



**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Financial Statements and Single Audit Reports

June 30, 2021

(With Independent Auditors' Report Thereon)

Submitted by:

**THE AUDITOR
STATE OF HAWAII**

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

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Independent Auditors' Report

Office of the Auditor
State of Hawaii:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary activities of the Department of the Attorney General, State of Hawaii (the Department), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary activities of the Department of the Attorney General, State of Hawaii, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matters

Department of the Attorney General, State of Hawaii

As discussed in Note 3, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the fiduciary activities of the State of Hawaii that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in Note 3 to the financial statements, the Department adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. Our opinion is not modified with respect to this matter.

Restatement

As discussed in Note 2 to the financial statements, the June 30, 2020 financial statements have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison statements and notes to the budgetary comparison statements, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

Honolulu, Hawaii
March 31, 2023

STATE OF HAWAII
Department of the Attorney General
Management's Discussion and Analysis (Unaudited)
June 30, 2021

The State of Hawaii ("the State"), Department of the Attorney General ("the AG") was created in 1959 by the Hawaii State Government Reorganization Act of 1959 (Act 1, Second Special Session Laws of Hawaii 1959). The primary function of the AG is to provide legal and other services to the State, including agencies, offices, and employees of the Executive, Legislative, and Judicial branches of the State's government.

As management of the AG, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the AG for the year ended June 30, 2021. This discussion and analysis is designed to assist the reader in the analysis of the AG's financial statements based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the financial statements which follows this section.

FINANCIAL HIGHLIGHTS

- Capital assets, net of depreciation, were approximately \$5,975,000 which is a decrease of \$1,216,000 or 16.9% from the prior year. The decrease is due primarily to depreciation expense.
- Current liabilities were approximately \$16,785,000 which is a decrease of \$5,392,000 or 24.3% from the prior year. The decrease was primarily attributable to decreased liabilities for vouchers payable.
- Long-term liabilities were approximately \$5,371,000 which is an increase of \$1,182,000 or 28.2% from the prior year. The increase was attributable to increases in accrued vacation.
- The AG ended with a net position of \$20,412,000 at June 30, 2021, which is comprised of (1) a restatement due to the adoption of GASB Statement No. 84, *Fiduciary Activities*, increasing beginning net position by \$1,601,000 and a current year decrease of \$2,926,000 compared to a prior year increase of \$3,250,000, (2) a restatement due to a correction of Child Support Enforcement Agency activities which decreased beginning net position by \$6,489,000, and (3) a restatement due to a correction of Crime Prevention and Justice Assistance activities which decreased beginning net position by \$3,642,000. The current year decrease in net position is due primarily to decreases in charges for services of \$14,631,000 offset by a decrease in expenses of \$16,638,000 and an increase in transfers of \$1,956,000.
- Total revenues were approximately \$104,328,000 which is a decrease of approximately \$18,654,000 from the prior year due to decreases in charges for services of approximately \$14,631,000 and general revenues of approximately \$3,612,000.
- Total expenses were approximately \$106,712,000, which is a decrease of approximately \$16,638,000 from the prior year primarily due to a decrease in general administrative and legal services expenses of approximately \$15,145,000.

OVERVIEW OF FINANCIAL STATEMENTS

The financial and compliance audit report consists of the following: Management's Discussion and Analysis, which discusses the AG's financial performance during the fiscal year; a financial section which presents the AG's financial statements, notes to the financial statements and supplementary information; reports on internal controls and compliance; and schedule of findings and questioned costs. These components are described below:

Government-Wide Financial Statements

The government-wide financial statements report information about the AG as a whole using accounting methods similar to those used by private sector companies. The *Statement of Net Position* provides both short-

STATE OF HAWAII
Department of the Attorney General
Management's Discussion and Analysis (Unaudited)
June 30, 2021

term and long-term information about the AG's financial position, which reflects the AG's financial condition at the end of the fiscal year.

The *Statement of Net Position* presents the AG's assets and liabilities with the difference between the two reported as "net position." The *Statement of Activities* reflects the operations of the AG during the fiscal year and the resultant change in the net position. All of the current fiscal year's revenues and expenses are accounted for in the *Statement of Activities* on the accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide detailed information about the AG's significant funds. A fund is a grouping of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are either reported as major or a non-major fund.

The AG has two types of funds:

- Governmental Funds:

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purposes. The Special Revenue Funds were established to account for the federal funds that are subject to grant restrictions and funds used for attorney services contracted by other State departments.

The Department maintains a General Fund and four special revenue funds: the Child Support Enforcement, Legal Services, Crime Prevention and Justice Assistance, and Criminal Justice Data Center special revenue funds. The financial information for each fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

- Fiduciary Funds:

Custodial Funds – The Custodial Funds are used to account for assets held by the AG in a fiduciary capacity for other parties outside of the AG. Custodial funds are presented separately and are not reflected in the government-wide financial statements because the funds are not rightfully the AG's funds to use for its operations.

Notes to Financial Statements

The Notes to Financial Statements provide additional disclosures for the information reflected in the financial statements, which is essential to understanding the financial data provided in the government-wide fund financial statements.

Government-wide Financial Analysis

The Statement of Net Position reflects the AG's financial condition at the end of the fiscal year on the accrual basis of accounting. As of June 30, 2021, the AG's total net position was approximately \$20,412,000.

STATE OF HAWAII
Department of the Attorney General
Management's Discussion and Analysis (Unaudited)
June 30, 2021

The following presents a summarized comparison of net position and changes in net position for the fiscal years ended June 30, 2021 and 2020.

