



**DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
STATE OF HAWAII**
(An Enterprise Fund of the State of Hawaii)

Single Audit Reports

Year ended June 30, 2009

Submitted by

**THE AUDITOR
STATE OF HAWAII**

DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

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KPMG LLP
PO Box 4150
Honolulu, HI 96812-4150

**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***

The Auditor
State of Hawaii:

We have audited the financial statements of the Airports Division, Department of Transportation, State of Hawaii (an enterprise fund of the State of Hawaii) (the Airports Division) as of and for the year ended June 30, 2009, and have issued our report thereon dated March 2, 2010. The Airports Division adopted Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as of July 1, 2008. 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 Airports Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airports Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airports Division's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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 Airports Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the Hawaii Public Procurement Code (Chapter 103D, Hawaii Revised Statutes) and procurement rules, directives, and circulars, 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*.

This report is intended solely for the information and use of the Auditor, State of Hawaii, management of the Airports Division, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 2, 2010



KPMG LLP
PO Box 4150
Honolulu, HI 96812-4150

**Report on Compliance with Requirements Applicable to a
Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Auditor
State of Hawaii:

Compliance

We have audited the compliance of the Airports Division, Department of Transportation, State of Hawaii (an enterprise fund of the State of Hawaii) (the Airports Division), 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 its major federal program for the year ended June 30, 2009. The Airports Division's major federal program is 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 its major federal program is the responsibility of the Airports Division's management. Our responsibility is to express an opinion on the Airports Division'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 Airports Division'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 on the Airports Division's compliance with those requirements.

In our opinion, the Airports Division complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control over Compliance

The management of the Airports Division 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 Airports Division'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 Airports Division'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 the entity's internal control that might be 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 basic financial statements of the Airports Division as of and for the year ended June 30, 2009, and have issued our report thereon dated March 2, 2010. The Airports Division adopted Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as of July 1, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 Auditor, State of Hawaii, management of the Airports Division, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 2, 2010

**DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
STATE OF HAWAII**

(An Enterprise Fund of the State of Hawaii)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Federal grantor/program title</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of Transportation:		
Federal Aviation Administration – Airport Improvement Program:	20.106	
3-15-0000-02		\$ 1,919,520
3-15-0000-03		2,564,585
3-15-0001-05		36,056
3-15-0001-06		345,228
3-15-0004-16		8,182
3-15-0004-19		11,476
3-15-0004-22		1,587,085
3-15-0004-26		2,143,607
3-15-0004-27		617,968
3-15-0004-29		91,623
3-15-0004-30		761,431
3-15-0004-73		58,681
3-15-0005-76		403,029
3-15-0005-80		122,744
3-15-0005-81		319,000
3-15-0005-83		280,459
3-15-0005-85		146,882
3-15-0005-86		693,645
3-15-0005-89		7,307,950
3-15-0005-90		7,122,126
3-15-0005-91		4,466,849
3-15-0005-93		207,686
3-15-0005-95		1,705,834
3-15-0006-33		167,233
3-15-0006-35		89,334
3-15-0006-36		112,695
3-15-0006-41		317,601
3-15-0006-42		124,277
3-15-0006-46 (ARRA)		200,772
3-15-0008-26		486,875
3-15-0008-28		100,000
3-15-0008-29		691,032
3-15-0009-03		172,715
3-15-0009-04		1,775,371
3-15-0009-05		345,228
3-15-0010-02		19,904
3-15-0010-04		316,393
3-15-0010-05		345,228
3-15-0011-09		261,947
3-15-0011-12		94,640
3-15-0011-13		51,300
3-15-0011-14		1,603

**DEPARTMENT OF TRANSPORTATION
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STATE OF HAWAII**

(An Enterprise Fund of the State of Hawaii)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Federal grantor/program title</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
3-15-0012-07		\$ 43,365
3-15-0012-09		308,267
3-15-0012-10		2,755,784
3-15-0012-11		2,580,590
3-15-0013-34		14,206
3-15-0013-36		2,606,114
3-15-0013-37		617,169
3-15-0014-07		27,387
3-15-0014-08		1,480,323
3-15-0014-10		24,130
3-15-0014-11		602,595
3-15-0018-03		183,285
DTFA08-03-C-050370		30,058
DTFA08-05-C-050481		579,231
Total CFDA 20.106		<u>50,448,298</u>
U.S. Department of Homeland Security:		
Law Enforcement Officer Reimbursement Agreement Program:	97.090	
HSTS0208HSLR078		710,699
HSTS0208HSLR321		155,501
HSTS0208HSLR087		112,646
HSTS0208HSLR079		118,292
HSTS0208HSLR082		130,372
HSTS0208HSLR320		80,695
HSTS0208HSLR327		71,317
HSTS0208HSLR093		63,076
Total CFDA 97.090		<u>1,442,598</u>
Transportation Security Administration – Airport Checked Baggage		
Inspection System Program:	97.117	
HSTS04-09-H-REC158 (ARRA)		2,830,368
National Explosives Detection Canine Team Program:		
DTSA20-03-H-01000	97.072	300,500
Transportation Security Administration – Installation and		
Maintenance of Closed Circuit Televisions:	N/A	
HSTS02-06-A-AOP248		538,042
Total federal expenditures		<u>\$ 55,559,806</u>

See accompanying report on compliance with requirements applicable to a major program and on internal control over compliance in accordance with OMB Circular A-133 and notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(1) General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Airports Division, Department of Transportation, State of Hawaii. 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*.

(2) Basis of Accounting

The accompanying schedule is prepared on the accrual basis of accounting.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree in all material respects with the amounts reported in the related federal financial reports.

DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
STATE OF HAWAII
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Schedule of Findings and Questioned Costs
Year ended June 30, 2009

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **Unqualified opinion**
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**

Material weaknesses: **None noted**

- (c) Noncompliance that is material to the financial statements: **None noted**
- (d) Significant deficiencies in internal control over major program: **None reported**

Material weaknesses: **None noted**

- (e) The type of report issued on compliance for major program: **Unqualified opinion**
- (f) Any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133: **None noted**
- (g) Major programs:

CFDA No. 20.106 – Federal Aviation Administration, U.S. Department of Transportation – Airport Improvement Program

CFDA No. 97.117 – Transportation Security Administration, U.S. Department of Homeland Security – TSA Airport Checked Baggage Inspection System Program

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,666,794**
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **Yes**

(2) Findings Relating to the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

None noted

(3) Findings and Questioned Costs Relating to Federal Awards

None noted