

Auditor's Summary

Financial Audit of the Department of Commerce and Consumer Affairs

Financial Statements, Fiscal Year Ended June 30, 2019



PHOTO: OFFICE OF THE AUDITOR

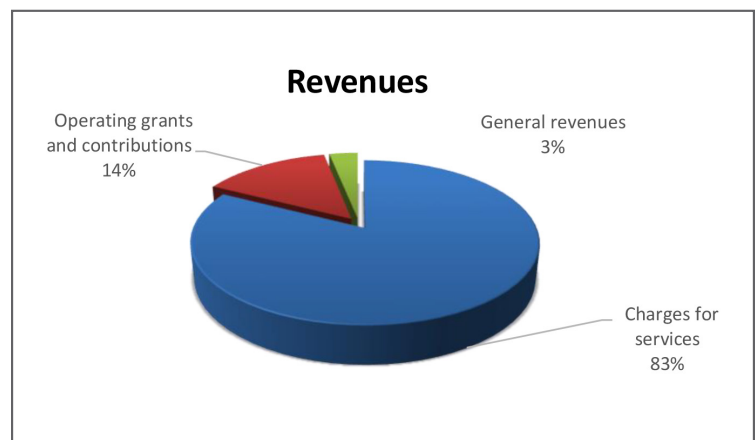
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Commerce and Consumer Affairs, as of and for the fiscal year ended June 30, 2019. The audit was conducted by N&K CPAs, Inc.

About the Department

The mission of the state's Department of Commerce and Consumer Affairs (DCCA) is to protect Hawai'i's consumers and service its business community with respect and fairness to the interests of both. The DCCA is made up of nine public-facing divisions: Business Registration Division, Cable Television Division, Division of Consumer Advocacy, Division of Financial Institutions, Insurance Division, Office of Administrative Hearings, Office of Consumer Protection, Professional and Vocational Licensing Division, and Regulated Industries Complaints Office. Also included is the Hawaii Post-Secondary Education Authorization Program and the Public Utilities Commission (an administratively attached agency). DCCA is a specially funded agency that strives to operate under a self-sufficiency model. Fees and revenues collected are to be used for the regulation of the contributing industries.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2019, the DCCA reported total revenues of \$66.4 million, along with \$5 million in transfers from other state departments, and total expenses of \$55.5 million resulting in a change in net position of \$10.9 million. Revenues consisted of (1) charges for services of \$54.8 million, (2) operating grants and contributions of \$9.5 million, and (3) general revenues of \$2.1 million.





Total expenses of \$55.5 million consisted of (1) \$29.5 million for regulation of services, (2) \$17.6 million for enforcement of fair business practices, and (3) \$8.4 million for general support.

As of June 30, 2019, total assets of \$118.4 million exceeded total liabilities of \$7.6 million, resulting in a net position of \$110.8 million. Total assets included (1) cash of \$113.7 million, (2) interest receivable of \$2.4 million, (3) net capital assets of \$400,000, and (4) other assets of \$1.9 million.

Auditors' Opinions

DCCA RECEIVED A QUALIFIED OPINION on governmental activities as land and buildings and related depreciation expense has not been recorded in governmental activities. Except for the issue noted, the DCCA received an unmodified opinion that its remaining financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Findings

THERE WERE TWO MATERIAL WEAKNESSES and four significant deficiencies in internal controls over financial reporting that were required to be reported under *Government Auditing Standards*. The material weaknesses are described on pages 47-49 of the report, and the significant deficiencies are described on pages 43-47 and 50 of the report.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

For the complete report and financial statements visit our website at:
https://files.hawaii.gov/auditor/Reports/2019_Audit/DCCA2019.pdf