Summary Statements of Net Position

	June 30,	
	2021	2020
	(as restated)	
	(rounded to nearest \$1,000)	
Assets		
Current assets	\$ 36,593,000	38,439,000
Capital assets, net of depreciation	5,975,000	7,191,000
Total assets	\$ 42,568,000	45,630,000
Liabilities		
Current liabilities	\$ 16,785,000	22,177,000
Long-term liabilities	5,371,000	4,189,000
Total liabilities	22,156,000	26,366,000
Net position		
Investment in capital assets, net of related debt	5,975,000	7,191,000
Restricted	1,554,000	1,495,000
Unrestricted	12,883,000	10,578,000
Total net position	20,412,000	19,264,000
Total liabilities and net position	\$ 42,568,000	45,630,000

Capital assets, net of depreciation decreased by approximately \$1,216,000 or 16.9% from 2020, mainly due to depreciation expense. Current liabilities decreased by approximately \$5,392,000 or 24.3% from 2020, mainly due to decreased liabilities for vouchers payable and deferred revenue. Long-term liabilities increased by approximately \$1,182,000 or 28.2% from 2020, due to an increase in accrued vacation.

Investment in capital assets (i.e., buildings and improvements, furniture and equipment) of \$5,975,000 and \$7,191,000, and restricted funds of \$1,554,000 and \$1,495,000 represent 37% and 45%, a large portion of the AG's 2021 and 2020 net position, respectively. The AG uses these capital assets for the benefit and use by government agencies; consequently, these assets are not available for future spending and cannot be used to liquidate any liabilities. The remaining restricted assets represent resources that are subject to external restrictions or enabling legislation on how they may be used. Unrestricted net position was \$12,883,000 and \$10,578,000 for 2021 and 2020, respectively.

The Statements of Activities reflect the AG's current fiscal year's revenues and expenses on the accrual basis of accounting.

STATE OF HAWAII
Department of the Attorney General
Management's Discussion and Analysis (Unaudited)
June 30, 2021

Summary Statements of Activities

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
		<u>(as restated)</u>
	(rounded to nearest \$1,000)	
Program revenues:		
Charges for services	\$ 24,950,000	39,581,000
Operating grants and contributions	33,226,000	33,637,000
General revenues	<u>46,152,000</u>	<u>49,764,000</u>
Total revenues	<u>104,328,000</u>	<u>122,982,000</u>
Expenses:		
General administrative and legal services	63,620,000	78,765,000
Child support enforcement	20,517,000	23,133,000
Crime prevention and justice assistance	15,960,000	14,207,000
Criminal justice data center	<u>6,615,000</u>	<u>7,245,000</u>
Total expenses	<u>106,712,000</u>	<u>123,350,000</u>
Deficiency before transfers	(2,384,000)	(368,000)
Transfers, net	<u>1,931,000</u>	<u>(25,000)</u>
Change in net position	(453,000)	(393,000)
Net position, beginning of the year	19,264,000	19,657,000
Adoption of new accounting principle	<u>1,601,000</u>	<u>—</u>
Net position, beginning of the year (as restated)	<u>20,865,000</u>	<u>19,657,000</u>
Net position, end of the year	<u>\$ 20,412,000</u>	<u>19,264,000</u>

The AG's total revenues decreased by \$18,654,000 from 2020 due to decreases in charges for services and general revenues. Charges for services decreased by \$14,631,000 (37.0%) primarily due to a decrease in revenues received for the Community Service Program of \$15,000,000 in 2021. General revenues decreased by approximately \$3,612,000 due to decreases in State appropriations of \$1,937,000 (5.5%) and non-imposed employee fringe benefits of \$1,675,000 due to an increase in vacant positions in 2021.

Total expenses decreased by \$16,638,000 from 2020. General administrative and legal services expenses decreased by \$15,145,000 (19.2%) primarily due to a decrease in expenses for the Community Service Program of approximately \$14,500,000 in 2021.

STATE OF HAWAII
 Department of the Attorney General
 Management's Discussion and Analysis (Unaudited)
 June 30, 2021

BUDGETARY ANALYSIS

General Fund Budget Results

The annual budget for the AG is based on appropriations from the State of Hawaii to support its governmental activities as detailed in the Notes to the Financial Statements. Revenues differed by approximately \$3,198,000 or 8.8% under budget, and total expenditures were approximately \$36,000 under budget.

Special Funds Budget Results

Revenues differed by approximately \$18,513,000 or 23% under budget, and total expenditures were approximately \$7,077,000 or 13% over budget. The differences reflect the timing of restricted cash received versus expenditures and budget allotments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021 and 2020, the AG had \$5,975,000 and \$7,191,000, respectively, in capital assets, net of accumulated depreciation. The 2021 amount represents a net decrease of approximately \$1,216,000 or 16.9% from 2020. For the fiscal year ended June 30, 2021, there was approximately \$385,000 in additions for buildings, improvements, furniture and equipment. Depreciation expense for capital assets totaled approximately \$1,501,000 for the fiscal year ended June 30, 2021.

	2021	2020
Capital assets:		
Buildings, improvements, furniture and equipment	\$ 31,525,000	31,779,000
Less accumulated depreciation	(25,550,000)	(24,588,000)
Total capital assets, net	\$ 5,975,000	7,191,000

Debt Administration

None

CURRENTLY KNOWN DECISIONS AND FACTS

None

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or request for additional financial information should be addressed in writing to the State of Hawaii, Department of the Attorney General, 425 Queen Street, Honolulu, Hawaii 96813 or by email at hawaiiag@hawaii.gov. General information about the AG can be found on the State's website, <https://ag.hawaii.gov/>.

STATE OF HAWAII

Department of the Attorney General

Statement of Net Position – Governmental Activities

June 30, 2021

Current assets

Cash and cash equivalents	\$ 33,229,121
Due from grantor – Federal	1,015,239
Due from other State agencies	1,018,535
Due from State of Hawaii	<u>1,330,164</u>

Total current assets 36,593,059

Capital assets, net of accumulated depreciation 5,975,184

Total assets 42,568,243

Current liabilities

Vouchers and contracts payable	1,928,915
Accrued wages and employee benefits	3,455,485
Accrued vacation	2,699,330
Deferred revenue	8,238,175
Due to State of Hawaii	<u>462,537</u>

Total current liabilities 16,784,442

Long-term liabilities

Accrued vacation 5,371,361

Total long-term liabilities 5,371,361

Total liabilities 22,155,803

Net position

Net investment in capital assets	5,975,184
Restricted	1,554,406
Unrestricted	<u>12,882,850</u>

Total net position \$ 20,412,440

See accompanying notes to the financial statements.

