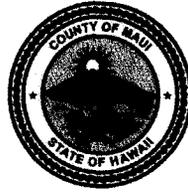


ALAN M. ARAKAWA
Mayor



RECEIVED
2015 OCT 27 AM 9:01
OFFICE OF THE MAYOR
DANILO F. AGSALOG
Director
MARK R. WALKER
Deputy Director

COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

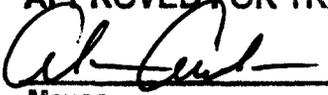
October 26, 2015

Honorable, Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, HI 96793

RECEIVED
2015 OCT 28 AM 9:50
OFFICE OF THE
COUNTY COUNCIL

For Transmittal to:

Honorable, Don S. Guzman
Chair, Economic Development, Energy, Agriculture and
Recreation Committee
Maui County Council
200 South High Street
Wailuku, HI 96793

APPROVED FOR TRANSMITTAL

Mayor 10/27/15
Date

Dear Chair Guzman:

**SUBJECT: LEASE AND LICENSE OF COUNTY-CONTROLLED PARCELS
TO FRIENDS OF MOKU'ULA INC. (Lahaina) (EAR-2)**

I write in reply to your letter dated October 22, 2015 regarding the above referenced entity and issues that we discussed in our meeting of October 21, 2015. In this regard, following please find responses to the questions/requests raised in your correspondence;

- 1. I ask that you provide a recommendation regarding the kind of audit that should be performed to produce a detailed tracking of the parking revenues.***

I would recommend an independent third-party audit performed under Generally Accepted Auditing Standards (GAAS) to determine if the Friends of Moku'ula (FOM) adhere to generally accepted accounting principles (GASB). The rules for these types of audits not only include the testing of account balances such as cash, payables, revenues and expenses, but also require a consideration of fraud risk and an understanding of internal controls. It is my understanding that this type of audit may be costly and I am not sure of FOM's ability to pay for this type of audit.

Honorable Don S. Guzman, Chair
Economic Development, Energy, Agriculture and
Recreation Committee
October 26 2015
Page 2 of 2

- 2. *May I also request that you: 1) review the documents produced by, or on behalf of, FOM, as well as any other documents you obtain directly from FOM as needed, and 2) provide an opinion as to whether parking revenues have been expended solely for restoration and preservation purposes pursuant to the lease and license. Please advise as to an estimated date you will be able to provide the opinion.***

As discussed in our meeting, we will review the documents you have provided and any additional documents that we receive from FOM or your Committee. The Finance Department will not audit FOM but as stated above will attempt to give its opinion as to whether revenue from parking have been expended solely for restoration and preservation purposes pursuant to the lease and license. The ability to give a credible and meaningful opinion will depend in large part on the quality of the information received. In the end we may have more questions than answers.

We should be able to you a response no later than mid-December. As you know our external auditors are here performing the single audit of the County and we are also preparing our Comprehensive Annual Financial Report (CAFR) which is due at calendar year end.

Should you have any further questions or need additional information, please contact me at extension 7474.

Sincerely,



MARK R. WALKER
Deputy Director of Finance

cc: Danilo Agsalog - Finance Director