

Office of the Auditor
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Jan K. Yamane
Acting State Auditor
State of Hawai'i

Constitutional Mandate

The Office of the Auditor, pursuant to Article VII, Section 10 of the Hawai'i State Constitution, is required to conduct post-audits of the transactions, accounts, program and performance of departments, offices and agencies of the State and its political subdivisions, and to certify to the accuracy of all financial statements issued by the respective accounting officers.

Single Audit of Federal Financial Assistance Programs of the State of Hawai'i

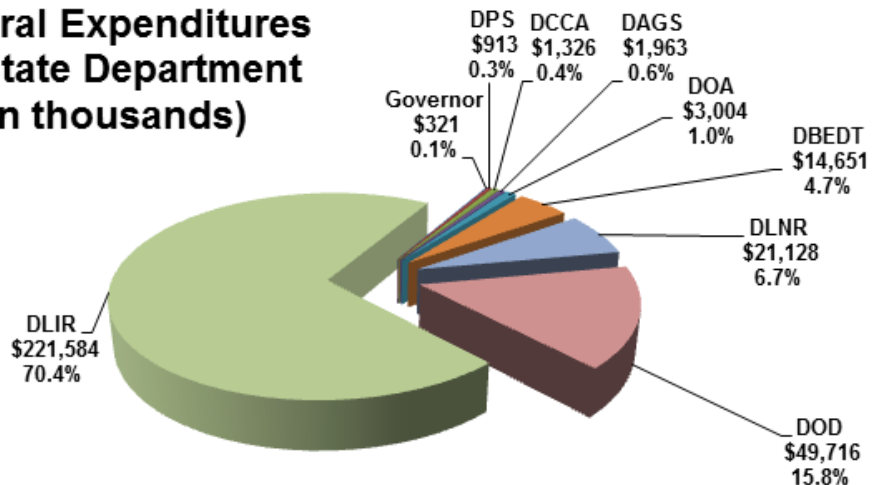
Fiscal Year Ended June 30, 2015

The primary purpose of our audit was to comply with the requirements of federal OMB Circular A-133 for the fiscal year ended June 30, 2015, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity LLP.

About the Report

This report includes the total federal expenditures and findings related to only those departments that are included in the State of Hawai'i Single Audit of Federal Financial Assistance Programs for the fiscal year ended June 30, 2015. Federal expenditures totaled approximately \$314.6 million. Other departments' federal expenditures and findings are reported in their individual audit reports.

Federal Expenditures by State Department (in thousands)



Auditors' Report on Internal Controls Over Financial Reporting

The auditors identified one material weakness and two significant deficiencies in internal controls over financial reporting.

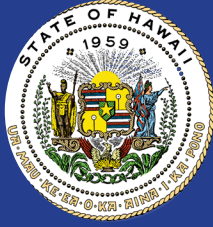
Material Weakness (1)

- Lack of IT internal controls over systems operated by the Information and Communication Services Division, Department of Accounting and General Services.

Significant Deficiencies (2)

- Inefficiencies in the financial statement preparation process resulted in the auditors making numerous adjusting and reclassification entries; and
- Certain component units and proprietary funds were incorrectly included in the governmental activities and respective governmental funds in the State's CAFR.

Auditors' Report on Compliance With Major Federal Programs



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Auditors' Opinion

Federal Compliance: -
Qualified opinion

Issues of Concern

Material Weaknesses
8
Significant Deficiencies
19

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<http://auditor.hawaii.gov/>

The auditors expressed a qualified opinion on certain major programs and identified seven material weaknesses and 17 significant deficiencies over compliance with major federal programs.

Material Weaknesses (7)

- Lack of controls and resources delayed disbursing of advances of federal funds (4);
- Lack of evidence to verify program eligibility of participants;
- Delayed and failed reporting to federal agency; and
- Lack of evidence to verify costs for allowable activity within the period of performance.

Significant Deficiencies (17)

- Deficiencies in internal controls and lack of resources delayed disbursement of federal funds (7);
- Federal funds disbursed after the close of the period of performance (3);
- Failure to obtain subrecipients' audit reports for proper monitoring (2);
- Deficiencies in internal controls over the preparation of the Schedule of Expenditures of Federal Awards;
- Untimely submission of federal reporting;
- Failure to maintain an accurate inventory of equipment;
- Failure to obtain certifications or other equivalent support of employee compensation; and
- Did not consult with Native Hawaiian organizations in assessing the cultural significance of properties nominated to the National Register of Historic Places.

Classification of Findings

DEPARTMENTS & AGENCIES	FINANCIAL REPORTING		FEDERAL PROGRAM COMPLIANCE		TOTALS
	MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY	MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY	
DEFENSE (DOD)	-	-	3	7	10
LAND AND NATURAL RESOURCES (DLNR)	-	-	2	7	9
ACCOUNTING AND GENERAL SERVICES (DAGS)	1	2	-	1	4
LABOR & INDUSTRIAL RELATIONS (DLIR)	-	-	-	2	2
BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM (DBEDT)	-	-	2	-	2
AGRICULTURE (DOA)	-	-	-	-	0
BUDGET & FINANCE (B&F)	-	-	-	-	0
COMMERCE & CONSUMER AFFAIRS (DCCA)	-	-	-	-	0
OFFICE OF THE GOVERNOR	-	-	-	-	0
PUBLIC SAFETY (DPS)	-	-	-	-	0
TOTALS	1	2	7	17	27

For the complete report visit our website at:
http://files.hawaii.gov/auditor/Reports/2015_Audit/SOH_SA_FY2015.pdf