

OFFICE OF THE CITY AUDITOR

City and County of Honolulu
State of Hawai'i



Financial Audit of the City and County of Honolulu State of Hawai'i

For the Fiscal Year Ended
June 30, 2005

Single Audit of Federal Financial
Assistance Programs

Conducted by
Nishihama & Kishida, CPA's, Inc.

REPORTS ON THE AUDIT OF FEDERAL AWARDS

CITY AND COUNTY OF HONOLULU

Fiscal Year Ended June 30, 2005



NISHIHAMA & KISHIDA, CPA'S, INC.
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December 23, 2005

To the Chair and Members of the City Council
City and County of Honolulu
Honolulu, Hawaii

We have completed our financial audit of the basic financial statements of the City and County of Honolulu, State of Hawaii (City), as of and for the fiscal year ended June 30, 2005. Our report containing our opinion on those basic financial statements is included in the City's *Comprehensive Annual Financial Report*. We submit herein our reports on the City's compliance with requirements applicable to its major federal programs and the City's internal control over financial reporting and compliance.

OBJECTIVES OF THE AUDIT

The primary purpose of our audit was to form an opinion on the fairness of the presentation of the City's basic financial statements for the fiscal year ended June 30, 2005, and to comply with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, which establishes audit requirements for state and local governments that receive federal financial assistance. More specifically, the objectives of the audit were as follows:

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

SCOPE OF THE AUDIT

Our audit was performed in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133. The scope of our audit included an examination of the transactions and accounting records of the City for the fiscal year ended June 30, 2005.

ORGANIZATION OF THE REPORT

This report is presented in five parts as follows:

- Part I - Our report on internal control over financial reporting and on compliance and other matters.
- Part II - Our report on compliance with requirements applicable to each major program and on internal control over compliance.
- Part III - The schedule of findings and questioned costs.
- Part IV - The summary schedule of prior audit findings.
- Part V - The City's corrective action plan for the internal control matter noted in this report.

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

Sincerely,



Ron T. Shiigi
Principal

CITY AND COUNTY OF HONOLULU

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PART I

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



NISHIHAMA & KISHIDA, CPA'S, INC.
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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 City Council
City and County of Honolulu
Honolulu, Hawaii

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 City and County of Honolulu, State of Hawaii (City), as of and for the fiscal year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2005. We did not audit the financial statements of the Board of Water Supply, which is the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Water Supply, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the City in a separate letter dated November 30, 2005.

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

Nishihama & Kishida, CPA's, Inc.

Honolulu, Hawaii
November 30, 2005

PART II

**AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE**



NISHIHAMA & KISHIDA, CPA'S, INC.
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**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**

To the Chair and Members of the City Council
City and County of Honolulu
Honolulu, Hawaii

Compliance

We have audited the compliance of the City and County of Honolulu, State of Hawaii (City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005. The City'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 City's management. Our responsibility is to express an opinion on the City'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 City'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 City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005. However, we noted immaterial instances of noncompliance with those requirements that we have reported to the City in a separate letter dated November 30, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance and its operation that we have reported to the City in a separate letter dated November 30, 2005.

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 City as of and for the fiscal year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We did not audit the financial statements of the Board of Water Supply, which is the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Water Supply, is based on the report of the other auditors. 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.

NISHIHAMA & KISHIDA, CPA'S, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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

Nishihama & Kishida, CPAs, Inc.

