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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 Department of Transportation, Administration Division

Financial Statements, Fiscal Year Ended June 30, 2014

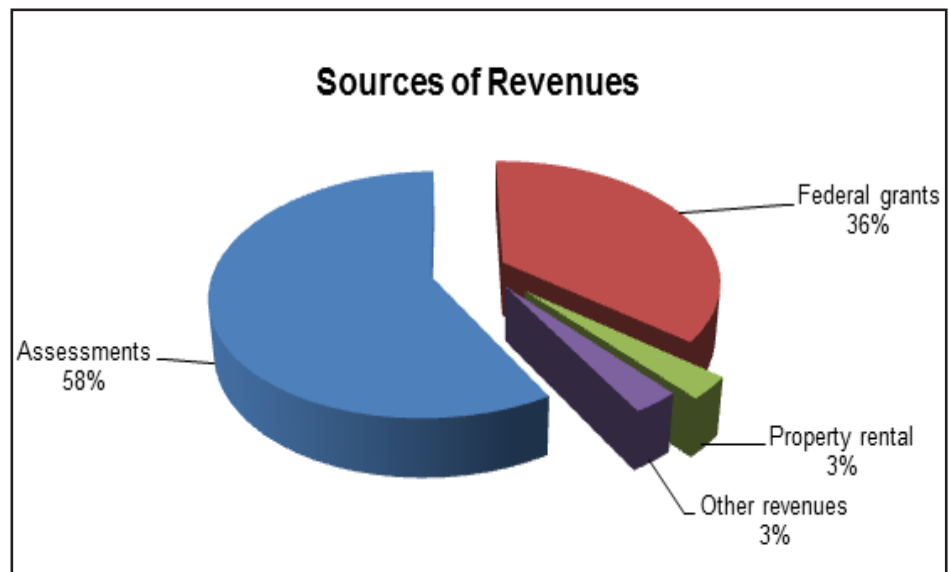
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Transportation, Administration Division (DOT-Administration) as of and for the fiscal year ended June 30, 2014, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by CW Associates, A Hawai'i CPA Corporation.

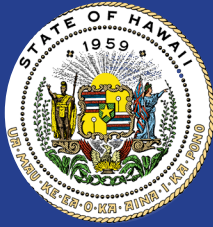
About the Division

DOT-Administration consists of the Office of the Director of Transportation, the Statewide Transportation Planning Office, and departmental staff services offices. Collectively, these offices provide the overall administrative support for the DOT. The Statewide Transportation Planning Office administers certain Federal Transit Administration and Federal Highway Administration grants. The division's financial statements reflect the financial activities of the division and the Aloha Tower Development Corporation. The division reports as assessment revenues a percentage of the Airports, Harbors, and Highways divisions' state allotted appropriations for the cost of the general administration expenses of the DOT.

Financial Highlights

For the fiscal year ended June 30, 2014, the division reported total revenues of approximately \$30.6 million and total expenses of \$24.1 million, resulting in excess revenues of \$6.5 million. Revenues primarily consisted of \$17.5 million from assessments, \$11.1 million from federal grants, \$1 million from property rental, and \$1 million from other revenue sources.





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Auditors' Opinions

Financial Statements: +
Unmodified opinion

Federal Compliance: +
Unmodified opinion

Issues of Concern

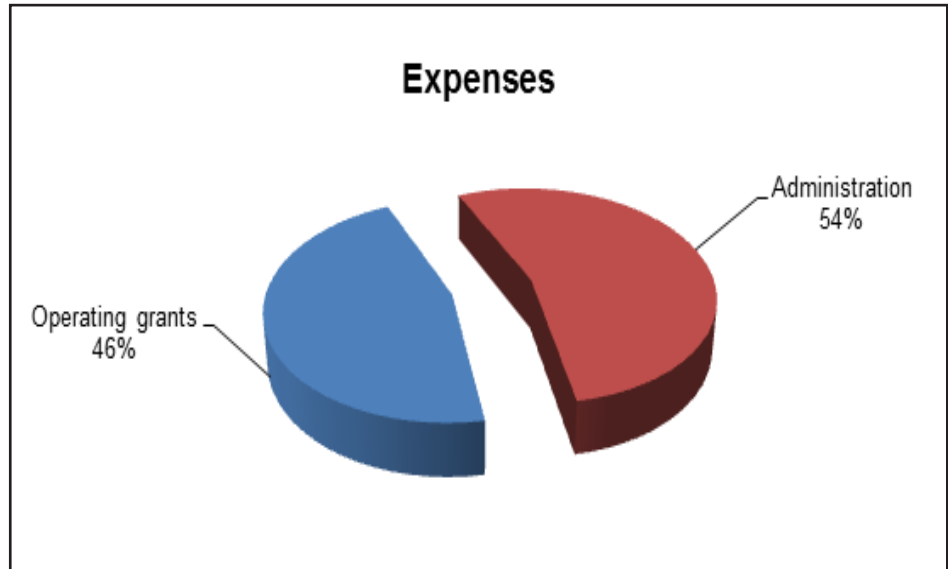
Material Weaknesses

0

Significant Deficiencies

2

Expenses consisted of \$11.1 million for operating grants and \$13 million for administration.



Total assets of the division exceeded total liabilities by \$2.2 million. The division has an unrestricted deficit of \$3.3 million. The division transferred \$1.3 million back to the other DOT divisions for unencumbered cash balances related to assessment revenues from those divisions. Total assets of \$16.5 million were comprised of cash of \$11.7 million, accounts receivable of \$4.1 million, and net capital assets of \$700 thousand. Liabilities totaled approximately \$14.3 million, including a \$3.8 million Aloha Tower Development Corporation note payable to the Department of Transportation, Harbors Division.

Auditors' Opinions

DOT-Administration received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT-Administration 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 and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, there were two deficiencies in internal controls over compliance that were considered to be significant deficiencies:

- DOT-Administration may not be in compliance with the sub-award reporting requirements, as sub-awards over \$25,000 are required to be reported.
- DOT-Administration did not review the supporting documentation for all reimbursement requests prior to making payments to sub-recipients.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2014_Audit/DOT_Admin2014.pdf

For the full text of this and other reports, visit our website:
<http://auditor.hawaii.gov/>