

Auditor's Summary

Financial and Compliance Audit of the Department of the Attorney General

Financial Statements, Fiscal Year Ended June 30, 2017



PHOTO: OFFICE OF THE AUDITOR

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 the Attorney General (ATG), as of and for the fiscal year ended June 30, 2017, and 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 Akamine, Oyadomari & Kosaki, CPAs, Inc.

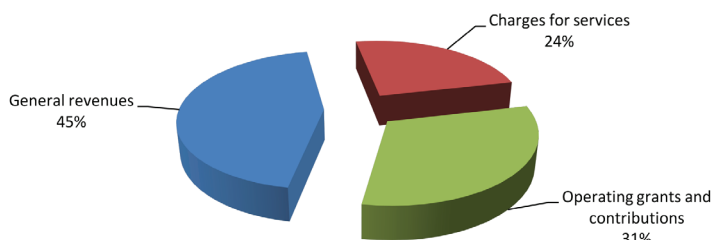
About the Department

ATG ADMINISTERS and renders legal services, including furnishing written legal opinions to the Governor, State Legislature, and such state departments and offices as the Governor may direct; represents the State in all civil actions in which the State is a party; approves as to legality and form all documents relating to the acquisition of any land or interest in the State. ATG also maintains criminal justice information and conducts investigations, crime prevention programs, and a number of other programs. ATG's Child Support Enforcement Agency (CSEA) provides assistance to children by locating parents, establishing paternity and support obligations, and enforcing those obligations.

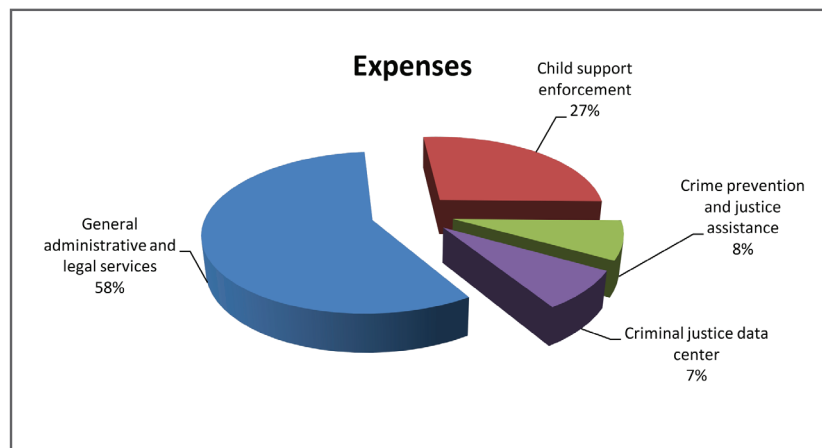
Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2017, ATG reported total revenues of \$93.4 million and total expenses of \$95.1 million, resulting in a decrease in net position of \$1.7 million. Revenues include general revenues of \$42.3 million, consisting primarily of state general fund appropriations, program revenues of \$22.4 million, and \$28.7 million in operating grants and contributions.

Sources of Revenues



Total expenses of \$95.1 million, consisted of \$54.9 million for general administrative and legal services, \$25.6 million for child support enforcement, \$7.5 million for crime prevention and justice assistance, and \$7.1 million for criminal justice data center activities.



Fiduciary Fund Deficit

Inflows and outflows of funds related to the CSEA program are accounted for separately in an agency fund. Normally, agency fund assets should be equal to agency fund liabilities, as the funds are held on behalf of others. However, ATG continues to maintain a deficit balance of approximately \$1.3 million at June 30, 2017. According to ATG, the deficit balance is caused by a combination of uncollected recoupments due from custodial parents resulting from overpayments and uncollected non-sufficient fund payments due from non-custodial parents.

Auditors' Opinions

ATG RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. ATG also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO REPORTED DEFICIENCIES in internal control over financial reporting that were considered to be material weaknesses that are required to be reported under *Government Auditing Standards*. However, the auditors identified two deficiencies in internal control over financial reporting that are significant deficiencies.

- ATG lacked adequate procedures to ensure that funds were properly encumbered. As a result, ATG paid approximately \$406,000 with fiscal 2018 funds for fiscal 2017 expenditures, although ATG lapsed approximately \$1,000 of fiscal 2017 general funds.
- Deficit in CSEA agency fund balance of approximately \$1.3 million needs to be resolved.

There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*. However, the auditors identified two deficiencies in internal control over compliance that are significant deficiencies.

- ATG did not follow its policy of timely processing payments once Federal draws were received.
- ATG's internal control over reporting was ineffective in preventing an error in the Federal Financial Report.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2017_Audit/AG2017.pdf