Honolulu, Hawaii
November 30, 2005

City and County of Honolulu
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
OFFICE OF NATIONAL DRUG CONTROL POLICY			
High Intensity Drug Trafficking Area Program	07.UNKNOWN		\$ <u>2,461,356</u>
Total Office of National Drug Control Policy			<u>2,461,356</u>
U.S. DEPARTMENT OF AGRICULTURE			
Watershed Protection and Flood Prevention	10.904		<u>194,432</u>
Pass-through State Department of Education			
Summer Food Service Program for Children	10.559	12-351523	<u>242,237</u>
Pass-through State Department of Land and Natural Resources			
Cooperative Forestry Assistance	10.664	03-DG-11052012-106 04-DG-11052012-94	18,964 <u>6,110</u> <u>25,074</u>
Total U.S. Department of Agriculture			<u>461,743</u>
U.S. DEPARTMENT OF COMMERCE			
Pass-through Office of State Planning			
Coastal Zone Management Administration Awards	11.419	52753	<u>154,856</u>
Total U.S. Department of Commerce			<u>154,856</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/Entitlement Grants	14.218		18,878,118
Emergency Shelter Grants Program	14.231		432,142
Supportive Housing Program	14.235		390,229
Shelter Plus Care	14.238		1,227,378
HOME Investment Partnerships Program	14.239		1,311,253
Housing Opportunities for Persons with AIDS	14.241		415,074
Opportunities for Youth - Youthbuild Program	14.243		292,534
Lower Income Housing Assistance Program - Section 8			
Moderate Rehabilitation	14.856		141,000
Resident Opportunity and Supportive Services	14.870		186,406
Section 8 Housing Choice Vouchers	14.871		<u>34,383,407</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 57,657,541</u>

City and County of Honolulu
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
Domestic Cannabis Eradication/Suppression Program	16.UNKNOWN		\$ <u>153,000</u>
Federal Asset Forfeiture	16.UNKNOWN		<u>205,517</u>
Pass-through State Civil Defense			
State Domestic Equipment Support Program	16.007	2002-TE-CX-0140	<u>249,390</u>
Pass-through State Department of Defense			
Urban Areas Security Initiative	16.011	2003-EU-T3-0020	<u>4,440,936</u>
Pass-through State Department of Human Services			
Juvenile Accountability Incentive Block Grants	16.523	DHS-03-OYS-1520 DHS-04-OYS-1939	41,966 <u>520,128</u> <u>562,094</u>
Gang-Free Schools and Communities - Community-Based Gang Intervention	16.544		<u>75,146</u>
Pass-through State Department of Human Services			
Title V - Delinquency Prevention Program	16.548	DHS-00-OYS-8379 DHS-00-OYS-9015	4,243 <u>18,892</u> <u>23,135</u>
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		<u>11,971</u>
Pass-through State Department of Attorney General			
Crime Victim Assistance	16.575	01-VA-2 02-VA-2	169,679 <u>451,037</u> <u>620,716</u>
Byrne Formula Grant Program	16.579	02-DB-30 02-DB-25 02-DB-32 04-DB-08 03-DB-13	29,320 91,969 49,530 29,997 <u>38,591</u> <u>239,407</u>
Violence Against Women Formula Grants	16.588	03-WF-2 02-WF-1 01-WF-12; 02-WF-13 02-WF-7 03-WF-9	65,998 27,296 6,584 35,994 <u>32,513</u> <u>168,385</u>

City and County of Honolulu
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Grants To Encourage Arrest Policies and Enforcement of Protection Orders	16.590	03-WE-1	\$ <u>248,264</u>
Local Law Enforcement Block Grants Program	16.592		<u>473,457</u>
Bulletproof Vest Partnership Program	16.607		<u>16,276</u>
Public Safety Partnership and Community Policing Grants	16.710		1,750,414
Pass-through State Department of the Attorney General Public Safety Partnership and Community Policing Grants	16.710	04-CK-01	<u>2,430</u>
Pass-through State Department of Health Enforcing Underage Drinking Laws Program	16.727	ASO 04-063	<u>44,608</u>
Total U.S. Department of Justice			<u>9,285,146</u>
U.S. DEPARTMENT OF LABOR			
Pass-through State Department of Labor & Industrial Relations Workforce Investment Act - Administration	17.250	PY04-WIA-ADMIN. PY03-WIA-ADMIN. PY04-WIA-LWIB PY03-WIA-LWIB	151,097 244,806 49,538 <u>170,713</u> <u>616,154</u>
<i>Workforce Investment Act Cluster:</i>			
WIA Adult Program	17.258	PY04-WIA-ADULT PY03-WIA-ADULT	651,566 <u>1,030,357</u> <u>1,681,923</u>
WIA Youth Activities	17.259	PY04-WIA-YOUTH PY03-WIA-YOUTH	153,616 <u>1,281,318</u> <u>1,434,934</u>
WIA Dislocated Workers	17.260	PY04-WIA-DW PY03-WIA-DW PY02-WIA-EW	570,483 771,428 <u>12,812</u> <u>1,354,723</u>
<i>Total Workforce Investment Act Cluster</i>			<u>4,471,580</u>
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		400,287
Pass-through the University of Hawaii Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261	AF-12102-02-60 P.O. Z597400	173,224 <u>573,511</u>
Total U.S. Department of Labor			<u>\$ 5,661,245</u>