STATE OF HAWAII

Department of the Attorney General

Statement of Activities – Governmental Activities

For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General administrative and legal services	\$ 63,620,245	21,858,659	1,610,870	(40,150,716)
Child support enforcement	20,516,736	—	14,936,672	(5,580,064)
Crime prevention and justice assistance	15,959,580	—	16,056,923	97,343
Criminal justice data center	6,615,279	3,091,778	621,287	(2,902,214)
Total governmental activities	<u>106,711,840</u>	<u>24,950,437</u>	<u>33,225,752</u>	<u>(48,535,651)</u>
General revenues:				
State appropriations, net of lapsed appropriation of \$2,029,660				32,989,358
Non-imposed employee fringe benefits				<u>13,162,197</u>
Total general revenues				<u>46,151,555</u>
Deficit of revenues over expenses				(2,384,096)
Other financing sources – transfers, net				<u>1,930,691</u>
Change in net position				<u>(453,405)</u>
Net position, beginning of year, as restated (Note 2)				19,264,420
Adoption of new accounting principle				<u>1,601,425</u>
Net position, beginning of year, as restated				<u>20,865,845</u>
Net position, end of year				<u>\$ 20,412,440</u>

See accompanying notes to the financial statements.

STATE OF HAWAII
Department of the Attorney General
Balance Sheet – Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Child Support Enforcement</u>	<u>Legal Services</u>	<u>Crime Prevention and Justice Assistance</u>	<u>Criminal Justice Data Center</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 670,430	18,444,021	8,595,638	2,303,724	3,215,308	33,229,121
Due from grantor – Federal	—	882,878	58,511	62,565	11,285	1,015,239
Due from other State agencies	—	—	1,018,535	—	—	1,018,535
Due from State of Hawaii	1,330,164	—	—	—	—	1,330,164
Total assets	<u>\$ 2,000,594</u>	<u>19,326,899</u>	<u>9,672,684</u>	<u>2,366,289</u>	<u>3,226,593</u>	<u>36,593,059</u>
Liabilities and fund balances						
Liabilities						
Vouchers and contracts payable	\$ 1,563,800	95,202	199,060	38,017	32,836	1,928,915
Accrued wages and employee benefits	1,843,095	486,668	996,834	31,294	97,594	3,455,485
Deferred revenue	—	7,067,324	—	1,170,851	—	8,238,175
Due to the State of Hawaii	—	—	462,537	—	—	462,537
Total liabilities	<u>3,406,895</u>	<u>7,649,194</u>	<u>1,658,431</u>	<u>1,240,162</u>	<u>130,430</u>	<u>14,085,112</u>
Fund balances (deficit)						
Restricted	—	—	421,778	1,126,127	6,501	1,554,406
Committed	—	—	7,592,475	—	3,089,662	10,682,137
Assigned	655,430	727,805	—	—	—	1,383,235
Unassigned	(2,061,731)	10,949,900	—	—	—	8,888,169
Total fund balances (deficit)	<u>(1,406,301)</u>	<u>11,677,705</u>	<u>8,014,253</u>	<u>1,126,127</u>	<u>3,096,163</u>	<u>22,507,947</u>
Total liabilities and fund balances	<u>\$ 2,000,594</u>	<u>19,326,899</u>	<u>9,672,684</u>	<u>2,366,289</u>	<u>3,226,593</u>	<u>36,593,059</u>

See accompanying notes to the financial statements.

STATE OF HAWAII

Department of the Attorney General

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2021

Total fund balances – governmental funds	\$	22,507,947
Amounts reported for governmental activities that are different in the statement of net position due to:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds		5,975,184
Accrued employee benefits not reported in the governmental funds		<u>(8,070,691)</u>
Total net position – governmental activities	\$	<u><u>20,412,440</u></u>

See accompanying notes to the financial statements.

STATE OF HAWAII

Department of the Attorney General

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the year ended June 30, 2021

	General Fund	Child Support Enforcement	Legal Services	Crime Prevention and Justice Assistance	Criminal Justice Data Center	Total
Revenues						
State appropriations, net of lapsed	\$ 32,989,358	—	—	—	—	32,989,358
State revenue for non-imposed employee fringe benefits	13,162,197	—	—	—	—	13,162,197
Fees and other	—	770	4,770,069	18,573	3,091,778	7,881,190
Intergovernmental	—	—	1,610,870	16,038,350	621,287	18,270,507
Special fund revenues	—	9,122,759	17,088,590	—	—	26,211,349
Share of TANF collections	—	5,813,143	—	—	—	5,813,143
	<u>46,151,555</u>	<u>14,936,672</u>	<u>23,469,529</u>	<u>16,056,923</u>	<u>3,713,065</u>	<u>104,327,744</u>
Expenditures						
General administrative and legal services	38,766,104	—	24,282,715	—	—	63,048,819
Child support enforcement	5,990,951	14,079,041	—	—	—	20,069,992
Crime prevention and justice assistance	—	—	—	15,810,693	—	15,810,693
Criminal justice data center	2,403,859	—	—	—	3,336,104	5,739,963
	<u>47,160,914</u>	<u>14,079,041</u>	<u>24,282,715</u>	<u>15,810,693</u>	<u>3,336,104</u>	<u>104,669,467</u>
Excess (deficit) of revenues over expenditures	(1,009,359)	857,631	(813,186)	246,230	376,961	(341,723)
Other financing sources (uses)						
Transfers in (out)	1,937,736	—	—	(6,105)	6,105	1,937,736
Net change in fund balances	<u>928,377</u>	<u>857,631</u>	<u>(813,186)</u>	<u>240,125</u>	<u>383,066</u>	<u>1,596,013</u>
Fund balances (deficits), beginning of year, as restated (Note 2)	(2,334,678)	10,820,074	7,226,014	886,002	2,713,097	19,310,509
Adoption of new accounting principle	—	—	1,601,425	—	—	1,601,425
Fund balances (deficits), beginning of year, restated	<u>(2,334,678)</u>	<u>10,820,074</u>	<u>8,827,439</u>	<u>886,002</u>	<u>2,713,097</u>	<u>20,911,934</u>
Fund balances (deficits), end of year	\$ <u>(1,406,301)</u>	<u>11,677,705</u>	<u>8,014,253</u>	<u>1,126,127</u>	<u>3,096,163</u>	<u>22,507,947</u>

