemented by June 30, 2012 and for a few items this will be an ongoing effort as we strive to improve our internal controls over information technology.

**Contact People:** Rick Sumada, Waterworks Controller  
Department of Water Supply  
Burt Tsuchiya, Director of Information Technology  
County of Hawaii

#### **Federal Award Findings:**

##### **U.S. Department of Homeland Security**

**Disaster Grants – Public Assistance (Presidentially Declared Disasters): Kiholo Earthquake**

**CFDA No. 97.036 Federal Award No.: FEMA-1664-DR-HI**

**Award Period: July 1, 2008 to June 30, 2009**

##### **Finding 2009-01 Activities Allowed and Unallowed – Calculation of Federal Expenditures**

**Recommendation:** We recommend that the County be more cognizant of deviations in the calculation of the federal share to ensure that the expenditures are accurately reported, including applying the applicable guidance.

**County's Comment:** The County continues to strive to be more diligent in meeting its activities allowed and unallowed requirements, including the accurate reporting of the federal expenditures. Repairs to the facility in question have now been completed and we have received our final insurance proceeds – the amount of which impacts the allowed federal expenditures. We are now awaiting the final review by the Hawai'i State Civil Defense in determining the final eligible portion for federal aid.

**Anticipated Completion Date:** June 30, 2012

**Contact Person:** Kay Oshiro, Controller  
County of Hawaii