

Auditor's Summary

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

Financial Statements, Fiscal Year Ended June 30, 2018



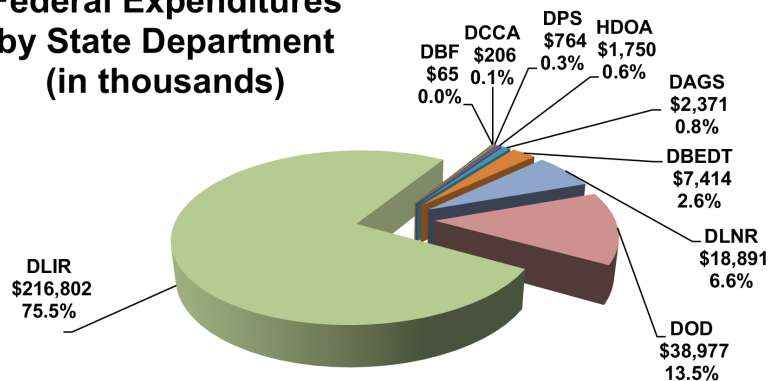
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THE PRIMARY PURPOSE of the audit for the fiscal year ended June 30, 2018, was to comply with the requirements of Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Title 2, Part 200 (Uniform Guidance), 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, 2018. Federal expenditures totaled approximately \$287.2 million. Other departments' federal expenditures and findings are reported in their individual audit reports.

Federal Expenditures by State Department (in thousands)



Auditors' Report on Internal Controls over Financial Reporting

THE AUDITORS IDENTIFIED three significant deficiencies in internal controls over financial reporting that are required to be reported in accordance with *Government Auditing Standards*.

Significant Deficiencies (3)

- Inefficiencies in the financial statement preparation process resulted in the auditors making numerous adjusting and reclassification entries;
- Certain component units and proprietary funds were incorrectly included in the governmental activities and respective governmental funds in the State’s Comprehensive Annual Financial Report; and
- Lack of IT internal controls over systems operated by the Department of Taxation and Department of Labor and Industrial Relations.

Auditors’ Report on Compliance with Major Federal Programs

The auditors expressed a qualified opinion on certain major programs and identified 4 material weaknesses and 10 significant deficiencies over compliance with major federal programs that are required to be reported in accordance with the *Uniform Guidance*.

Material Weaknesses (4)

- Lack of controls delayed disbursement of federal funds;
- Failure to execute the Cash Management Improvement Act Agreement between the U.S. Treasury and the State; and
- Failure to meet earmarking requirements (2).

Significant Deficiencies (10)

- Deficiencies in internal controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA);
- Deficiencies in the payment process delayed disbursement of federal funds (3);
- Lack of internal controls delayed the recording of newly acquired property;
- Lack of review procedures resulted in reporting misstated expenditures;
- Failure to review subrecipient’s audit report;
- Failure to ensure contractor was not federally suspended or debarred (2); and
- Failure to obtain memoranda of understanding to assess the cultural significance of properties nominated to the National Register of Historic Places.

Classification of Findings

DEPARTMENTS & AGENCIES	FINANCIAL REPORTING		FEDERAL PROGRAM COMPLIANCE		TOTALS
	Material Weakness	Significant Deficiency	Material Weakness	Significant Deficiency	
Land and Natural Resources (DLNR)	-	-	1	7	8
Accounting and General Services (DAGS)	-	3	-	1	4
Labor & Industrial Relations (DLIR)	-	-	2	2	4
Business, Economic Development and Tourism (DBEDT)	-	-	1	-	1
TOTALS	0	3	4	10	17

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2018_Audit/SOH_SA_FY2018.pdf