See accompanying notes to the financial statements.

STATE OF HAWAII

Department of the Attorney General

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities

For the year ended June 30, 2021

Total net change in fund balances – governmental funds		\$	1,596,013
Amounts reported for governmental activities that are different in the Statement of Net Assets due to:			
Capital asset outlays, net of transfers and disposals	\$	285,019	
Depreciation expense		<u>(1,500,812)</u>	
Excess of capital asset outlays over depreciation expense			(1,215,793)
The net change in obligations for accrued vested vacation benefits is reported in the Statement of Activities, but is not reported as an expenditure in the governmental funds as it does not require the use of current financial resources			<u>(833,625)</u>
Change in net position of governmental activities		\$	<u><u>(453,405)</u></u>

See accompanying notes to the financial statements.

STATE OF HAWAII

Department of the Attorney General

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2021

	Custodial Funds
Assets	
Cash and cash equivalents	\$ 13,668,549
Total assets	<u>13,668,549</u>
Net position	
Restricted for individuals, organizations, and other governments	<u>13,668,549</u>
Total net position	<u><u>\$ 13,668,549</u></u>

See accompanying notes to the financial statements.

STATE OF HAWAII
 Department of the Attorney General
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the year ended June 30, 2021

	Custodial Funds
Additions	
Child support collections	\$ 121,386,154
Forfeited and seized funds	292,084
Interest earned	4,369
Total additions	<u>121,682,607</u>
Deductions	
Child support disbursements	126,557,024
Transfers and other	809,375
Forfeitures disbursed	321,348
Total deductions	<u>127,687,747</u>
Net decrease in fiduciary net position	<u>(6,005,140)</u>
Net position, beginning of year, as previously reported	89,680
Adoption of new accounting principle	19,584,009
Net position, beginning of year, as restated	<u>19,673,689</u>
Net position, end of year	<u><u>\$ 13,668,549</u></u>

See accompanying notes to the financial statements.

STATE OF HAWAII
Department of the Attorney General
Notes to the Financial Statements
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(1) Organization

The Department of the Attorney General of the State of Hawaii (the Department or AG) 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 of Hawaii (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 land by the State; and unless otherwise provided by law, prosecutes cases involving agreements, uniform laws, or other matters which are enforceable in the courts of the State.

The Department is part of the Executive Branch of the State of Hawaii. The Department's financial statements reflect only its portion of the activities attributable to the Department. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which includes the Department's financial activities.

The accompanying financial statements reflect the financial position and changes in financial position of the following divisions of the Department:

Administrative Services Office – This office provides fiscal, personnel, data processing, library, messenger, reception, and other support services to the Department and its operating divisions.

Office of Child Support Hearings – The Office of Child Support Hearings is an office funded with State and Federal funds that provides a fair and impartial forum for expeditious resolution of child support disputes. Once a part of the Child Support Enforcement Agency, the office has been a separate office of the Department since 1992. The office has concurrent jurisdiction with the court in proceedings in which a support obligation is established, modified, or terminated. Attorney hearings officers issue orders establishing, modifying, terminating, and enforcing child support obligations.

Child Support Enforcement Agency (CSEA) – The Child Support Enforcement Agency provides assistance to children by locating parents, establishing paternity and support obligations (both financial and medical), and enforcing those obligations.

Hawaii Criminal Justice Data Center (HCJDC) – The Hawaii Criminal Justice Data Center is responsible for the statewide Criminal Justice Information System, the statewide Automated Fingerprint Identification System, and the statewide sex offender registry.

Investigations Division – The Investigations Division conducts investigations in support of the department's civil, criminal, and administrative cases. These investigations involve such areas as homeland security; internet crimes against children; high technology computer crimes; drug nuisance abatement; environmental crimes; tobacco tax enforcement; airport, harbors, and highways; cold homicide cases; and other criminal and civil matters.

Crime Prevention and Justice Assistance Division – The Crime Prevention and Justice Assistance Division serves as a central point for obtaining, disseminating, and maintaining information regarding available financial (Federal and State funds) and non-financial resources to assist in improving the coordination of programs of the criminal justice and juvenile justice systems and agencies. It administers grants, provides training and technical assistance, engages in multi-agency and statewide planning efforts, conducts crime prevention programs, researches and analyzes crime issues, develops and maintains a computerized

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Department of the Attorney General
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juvenile offender information system, and assists in locating, recovering, and reuniting missing children and runaways with their families.

