
OVERVIEW

THE AUDITOR
STATE OF HAWAII

Financial Audit of the Hawaii Housing Authority

Summary

The Office of the Auditor and the certified public accounting firm of KPMG Peat Marwick LLP conducted a financial audit of the Hawaii Housing Authority for the fiscal year July 1, 1993 to June 30, 1994. The audit examined the authority's financial records and its systems of accounting and internal controls and tested these for compliance with applicable laws and regulations.

In the opinion of KPMG Peat Marwick LLP, the authority's financial statements present fairly its combined financial position and the combined results of its operations for the fiscal year ended June 30, 1994. All are in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP noted no matters involving the internal control structure and its operation that they considered to be material weaknesses as defined in the report on the internal control structure. They also noted, with respect to items tested, that the authority has complied, in all material respects, with laws and regulations applicable to the authority.

We found that the authority continues to accumulate Section 8 unrestricted funds instead of using them for needed maintenance. We also found that the authority had not adequately maintained inventory records for its general fixed assets account group which resulted in a reportable condition for its internal control structure. Further, the statutory audit requirements for the authority's homeless program are too stringent. In addition, we found that improvements are needed in the authority's working relationships with developers of low-income housing.

Recommendations and Response

We recommend the authority use its unrestricted Section 8 funds for needed maintenance programs at its housing projects. We also recommend that the authority maintain a complete listing of property included in the general fixed assets account group and file all necessary documents with the state comptroller. It should also enforce management agreements that require maintenance of adequate detailed fixed asset records at two of its properties. We also recommend that the Legislature consider revising Chapter 358D, HRS, to allow compliance audits of providers of homeless programs to be conducted on a rotating basis and to allow interviews with program participants to be



conducted by staff during periodic site visits instead of requiring auditors to conduct the interviews. In addition we recommend that the operating staff of the authority be involved in future development projects of the authority and that the authority continue its follow-up of a developer's cash withdrawal from a low-income housing project.

The authority does not dispute our findings and has begun to take steps to implement our recommendations. It provided updated information on expenditures of the homeless programs which is incorporated in the report. It also provided additional background information on the development project that it now manages and says its property management section is monitoring the project monthly.

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