City and County of Honolulu
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction	20.205		\$ 4,867,834
Pass-through State Department of Transportation			
Highway Planning and Construction	20.205	PL203.30-00	<u>6,800</u>
			<u>4,874,634</u>
<i>Federal Transit Cluster:</i>			
Federal Transit - Capital Investment Grants	20.500		234,915
Federal Transit - Formula Grants	20.507		<u>22,056,702</u>
<i>Total Federal Transit Cluster</i>			<u>22,291,617</u>
Transit Planning and Research	20.514		<u>2,948</u>
Total U.S. Department of Transportation			<u>27,169,199</u>
ENVIRONMENTAL PROTECTION AGENCY			
Pass-through State Department of Health			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C150046-55 C150051-64	3,809,862 <u>3,887</u>
Total Environmental Protection Agency			<u>3,813,749</u>
U.S. DEPARTMENT OF ENERGY			
Pass-through State Department of Business, Economic Development, and Tourism			
State Energy Program Special Projects	81.119	L-02-143	<u>2,471</u>
Total U.S. Department of Energy			<u>2,471</u>
U.S. DEPARTMENT OF EDUCATION			
Pass-through State Department of Education			
Safe and Drug-Free Schools and Communities - State Grants	84.186	MOA D04-36	2,992
Twenty-First Century Community Learning Centers	84.287	13023	<u>28,502</u>
Total U.S. Department of Education			<u>\$ 31,494</u>

City and County of Honolulu
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-through State Department of Health			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	3D-2-05	\$ <u>59,568</u>
<i>Aging Cluster:</i>			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	3B-2-05	<u>1,050,761</u>
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	3C1-2-04	173,355
		3C1-2-05	602,197
		3C2-2-05	<u>306,043</u>
			<u>1,081,595</u>
<i>Total Aging Cluster</i>			<u>2,132,356</u>
National Family Caregiver Support	93.052	3E-2-04	65,156
		3E-2-05	<u>301,508</u>
			<u>366,664</u>
Pass-through State Department of Health			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	U90/CCU916969-03	149,733
		U90/CCU916969-04	<u>10,014</u>
			<u>159,747</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	MOA-05-05	<u>19,523</u>
Total U.S. Department of Health and Human Services			<u>2,737,858</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-through State Department of Defense			
State Domestic Preparedness Equipment Support Program	97.004	2002-TE-CX-0037	2,117
Pass-through State Civil Defense			
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2003-GR-0351	88,000
Assistance to Firefighters Grant	97.044		235,928
Pass-through State Department of Defense			
Emergency Operations Centers	97.052	EMF-2003-GR-0321	51,679
Community Emergency Response Teams	97.054	EMF-2003-GR-0363	7,491