Legal Services –

- *Administration Division:* The Administration Division is principally responsible for commercial-related and financial-related legal issues. The division provides legal advice and litigation support to various departments and offices, including the Office of the Governor; the Office of the Lieutenant Governor; the Department of Accounting and General Services (including the State Foundation on Culture and the Arts, the Stadium Authority, and the State Procurement Office); the Department of Budget and Finance (including advice regarding bond matters and advice to the Employees' Retirement System, the Employer-Union Health Benefits Trust Fund, and the Office of the Public Defender); the Judiciary (including the Commission of Judicial Conduct, the Office of Disciplinary Counsel, the Judiciary Personnel Appeals Board, the Judicial Selection Commission; general consultation with and advice to the staff attorney's office, and representation of judges in writs and civil lawsuits); the Hawaii State Land Use Commission; the Hawaii State Commission on the Status of Women; the Campaign Spending Commission; and the Office of Elections.
- *Civil Recoveries Division:* This division systematically recovers and collects monies ranging from accounts receivable, dishonored checks, delinquent loans, salary and benefit overpayments, complex delinquent child support cases, civil judgments, delinquent patient accounts, property damage claims, lease rents, construction litigation, contract disputes, and miscellaneous fees owed to the State and its agencies. In addition, it represents the State in major contract or construction disputes.
- *Civil Rights Litigation:* This division provides legal defense to all State departments and agencies that are sued for monetary damages in cases that may involve an element of personal injury, but primarily arise from allegations of constitutional/civil rights violations.
- *Commerce and Economic Development Division:* The Commerce and Economic Development Division provides legal services and litigation support to the Department of Commerce and Consumer Affairs (including the Professional and Vocational Licensing Boards), the Department of Business, Economic Development, and Tourism (including the Aloha Tower Development Corporation, the Hawaii Strategic Development Corporation, the Hawaii Tourism Authority, the High Technology Development Corporation, and the Natural Energy Laboratory of Hawaii Authority), and the Department of Agriculture (including the Agribusiness Development Corporation). The division also enforces the antitrust laws, administers the laws providing for the commissioning of notaries public, and provides legal services to the Board of Trustees of the State's Deferred Compensation Plan and to other State agencies involved in administering tax deferral programs.
- *Commission to Promote Uniform Legislation:* This commission was placed in the Department to provide advice on matters relating to the promotion of uniform legislation in accordance with Hawaii Revised Statutes (HRS) Chapter 3 (Uniformity of Legislation) and Section 26-7. The commission consists of five members appointed by the Governor and confirmed by the State Senate, who serve without compensation for a term of four years.

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- *Criminal Justice Division:* The Criminal Justice Division performs prosecutorial functions on behalf of the State in areas such as welfare fraud, tax fraud, unemployment fraud, unauthorized practice of law, and public corruption. The division is also responsible for prosecuting Internet crimes against children, high technology crimes, Medicaid fraud and elder abuse, violations of State tobacco laws, drug nuisance, environmental crimes, cold homicide cases, and conflict cases from the four county prosecutor's offices.
- *Education Division:* The Education Division principally provides legal advice and support to the Department of Education and the Board of Education. Other clients include the Charter School Administrative Office and the Charter Schools; the Hawaii Teacher Standards Board; the Research Corporation of the University of Hawaii; and the Hawaii State Public Library System.
- *Employment Law Division:* The Employment Law Division provides legal representation and advice to the Department of Human Resources Development and to all State departments and agencies on employment-related issues. The division represents all State employers in mandatory arbitration hearings, administrative agency hearings, and civil litigation involving disputes over employment matters with the State's employees.
- *Family Law Division:* The Family Law Division handles all State litigation under the jurisdiction of Family Court, such as child and adult protection, guardianships, truancy, adolescent mental health cases, and involuntary civil mental commitment hearings. Clients include the Department of Health, the Department of Human Services, the Department of Education, and the Office of the Public Guardian. The division also provides support to the Child Support Enforcement Agency.
- *Health and Human Services Division:* The Health and Human Services Division provides the principal legal services and support to the Department of Health and the Department of Human Services. The division enforces the State's environmental laws, provides legal advice to all Department of Health and Department of Human Services programs, takes appeals to circuit court from administrative decisions, defends actions against the State in both State and Federal court, and handles some appeals in both the State and Federal appellate systems.
- *Labor Division:* The Labor Division provides legal services and litigation support to the Department of Labor and Industrial Relations and boards and agencies administratively attached to that department, including the State Fire Council. In connection with its enforcement of the various labor laws, the division also collects penalties, fines, and reimbursements.
- *Land/Transportation Division:* The Land/Transportation Division provides legal services to both the Department of Land and Natural Resources (DLNR) and the Department of Transportation (DOT). These assignments include servicing all divisions of the DLNR (Aquatic Resources, Boating, Conservation and Resources Enforcement, Forestry and Wildlife, Land, State Historic Preservation, State Parks, and Water Resource Management) and the DOT (Airports, Harbors, and Highways). The division also provides services to the following attached commissions, boards, or agencies:

Kaho'olawe Island Reserve Commission, Natural Area Reserves System Commission, Bureau of Conveyances, the four island Burial Councils, Hawaii Historic Places Review Board, Hawaii Invasive Species Council, Commission on Transportation, State Highway Safety Council, and Medical Advisory Board. Most tort litigation involving the DLNR or the DOT is handled by another division, but the Land/Transportation Division handles a number of cases involving the State as a landlord and as a source of permits or as regulator. The division is responsible for all quiet title actions involving the State and virtually all State eminent domain actions, the bulk of which are

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done on behalf of the State highways program. The division prepares land disposition documents for the DLNR and the DOT and prepares office leases for the Department of Accounting and General Services when State agencies rent private property as tenants. The division reviews for legality its clients' contracts and administrative rules. The litigation that the division handles includes enforcement actions for violations of the State Historic Preservation law and the law governing land use in conservation districts and actions for damage to natural resources of the State. The division works on the DOT's complex construction cases.

