



Office of the Auditor
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Jan K. Yamane
Acting State Auditor
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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.

Financial Audit of the Hawai'i Public Housing Authority

Financial Statements, Fiscal Year Ended June 30, 2012

The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Hawai'i Public Housing Authority as of and for the fiscal year ended June 30, 2012, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KMH LLP.

About the Authority

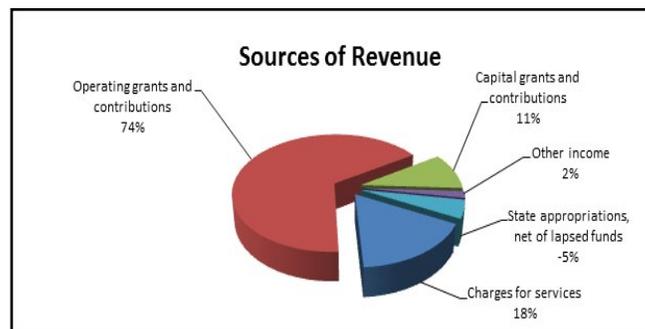
The authority's mission is to provide safe, decent and sanitary dwelling for low- and moderate-income residents of Hawai'i and to operate its housing programs in accordance with federal and state laws and regulations. Some of the authority's housing assistance programs are funded by the U.S. Department of Housing and Urban Development (HUD).

The authority is administratively attached to the State's Department of Human Services (DHS). The authority operates under the direction of its executive director and Board of Directors, which consists of 11 members, of whom nine are public members appointed by the governor. The director of human services and the governor's designee are ex-officio voting members.

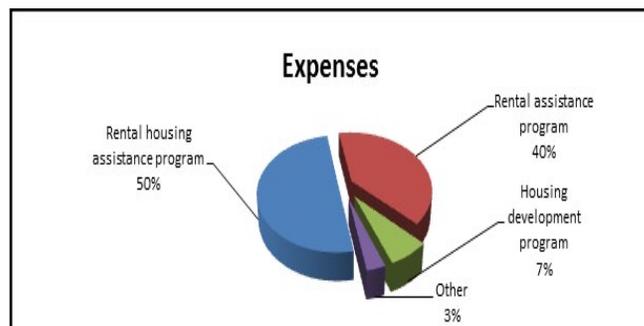
Financial Highlights

For the fiscal year ended June 30, 2012, the authority reported total revenues of \$100.1 million and total expenditures of \$123.5 million, resulting in a deficiency of \$23.4 million. This deficiency was partially offset by \$8.2 million in capital contributions and transfers.

Sources of revenue included \$74.1 million in operating grants and contributions, \$18.4 million in charges for services, \$11 million capital grants and contributions, and \$2 million in other income. The authority also reported negative \$5.4 million in state appropriations, which resulted primarily from lapsed capital projects fund appropriations in the amount of \$10.4 million.



Expenses consisted of \$61.9 million for the rental housing assistance program, \$49 million for the rental assistance program, \$8.6 million for the housing development program, and \$4 million for other costs. As of June 30, 2012, the authority's total assets exceeded its total liabilities by \$372 million.





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Auditors' Opinions

Financial Statements: +
Unmodified opinion

Federal Compliance: -
Qualified opinion

Issues of Concern

Material Weaknesses
11
Significant Deficiencies
1

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

Auditors' Opinions

The authority received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The authority received a qualified opinion on its compliance with requirements that could have a direct or material effect on the authority's major federal programs.

Findings

KMH identified 11 deficiencies in internal controls that were considered material weaknesses:

- Lack of appropriate supervision over accounting and financial reporting, which limited the authority's ability to timely and accurately record and report financial information.
- Absence of ongoing monitoring, including comparisons and reconciliations.
- Lack of general ledger account reconciliations for certain major funds.
- Failure to adequately review and monitor waiting list information.
- Fixed asset accounting records not properly monitored and tracked.
- Inadequate staff knowledge to ensure accurate submission of financial data to HUD.
- Lack of monitoring and quality control reviews over input of applications to waiting lists (to help ensure applicants are properly placed on or pulled from the waiting lists).
- Lack of controls over the recording of declarations of trust as required by federal law.
- Insufficient quality control reviews over tenant eligibility requirements, which allowed various miscalculations and missing data to go unnoticed.
- No independent review and approval of management fee schedules prior to recording.
- Ineffective controls over transferring operating subsidies to project cash accounts.

KMH also identified one deficiency in compliance controls that was deemed a significant deficiency. This deficiency related to reconciliation and review of housing assistance payment information with housing assistance payment registers prior to submission to HUD.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2012_Audit/HPHA2012.pdf