City and County of Honolulu
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>Homeland Security Grant Program Cluster:</i>			
Metropolitan Medical Response System	97.071		\$ <u>75,163</u>
Pass-through State Department of Defense			
Emergency Management Performance Grants	97.042	EMF-2004-GR0404 2005-GE-T5-0034	56,131 <u>56,131</u>
			<u>112,262</u>
State Homeland Security Program (SHSP)	97.073	2003-TE-TX-0192 2003-MU-T3-0043 2004-TE-T4-0042	616,052 94,839 <u>174,466</u>
			<u>885,357</u>
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	2004-TE-T4-0042	<u>8,183</u>
Pass-through State Civil Defense			
Citizen Corps	97.053	2004-TE-T4-0042	<u>36,800</u>
<i>Total Homeland Security Grant Program Cluster</i>			<u>1,117,765</u>
Total U.S. Department of Homeland Security			<u>1,502,980</u>
TOTAL FEDERAL EXPENDITURES			\$ <u>110,939,638</u>

City and County of Honolulu
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2005

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activities of the City and County of Honolulu (City) and is presented on the cash 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*.

NOTE B - LOANS OUTSTANDING

The City had the following loan balances outstanding and advances awarded as of and for the fiscal year ended June 30, 2005, which are not presented in the schedule of expenditures of federal awards:

Program Title	CFDA Number	Loans/Advances Awarded in Fiscal Year Ended June 30, 2005	Loans Outstanding as of June 30, 2005
Community Development Block Grants - Entitlement Grants	14.218	\$ 1,720,684	\$ 41,163,057
HOME Investment Partnerships Program	14.239	1,846,600	13,238,154
Section 8 Housing Choice Vouchers	14.871	--	2,963,879
		\$ <u>3,567,284</u>	\$ <u>57,365,090</u>

NOTE C - CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS

At June 30, 2005, federal awards and state matching fund expenditures under capitalization grants for clean water state revolving funds were as follows:

	Amount
Federal	\$ 3,475,073
State	<u>338,676</u>
	\$ <u>3,813,749</u>

City and County of Honolulu
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2005

NOTE D - SUBRECIPIENTS

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

Federal Grantor/Program/Grant	CFDA Number	Amount Provided to Subrecipients
U.S. Department of Health and Human Services:		
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	\$ 59,568
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	1,050,761
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	795,026
National Family Caregiver Support	93.052	<u>366,664</u>
Total U.S. Department of Health and Human Services		<u>2,272,019</u>
U.S. Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants	14.218	14,644,498
Emergency Shelter Grants Program	14.231	432,142
Supportive Housing Program	14.235	385,335
Shelter Plus Care	14.238	1,227,378
HOME Investment Partnerships Program	14.239	267,212
Housing Opportunities for Persons with AIDS	14.241	<u>415,074</u>
Total U.S. Department of Housing and Urban Development		<u>17,371,639</u>
U.S. Department of Justice:		
Juvenile Accountability Incentive Block Grants	16.523	298,027
Title V - Delinquency Prevention Program	16.548	15,064
Crime Victim Assistance	16.575	385,300
Violence Against Women Formula Grants	16.588	68,507
Grants To Encourage Arrest Policies and Enforcement of Protection Orders	16.590	<u>45,570</u>
Total U.S. Department of Justice		<u>812,468</u>
U.S. Department of Labor:		
Workforce Investment Act - Administration	17.250	61,842
Workforce Investment Act - Adult Program	17.258	78,861
Workforce Investment Act - Youth Activities	17.259	934,990
Workforce Investment Act - Dislocated Workers	17.260	63,340
Employment and Training Administration Pilots, Demonstrations and Research Projects	17.261	<u>285,293</u>
Total U.S. Department of Labor		<u>1,424,326</u>
Total Provided to Subrecipients		<u>\$ 21,880,452</u>

PART III
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City and County of Honolulu
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2005

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
 Reportable condition(s) identified
 not considered to be material weaknesses? ___ yes none reported
 Noncompliance material to financial statements
 noted? ___ yes no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? ___ yes no
 Reportable condition(s) identified
 not considered to be material weaknesses? ___ 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 OMB Circular A-133,
 Section .510(a)? ___ yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/ Entitlement Grants
14.238	Shelter Plus Care
14.871	Section 8 Housing Choice Vouchers
16.011	Urban Areas Security Initiative
20.500/ 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A
 and Type B programs: \$3,000,000
 Auditee qualified as a low-risk auditee? ___ yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

PART IV
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City and County of Honolulu
STATUS REPORT
Fiscal Year Ended June 30, 2005

This section contains the current status of the prior audit recommendations. The recommendations are referenced to the page of the previous audit report for the fiscal year ended June 30, 2004, dated December 23, 2004.