- *Legislative Division:* The Legislative Division provides legal services on matters pertaining to legislation and to proposed administrative rules. The division coordinates the preparation and review of all legislative bills proposed by the executive branch agencies and coordinates the review, monitoring, and evaluation of all legislative bills during and after each session of the Legislature. In addition, the division coordinates, monitors, and reviews the preparation of administrative rules of the Department of the Attorney General. This division also performs the final review of the formal opinions issued by the Attorney General and performs the initial review of complaints involving the Sunshine Law.
- *Public Safety, Hawaiian Home Lands, and Housing Division:* The Public Safety, Hawaiian Home Lands, and Housing Division provides legal services and support to the Department of Public Safety, the Department of Hawaiian Home Lands, the Hawaii Public Housing Authority, and the Hawaii Community Development Agency. The division is responsible for reviewing pardon applications and extradition documents, and responding to petitions for release from inmates under Rule 40 of the Hawaii Rules of Penal Procedure.
- *Tax and Charities Division:* The Tax and Charities Division provides legal representation and advice to the Department of Taxation and other State departments and agencies, primarily in the areas of tax litigation, legislation, rules, investigations, and opinions and advice. The division includes an informal bankruptcy unit devoted to handling all bankruptcy cases for the Department of Taxation, and occasionally assists other agencies in bankruptcy matters. The division represents the Attorney General in the oversight and enforcement of laws pertaining to charitable trusts, public charities, public benefit corporations, and private foundations. The division is also responsible for the Department's registration and bonding function for professional solicitors and professional fundraising counsels under HRS Chapter 467B, and enforcement of the State's charitable solicitation laws. The division is the custodian of certifications by charities that issue charitable gift annuities under HRS § 431:204(b).
- *Tort Litigation Division:* The Tort Litigation Division provides legal defense to personal injury lawsuits and claims made against the State and its departments and agencies. The division does not have primary responsibility for giving advice and counsel to any State department or agency, to provide representation in criminal matters, or to collect monies owed to the State. In general, the services provided by the division include accepting service of legal complaints for the Attorney General, answering legal complaints made against State departments and agencies, investigating claims, conducting discovery on claims, and representing State interests in arbitrations, mediations, and trials.

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(2) Restatement

Certain amounts in the June 30, 2020 financial statements have been restated to correct errors in the Department's Child Support Enforcement and Crime Prevention and Justice Assistance activities. The following summarizes these corrections:

	<u>As originally reported</u>	<u>Corrections</u>	<u>As restated</u>
Statement of Net Position – Governmental			
Activities:			
Due From grantor-Federal	\$ 2,832,624	(496,712)	2,335,912
Total current assets	38,935,632	(496,712)	38,438,920
Total assets	46,126,609	(496,712)	45,629,897
Vouchers and contracts payable	4,035,409	774,326	4,809,735
Deferred revenue	—	8,861,269	8,861,269
Total current liabilities	12,541,285	9,635,595	22,176,880
Total liabilities	16,729,882	9,635,595	26,365,477
Restricted net position	22,448,021	(20,952,381)	1,495,640
Unrestricted net position	(242,271)	10,820,074	10,577,803
Total net position	29,396,727	(10,132,307)	19,264,420
Balance Sheet – Governmental Funds – Child			
Support Enforcement Fund:			
Due From grantor-Federal	552,912	(496,712)	56,200
Total assets	17,864,119	(496,712)	17,367,407
Vouchers and contracts payable	59,487	774,326	833,813
Deferred revenue	—	5,218,350	5,218,350
Total liabilities	554,657	5,992,676	6,547,333
Restricted fund balance	17,309,462	(17,309,462)	—
Unassigned fund balance	—	10,820,074	10,820,074
Total fund balance	17,309,462	(6,489,388)	10,820,074
Balance Sheet – Governmental Funds – Crime			
Prevention and Justice Assistance Fund:			
Deferred revenue	—	3,642,919	3,642,919
Total liabilities	2,248,634	3,642,919	5,891,553
Restricted fund balance	4,528,921	(3,642,919)	886,002
Total fund balance	4,528,921	(3,642,919)	886,002

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 Notes to the Financial Statements
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	<u>As originally reported</u>	<u>Corrections</u>	<u>As restated</u>
Balance Sheet – Governmental Funds – Total Governmental Funds:			
Due From grantor-Federal	2,832,624	(496,712)	2,335,912
Total assets	38,935,632	(496,712)	38,438,920
Vouchers and contracts payable	4,035,408	774,326	4,809,734
Deferred revenue	—	8,861,269	8,861,269
Total liabilities	9,492,816	9,635,595	19,128,411
Restricted fund balance	22,448,021	(20,952,381)	1,495,640
Unassigned fund balance	(3,333,363)	10,820,074	7,486,711
Total fund balance	29,442,816	(10,132,307)	19,310,509

(3) Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Hawaii, the financial statements of the Department are included in the financial statements of the State of Hawaii.

(b) Basis of Presentation

The financial activities of the Department are reported in the governmental and fiduciary activities in the State of Hawaii's Annual Comprehensive Financial Report (ACFR). A brief description of the Department's government-wide and fund financial statements is as follows:

Government-wide Statements: The government-wide statement of net assets and statement of activities report the overall financial activity of the Department. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the

STATE OF HAWAII
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Department consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are identifiable with a specific function. Program revenues include (a) charges to customers who purchase, use or directly benefit from goods or services provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included in program revenues are reported as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government (indirect) expenses to other functions.

Fund Financial Statements: The fund financial statements provide information about the Department's funds. The emphasis on fund financial statements is on a major governmental fund, each displayed in a separate column.

The Department administers the following major governmental funds of the State:

General Fund – This fund is used to account for the portion of the State of Hawaii's General Fund that is administered by the Department.

Child Support Enforcement Special Revenue Fund – This fund is used to account for the programs related to providing assistance to children by locating parents, establishing paternity and support obligations (both financial and medical), and enforcing those obligations.

Legal Services Special Revenue Fund – This fund is used to account for activities related to the various legal services provided to all State departments and agencies.

Crime Prevention and Justice Assistance Special Revenue Fund – This fund is used to account for programs of the criminal justice and juvenile justice systems and agencies.

Criminal Justice Data Center Special Revenue Fund – This fund is used to account for programs related to the statewide Criminal Justice Information System (CJIS- Hawaii), the statewide Automated Fingerprint Identification System (AFIS), and the statewide sex offender registry.

