



Office of the Auditor
465 S. King Street
Rm. 500
Honolulu, HI 96813
Ph. (808) 587-0800

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 Transportation, Highways Division

Financial Statements, Fiscal Year Ended June 30, 2014

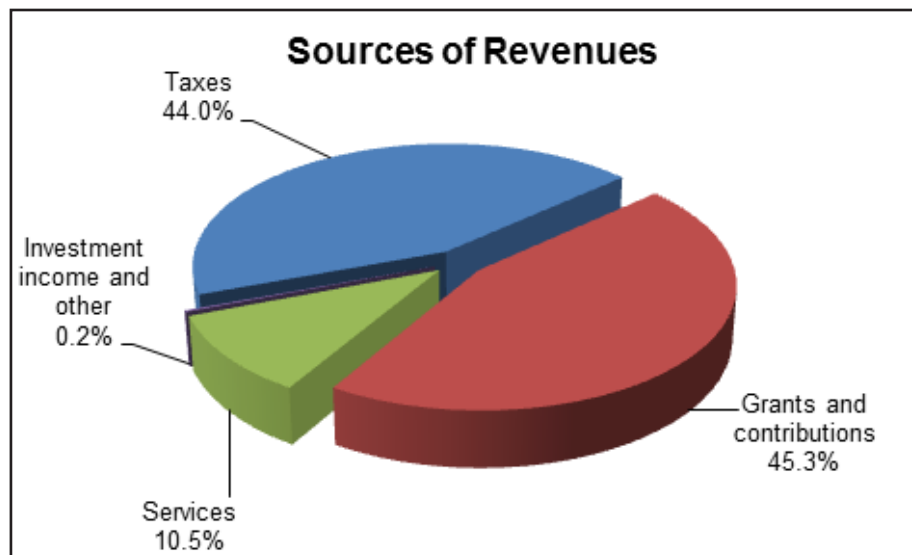
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Transportation, Highways Division (DOT–Highways), as of and for the fiscal year ended June 30, 2014, and to comply with the requirements of federal OMB Circular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

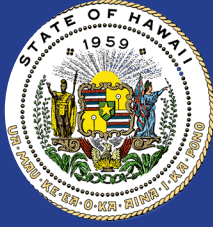
About the Department

The mission of DOT–Highways is to facilitate the rapid, safe, and economical movement of people and goods within the State by providing, maintaining, and operating land transportation facilities and support services. The major goals of DOT–Highways are to plan, design, construct, and maintain highway facilities. In addition, the division, together with the Statewide Transportation Planning Office, implements innovative and diverse approaches to congestion management to increase the efficiency of the transportation system.

Financial Highlights

For the fiscal year ended June 30, 2014, DOT–Highways reported total revenues of \$466 million, expenses of \$531 million, and transfers of \$5 million to other state departments for the payment of debt service on general obligation bonds and for capital improvement projects, resulting in a decrease in net position of \$70 million. Revenues consisted of \$205 million in taxes, \$211 million in grants and contributions from the Federal Highway Administration, \$49 million in charges for services, and \$1 million in investment income and other.





Office of the Auditor
465 S. King Street
Rm. 500
Honolulu, HI 96813
Ph. (808) 587-0800

Jan K. Yamane
Acting State Auditor
State of Hawai'i

Auditors' Opinions

Financial Statements: +
Unmodified opinion

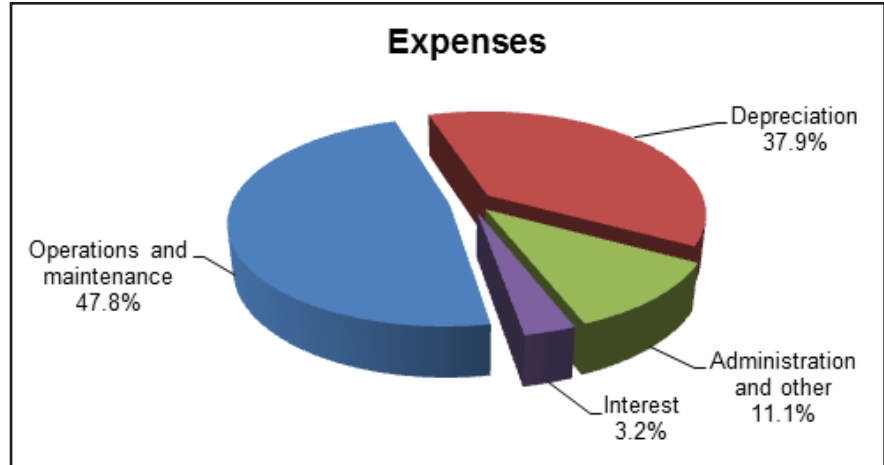
Federal Compliance: +
Unmodified opinion

Issues of Concern

Material Weaknesses
0

Significant Deficiencies
5

Expenses consisted of \$254 million for operations and maintenance, \$201 million in depreciation, \$59 million for administration and other, and \$17 million in interest.



Total assets and deferred outflows of resources of DOT-Highways exceeded total liabilities by approximately \$4.84 billion. Of this amount, \$164 million is unrestricted and may be used to meet ongoing expenses and obligations. Total assets of \$5.33 billion were comprised of cash of \$270 million, net capital assets of \$5.02 billion, and \$42 million in other assets and deferred outflows of resources. Liabilities totaled \$489 million, including \$389 million in revenue bonds.

DOT-Highways has numerous capital projects ongoing statewide; construction in progress totaled \$369 million at the end of the fiscal year.

Auditors' Opinions

DOT-Highways received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT-Highways received an unmodified opinion on its compliance with major federal programs.

Findings

There were two significant deficiencies and no material weaknesses in internal control over financial reporting and no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

- Accounting transactions, including cash, revenues, expenditures and transfers, were not timely reconciled to the general ledger.
- Financial statements were not timely prepared.

There were three significant deficiencies in internal control over compliance:

- Subrecipients payments were not remitted timely to comply with cash management requirements. (2)
- Certified payroll reports were not remitted timely and did not contain evidence of review by the appropriate personnel to comply with the Davis-Bacon Act.

For the complete report and financial statements visit our website at:

http://files.hawaii.gov/auditor/Reports/2014_Audit/DOT_Highways_Financial2014.pdf

http://files.hawaii.gov/auditor/Reports/2014_Audit/DOT_Highways_SA2014.pdf