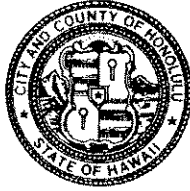
SECTION III - FEDERAL AWARD FINDINGS

<u>Recommendations</u>	<u>Status</u>
<p>04-01 Inaccurate Accounting of Capital Assets (page 15)</p> <p>The City should ensure that all capital assets are properly and timely accounted for in the City's general ledger. The operating agencies should comply with established procedures to transfer completed projects or assets to the fixed asset account on a timely basis and to record the related depreciation expense. Additionally, costs of capital assets should be properly reviewed and accounted for in accordance with the City's capitalization policy.</p>	<p>Although the City has improved in the transfer of completed projects to the fixed asset account on a timely basis, the operating agencies must continue to comply with established procedures. We will address this area in the next audit.</p>
<p>04-02 Delays in the Completion of the Financial Statements (page 16)</p> <p>The City should ensure these issues are appropriately and timely addressed in fiscal 2005. The agreed-upon deadlines for the completion of the CAFR should be strictly enforced to ensure timely completion of future CAFRs.</p>	<p>Resolved.</p>

PART V
CORRECTIVE ACTION PLAN

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 523-4616 • FAX: (808) 523-4771 • INTERNET: www.honolulu.gov

MUFI HANNEMANN
MAYOR



MARY PATRICIA WATERHOUSE
DIRECTOR

PATRICK T. KUBOTA
DEPUTY DIRECTOR

December 20, 2005

Mr. Leslie I. Tanaka, City Auditor
Office of the City Auditor
City and County of Honolulu
1000 Uluohia Street, Suite 313
Honolulu, Hawaii 96707

Dear Mr. Tanaka:

Re: Audit of Federal Awards for the Fiscal Year 2004-2005

Enclosed is the response to the one outstanding recommendation included in Nishihama & Kishida, CPAs Inc preliminary draft report on the audit of federal awards for the fiscal year ended June 30, 2005. As requested, the response includes actions taken or contemplated, implementation dates, and City personnel responsible for the corrective action.

Sincerely,

A handwritten signature in cursive script, appearing to read "MP Waterhouse", is written over a horizontal line.

MARY PATRICIA WATERHOUSE
Director of Budget and Fiscal Services

MPW:ve
Attachments

FORWARDED:

A handwritten signature in cursive script, appearing to read "Jeff Coelho", is written over a horizontal line.

JEFF J. COELHO
Managing Director

cc: BFS – Internal Control

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding No. 04-01: Inaccurate Accounting of Capital Assets (page 15)

Status: Although the City has improved in the transfer of completed projects to the fixed asset account on a timely basis, the operating agencies must continue to comply with established procedures. We will address this area in the next audit.

Administration's Comment: The City continues to make progress in this area and has increased monitoring. Additional analysis and testing of work-in-progress projects has been initiated. Selected work-in-progress projects are forwarded to the responsible operating agency for review and determination of completion status. Projects considered substantially complete are recorded as a depreciable asset prior to processing the formal Notice of Completion/Acceptance. Periodic communication with operating agencies is performed to encourage compliance with established accounting policies and procedures to ensure that capital assets are properly and timely accounted for in the general ledger.

Implementation Date: June 2004

Contact Person(s): Nelson Koyanagi Jr, Chief Accountant, Budget and Fiscal Services
Leslie Yoshino, Real Property Management Specialist, Budget and Fiscal Services