The Child Support Enforcement Special Revenue Fund, Legal Services Special Revenue Fund, Crime Prevention and Justice Assistance Special Revenue Fund, and Criminal Justice Data Center Special Revenue Fund are reported as part of the Administrative Support Special Revenue Fund in the State of Hawaii's ACFR.

The Department also administers the following fiduciary fund type:

Custodial Fund – This is used to account for assets held by the Department in a fiduciary capacity. These assets include funds for recipients of child support obligations and a revolving fund set up and restricted under HRS §712A-10(4) and (9) for the administrative forfeiture of property other than real property seized by the Department. These assets can only be used or applied if

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certain requirements are met. The Department's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the Department's basic financial statements because the Department cannot use these assets to finance its operations.

(c) Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the fiscal year.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when available and entitlement occurs which is generally within 12 months of the end of the current fiscal year. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred and funds are available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Encumbrances are recorded obligations in the form of purchase orders or contracts. The Department records encumbrances at the time purchase orders or contracts are awarded and executed. Encumbrances outstanding at fiscal year-end are reported as restrictions, assignments, or commitments of fund balances since they do not constitute expenditures or liabilities.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above.

(d) Cash and Cash Equivalents

The AG classifies its investments in the State's investment pool (Pool) as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the AG can withdraw amounts from

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the Pool without penalty or notice. All other highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

(e) Interfund and Intrafund Transfers

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

Loans — amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds.

Services provided and used — sales and purchases of goods and services between funds for a price approximation their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements — repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers — flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

(f) Capital Assets

Capital assets of the AG include buildings and improvements, and furniture and equipment with estimated useful lives greater than one year and acquisition costs greater than the following amounts:

Buildings and improvements	\$	100,000
Furniture and equipment		5,000

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. Transfers are recorded at cost, net of the depreciation which would have been charged had the asset been directly acquired by the AG. Major outlays for capital assets and improvements are capitalized as projects are constructed to the extent the State's capitalization thresholds are met. Interest incurred during the construction phase of the capital assets is reflected in the capitalized value of the asset constructed, net of interest earned, on the invested proceeds over the same period. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are

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removed from the respective accounts, and any resulting gain or loss is recognized in the statement of activities.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Useful lives</u>
Buildings and improvements	15 - 30 years
Furniture and equipment	5 - 7 years

(g) *Compensated Absences*

The Department's policy is to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

(h) *Deferred Compensation Plan*

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All Plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the Plan, but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the accompanying basic financial statements.

(i) *Fund Balances*

In governmental fund types, fund balances are reported based on the nature of any limitations requiring the use of resource for specific purpose. Fund balance is reported using the following categories:

Nonspendable – Represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The Department has no nonspendable fund balance.

Restricted – Represents resources that are restricted to specific purposes usually imposed by external parties such as creditors, grantors, or other governments.

Committed – Represents resources that can only be used for specific purposes pursuant to formal action of the Legislature.

Assigned – Represents resources that are constrained by management's intent to be used for specific purposes, but are neither restricted nor committed.

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Unassigned – Represents residual balances that are neither nonspendable, restricted, committed nor assigned.

Encumbrance balances at year-end are reflected as assigned. The spending policy of the Department’s governmental funds is, in order of priority, restricted, committed, and then assigned.

At June 30, 2021, the AG’s governmental fund financial statements reported fund balances as follows:

	<u>General Fund</u>	<u>Child Support Enforcement</u>	<u>Legal Services</u>	<u>Crime Prevention and Justice Assistance</u>	<u>Criminal Justice Data Center</u>	<u>Total</u>
Restricted for:						
Federal grants	\$ —	—	5,086	1,126,127	6,501	1,137,714
Child support enforcement	—	—	—	—	—	—
Tobacco enforcement fund	—	—	416,086	—	—	416,086
Other	—	—	606	—	—	606
	<u>—</u>	<u>—</u>	<u>421,778</u>	<u>1,126,127</u>	<u>6,501</u>	<u>1,554,406</u>
Committed to:						
Medicaid investigation recovery fund	—	—	240,110	—	—	240,110
DNA registry	—	—	53,803	—	—	53,803
Litigation services	—	—	1,468,754	—	—	1,468,754
Enforcement for charitable solicitations	—	—	2,699,049	—	—	2,699,049
Criminal forfeiture fund	—	—	382,036	—	—	382,036
Criminal history record revolving fund	—	—	—	—	3,089,662	3,089,662
Settlements	—	—	1,889,443	—	—	1,889,443
Other	—	—	859,280	—	—	859,280
	<u>—</u>	<u>—</u>	<u>7,592,475</u>	<u>—</u>	<u>3,089,662</u>	<u>10,682,137</u>
Assigned to:						
Encumbrances	655,430	727,805	—	—	—	1,383,235
Unassigned	(2,061,731)	10,949,900	—	—	—	8,888,169
Total fund balances	<u>\$ (1,406,301)</u>	<u>11,677,705</u>	<u>8,014,253</u>	<u>1,126,127</u>	<u>3,096,163</u>	<u>22,507,947</u>

(j) Net Position

In the government-wide financial statements, net position is displayed in three components as follows:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Department’s policy to use restricted resources first, then unrestricted resources when they are needed.

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Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(k) Leases

Leases that transfer substantially all of the risks and benefits of ownership to the lessee are accounted for as capital leases and recorded as an acquisition of an asset and liability. All other leases are accounted for as operating leases.

(l) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

(m) Due to State of Hawaii

Under HRS Sec. 28-15C, funds in the Tobacco Enforcement special revenue fund in excess of \$500,000 at June 30 of each year shall lapse to the credit of the State general fund. At June 30, 2021, the excess amount which was due to the State of Hawaii amounted to approximately \$463,000.

(n) Recently Adopted Accounting Standards

During fiscal year 2021, the AG implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Certain assets and liabilities previously reported as part of the agency fund classification of the statement of fiduciary net position are now reported on the governmental balance sheet.

