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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 Education

## 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 Education 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 N&K CPAs, Inc.*

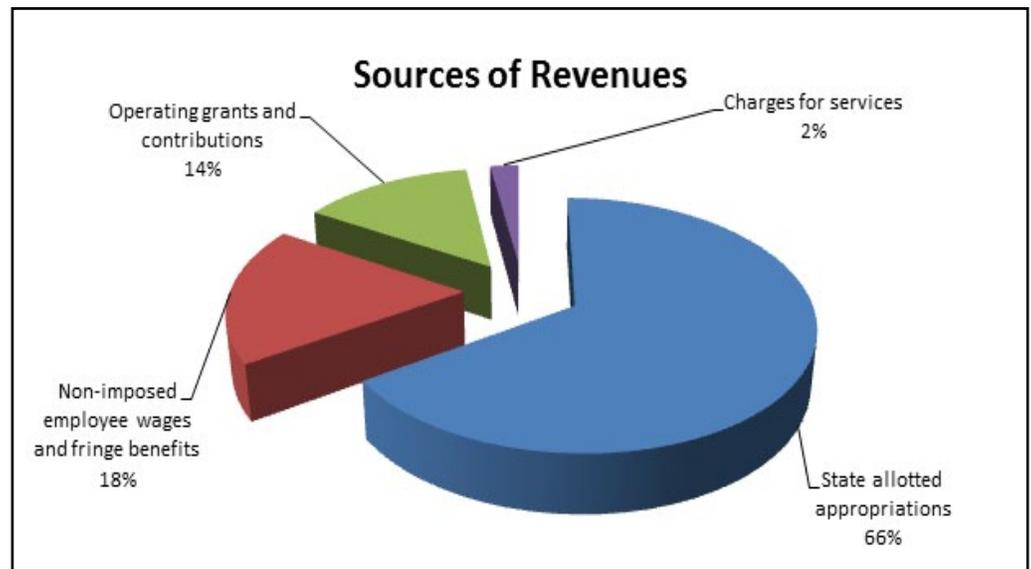
## About the Department

The department administers the statewide system of public schools and public libraries. The department is also responsible for administering state laws regarding regulation of private school operations through a program of inspection and licensing and the professional certification of all teachers for every academic and non-college type of school. Federal grants received to support public school and public library programs are administered by the department on a statewide basis.

## Financial Highlights

For fiscal year ended June 30, 2013, the department reported total revenues of \$2.404 billion, total expenditures of \$2.355 billion, and net transfers-in of \$41 million, resulting in a gain of approximately \$90 million.

Sources of revenues included \$1.579 billion in general fund appropriations, \$434.4 million in non-imposed employee wages and fringe benefits, \$334.5 million in operating grants and contributions, and \$56 million in charges for services.





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## Auditors' Opinions

Financial Statements: **+**  
Unmodified opinion

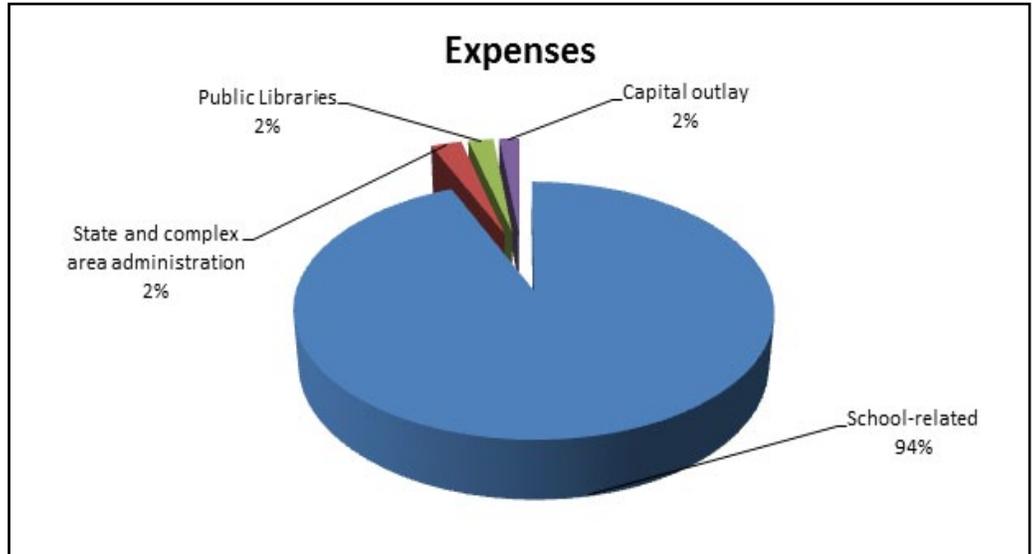
Federal Compliance: **-**  
Qualified opinion

## Issues of Concern

**Material Weaknesses**  
**0**  
**Significant Deficiencies**  
**3**

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Expenses consisted of \$2.205 billion for school-related costs, \$60.4 million for state and school complex area administration, \$49.7 million for public libraries, and \$39.4 million for capital outlay.



Total assets of the department exceeded total liabilities by \$1.37 billion. Of this amount, approximately \$7.6 million is unrestricted and may be used to meet ongoing expenses and obligations. Total assets of \$1.76 billion was comprised of cash of \$379 million, receivables of \$51 million, and net capital assets of \$1.331 billion. Liabilities totaled \$390.8 million.

## Auditors' Opinions

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

## Findings

There were no reported deficiencies in internal controls over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, there were three deficiencies in internal controls over compliance that were considered to be significant deficiencies:

- The department did not complete eligibility status determinations within ten operating days after receiving the applications.
- The department erroneously calculated the indirect cost assessment using rates that were not updated to the new effective rates.
- The department may not be in compliance with earmarking requirement.

For the complete report and financial statements visit our website at:  
[http://files.hawaii.gov/auditor/Reports/2013\\_Audit/DOE2013.pdf](http://files.hawaii.gov/auditor/Reports/2013_Audit/DOE2013.pdf)