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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, Highways Division

## Financial Statements, Fiscal Year Ended June 30, 2013

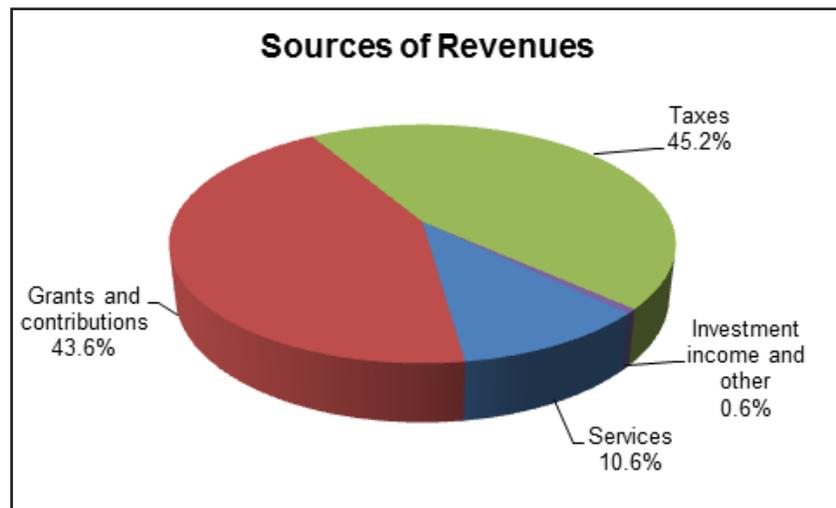
*The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Transportation, Highways Division (DOT–Highways) as of and for the fiscal year ended June 30, 2013, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs 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 fiscal year ended June 30, 2013, DOT–Highways reported total revenues of approximately \$460 million and total expenses of \$501 million, resulting in a deficiency of \$41 million. Revenues consisted of \$208 million in taxes, \$201 million in grants and contributions from the Federal Highways Administration, \$48 million in charges for services, and \$3 million in investment income and other.





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## Auditors' Opinions

Financial Statements: +  
Unmodified opinion

Federal Compliance: +  
Unmodified opinion

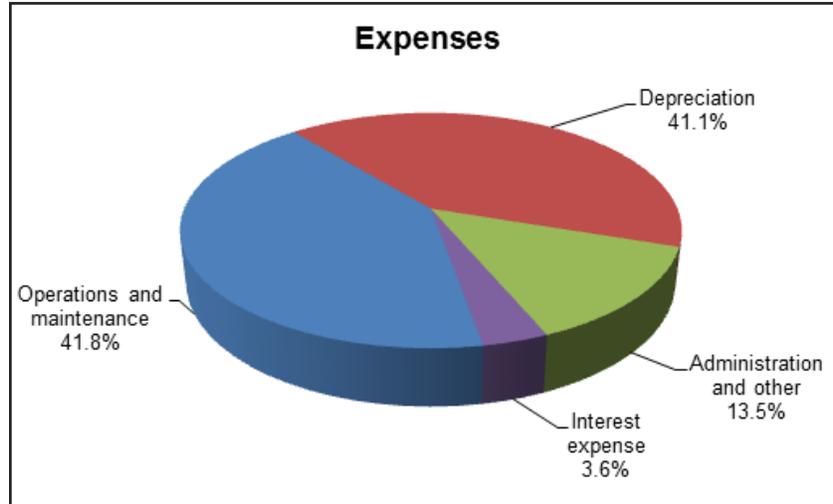
## Issues of Concern

Material Weaknesses  
0

Significant Deficiencies  
9

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Expenses consisted of \$209 million for operations and maintenance, \$206 million in depreciation, \$68 million for administration and other, and \$18 million in interest.



Total assets of DOT-Highways exceeded total liabilities by approximately \$4.9 billion. Of this amount, \$198 million is unrestricted and may be used to meet ongoing expenses and obligations. Total assets of \$5.437 billion were comprised of cash of \$252 million, net capital assets of \$5.094 billion, and \$91 million in other assets. Liabilities totaled \$520 million, including \$417 million in revenue bonds. DOT-Highways transferred \$7 million to other state departments for the payment of debt service on general obligation bonds and for capital improvement projects.

DOT-Highways has numerous capital projects ongoing statewide; construction in progress totaled \$268 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 three 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.
- Payroll transactions were not timely reconciled to the general ledger.
- Financial statements were not timely prepared for State CAFR, Single Audit, and revenue bond certificates.

There were six significant deficiencies in internal control over compliance:

- Subrecipients payments were not remitted timely to comply with cash management requirements of the Federal Highways Administration.
- Lack of evidence of paying prevailing wages to comply with Davis-Bacon Act.
- Unallowed payroll costs were not detected on a timely basis.
- Single Audit report and Data Collection Form were not submitted by the required due date.
- Site visits of subrecipients were not performed as part of grant monitoring requirement.
- Subrecipient payments were not remitted timely to comply with cash management requirements of the National Highways Traffic Safety Administration.

For the complete report and financial statements visit our website at:  
[http://files.hawaii.gov/auditor/Reports/2013\\_Audit/DOT\\_Highways2013.pdf](http://files.hawaii.gov/auditor/Reports/2013_Audit/DOT_Highways2013.pdf)