



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.

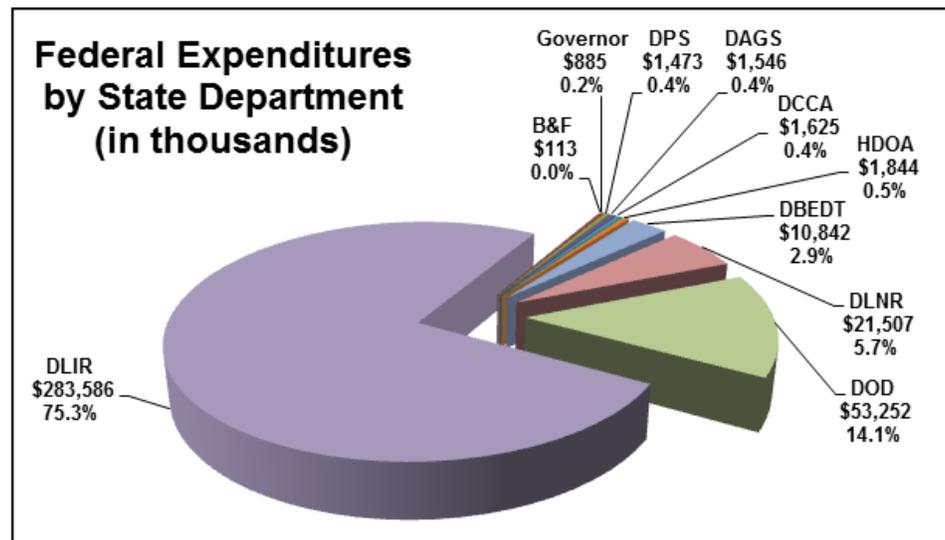
Single Audit of Federal Financial Assistance Programs of the State of Hawai'i

Financial Statements, Fiscal Year Ended June 30, 2014

The primary purpose of the audit was to comply with the requirements of federal OMB Circular A-133 for the fiscal year ended June 30, 2014, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity LLP.

About the Report

This report includes the total federal expenditures and findings related to only those departments that are included in the State of Hawai'i Single Audit of Federal Financial Assistance Programs for the fiscal year ended June 30, 2014. Federal expenditures totaled approximately \$376.7 million. Other departments' federal expenditures and findings are reported in their individual audit reports.



Auditors' Report on Internal Controls Over Financial Reporting

The auditors identified one material weakness and two significant deficiencies in internal controls over financial reporting.

Material Weakness (1)

- Lack of IT internal controls over systems operated by the Information and Communication Services Division, Department of Taxation, and Department of Accounting and General Services.

Significant Deficiencies (2)

- Inefficiencies in the financial statement preparation process resulted in the auditors making numerous adjusting and reclassification entries; and
- Certain component units and proprietary funds were incorrectly included in the governmental activities and respective governmental funds in the State's CAFR.



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' Opinion

Federal Compliance: -
Qualified opinion

Issues of Concern

Material Weaknesses
6
Significant Deficiencies
24

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

Auditors' Report on Compliance With Major Federal Programs

The auditors expressed a qualified opinion on certain major programs and identified five material weaknesses and 22 significant deficiencies over compliance with major federal programs.

Material Weaknesses (5)

- Lack of controls and resources to minimize the delay in disbursing advances of federal funds (4); and
- Federal funds were disbursed after the period of availability ended.

Significant Deficiencies (22)

- Untimely submission of federal financial reporting (4);
- Lack of controls and resources to minimize the delay in disbursing advances of federal funds (3);
- Failure to submit report for subaward in accordance with the Federal Funding Accountability and Transparency Act (3);
- Deficiencies in internal control over the preparation of the SEFA;
- Prevailing wage requirements not included in contracts subject to the Davis-Bacon Act;
- Vendor not checked for suspension and debarment requirements;
- State matching portion was not allocated;
- Corrective action plans did not address all findings in the program performance reports;
- Failure to maintain an accurate inventory of equipment;
- Did not obtain subrecipients' audit reports;
- Failure to obtain certifications or other equivalent support of employee compensation;
- Did not consult with Native Hawaiian organizations in assessing the cultural significance of properties nominated to the National Register of Historic Places;
- Did not meet timeliness requirements for completing paid and denied insurance claims;
- Omission of reporting item and untimely submission of financial reporting; and
- Federal funds were disbursed after the period of availability ended.

Classification of Findings

DEPARTMENTS AND AGENCIES	FINANCIAL REPORTING		FEDERAL PROGRAM COMPLIANCE		TOTALS
	MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY	MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY	
DEFENSE (DOD)	-	-	3	12	15
LAND AND NATURAL RESOURCES (DLNR)	-	-	1	7	8
ACCOUNTING AND GENERAL SERVICES (DAGS)	1	2	-	1	4
LABOR AND INDUSTRIAL RELATIONS (DLIR)	-	-	-	2	2
BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM (DBEDT)	-	-	1	-	1
AGRICULTURE (HDOA)	-	-	-	-	0
BUDGET AND FINANCE (B&F)	-	-	-	-	0
COMMERCE & CONSUMER AFFAIRS (DCCA)	-	-	-	-	0
OFFICE OF THE GOVERNOR	-	-	-	-	0
PUBLIC SAFETY (DPS)	-	-	-	-	0
TOTALS	1	2	5	22	30

For the complete report visit our website at:
http://files.hawaii.gov/auditor/Reports/2014_Audit/SOH_SA_FY2014.pdf