

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.

Financial Audit of the Department of the Attorney General

Financial Statements, Fiscal Year Ended June 30, 2013

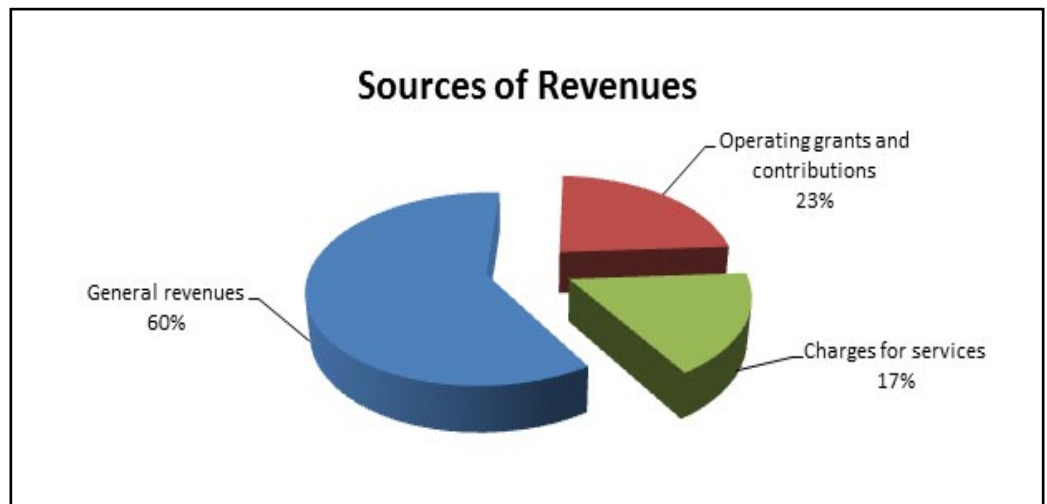
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of the Attorney General as of and for the fiscal year ended June 30, 2013, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Akamine, Oyadomari & Kosaki, CPAS.

About the Department

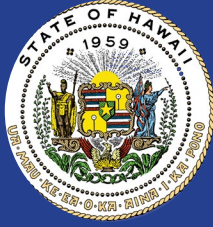
The Department of the Attorney General renders legal services, including furnishing written legal opinions, to the governor, the State Legislature, and the heads of state departments. The department also maintains criminal justice information and conducts investigations, crime prevention programs, and a number of other programs. The department's Child Support Enforcement Agency (CSEA) provides assistance to children by locating parents, establishing paternity and support obligations, and enforcing those obligations.

Financial Highlights

For fiscal year ended June 30, 2013, the department reported total revenues of \$91.7 million. Revenues include general revenues, consisting primarily of \$54.7 million in state general fund appropriations; program revenues, consisting of \$15.7 million in charges for services; and \$21.3 million in operating grants and contributions.



The department reported \$90.2 million in total expenses. Expenses include \$62.3 million for general administrative and legal services, \$15.2 million for child support enforcement, \$6.2 million for crime prevention and justice assistance, and \$6.5 million for criminal history and State identification activities.



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Auditors' Opinions

Financial Statements: +
Unmodified opinion

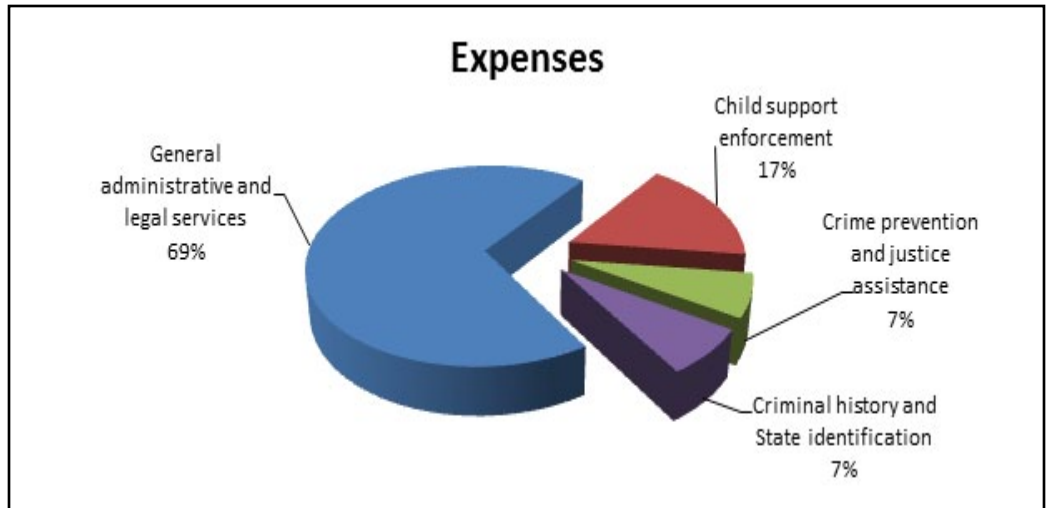
Federal Compliance: +
Unmodified opinion

Issues of Concern

Material Weaknesses
0

Significant Deficiencies
1

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Fiduciary Fund Deficit

Inflows and outflows of funds related to the department's CSEA program are accounted for separately in an agency fund. Normally, agency fund assets should be equal to agency fund liabilities, since the funds are held on behalf of others. However, the department continues to maintain a deficit balance of more than \$2.8 million as of June 30, 2013. According to the department, the deficit balance is caused by a combination of Internal Revenue Service intercept fees on collection of child support payments from delinquent non-custodial parents, uncollected recoupment due from custodial parents resulting from overpayments, and uncollected nonsufficient fund payments from non-custodial parents.

Auditors' Opinions

The department received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The department also received an unmodified opinion on its compliance with major federal programs in accordance with OMB Circular A-133.

Findings

There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses. However, the auditors identified a deficiency in internal controls over financial reporting that is considered to be a significant deficiency.

- Lack of adequate procedures to ensure that department funds were properly encumbered. As a result, the department over-expended its FY2013 budget by more than \$538,000 and was forced to use its FY2014 appropriation to cover the over-expenditure.

There were no findings that were considered material weaknesses in internal control over compliance.

Other Matters

- Lack of controls to ensure compliance with federal grant sub-recipient monitoring requirements.
- Resolve deficit fund balance of \$2.8 million in the CESA agency fund.

For the complete report visit our website at:
http://files.hawaii.gov/auditor/Reports/2013_Audit/AG2013.pdf