The implementation of this Statement resulted in: (a) two funds reported as an agency fund in 2020 to be reported as a Legal Services special revenue fund in 2021, (b) one fund reported as an agency fund in 2020 to be reported as a Child Support Enforcement special revenue fund in 2021, (c) a reclassification of a liability to committed fund balance in the Legal Services special revenue fund, and (d) a reclassification of a liability to restricted net position in the custodial funds. The AG adopted this Statement retrospectively by restating the beginning fund balances and net position. The adoption of GASB Statement No. 84 resulted in the restatement of the AG’s July 1, 2020 governmental activities net position and governmental funds fund balance by approximately \$1,601,000 and custodial funds net position by approximately \$19,584,000.

(o) Recently Issued Accounting Standards

The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. The requirements of this Statement are effective for AG beginning July 1, 2021. The AG has not yet determined the effect this Statement will have on its financial statements.

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(4) Cash and Cash Equivalents and Investments

Cash at June 30, 2021 consisted of the following:

	Governmental Funds	Custodial Funds
Cash in State Treasury	\$ 16,701,339	706,258
Cash held outside of State Treasury	16,527,782	12,962,291
	\$ 33,229,121	13,668,549

The Department's cash held in State Treasury is pooled with cash from other State agencies and departments. Cash that is not required for immediate payments is invested by the Department of Budget and Finance, State of Hawaii. Cash accounts that participate in the investment pool accrue interest based on average weighted cash balances.

Detailed information relating to cash and investments held in the State Treasury and related insurance, collateral and risks relating to interest rate, credit, custodial, and concentration are further described in the State of Hawaii ACFR.

The Department also maintains certain funds in two interest bearing accounts in a Hawaii bank which are held separately from the State Treasury. One bank account is used primarily for CSEA transactions. As of June 30, 2021, the carrying amount of this account was \$12,962,291. This account is presented as Cash on the Statement of Fiduciary Net Position.

The second bank account, opened in fiscal year 2003, is used solely to account for the Federal share of child support payment collections retained by CSEA under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and the Temporary Assistance for Needy Families (TANF) program. As of June 30, 2021, the carrying amount of this bank account was \$16,527,782. This account is presented as Cash on the Governmental Fund Balance Sheet under the special revenue fund for Child Support Enforcement.

With respect to the cash held outside the State Treasury, the Federal Deposit Insurance Corporation provided insurance coverage limited to \$250,000 per depositor. At June 30, 2021, the uninsured amount totaled approximately \$29,240,000.

STATE OF HAWAII
Department of the Attorney General
Notes to the Financial Statements
June 30, 2021

(5) Capital Assets

Capital assets activities for the governmental activities of the Department for the year ended June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets				
Building and improvements	\$ 20,888,726	31,262	—	20,919,988
Furniture and equipment	10,890,269	354,121	(639,392)	10,604,998
Total capital assets	<u>31,778,995</u>	<u>385,383</u>	<u>(639,392)</u>	<u>31,524,986</u>
Less accumulated depreciation				
Building and improvements	(16,142,133)	(433,895)	—	(16,576,028)
Furniture and equipment	(8,445,885)	(1,066,917)	539,028	(8,973,774)
Total depreciation	<u>(24,588,018)</u>	<u>(1,500,812)</u>	<u>539,028</u>	<u>(25,549,802)</u>
Capital assets, net of depreciation	<u>\$ 7,190,977</u>	<u>(1,115,429)</u>	<u>(100,364)</u>	<u>5,975,184</u>

Depreciation expense was charged to functions of the Department in the statement of activities as follows:

Governmental activities		
General administrative and legal services	\$	192,916
Crime prevention and justice assistance		95,989
Criminal justice data center		876,416
Child support enforcement		<u>335,491</u>
Total governmental activities depreciation expense	\$	<u>1,500,812</u>

(6) Accrued Vacation

Effective July 1, 2004, eligible employees are credited with vacation at a rate of 14 hours per month. Accumulation of such vacation credits is limited to 720 hours at calendar year-end. The departmental financial statements present the cost of accumulated vacation leave as a liability. Liabilities for vacation pay are inventoried at the end of each accounting period and adjusted to current salary levels.

STATE OF HAWAII
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Notes to the Financial Statements
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Accrued vacation consists of the following:

Balance at June 30, 2020	\$	7,237,065
Increases		2,345,138
Decreases		<u>(1,511,512)</u>
Balance at June 30, 2021		8,070,691
Less: current portion		<u>(2,699,330)</u>
Non-current portion	\$	<u><u>5,371,361</u></u>

(7) Non-imposed Employee Fringe Benefits

Payroll fringe benefit costs of the Department’s employees funded by State appropriations (general fund) are assumed by the State and are not paid by the Department’s operating funds. These costs, totaling \$13,162,197 for the year ended June 30, 2021, have been reported as revenues and expenditures in the Department’s General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and in the departmental statement of activities.

(8) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances as of June 30, 2021 represent amounts due from other departments and the State of Hawaii:

Fund	Due from		Description/Purpose
	Other State agencies	State of Hawaii	
General	\$ —	1,330,164	Due from State of Hawaii general fund for purposes of satisfying claims for legislative relief for claims against the State, its officers or employees.
Legal services	<u>1,018,535</u>	<u>—</u>	Due from other State departments and agencies for legal services provided.
	<u>\$ 1,018,535</u>	<u>1,330,164</u>	

STATE OF HAWAII
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The following balances as of June 30, 2021 represent amount due to the State of Hawaii:

<u>Fund</u>	<u>Due to</u>		<u>Description/Purpose</u>
	<u>Other State agencies</u>	<u>State of Hawaii</u>	
Legal services	\$ —	462,537	Due to State of Hawaii general fund for funds in the Tobacco Enforcement special revenue fund in excess of \$500,000 at June 30, 2021
	<u>\$ —</u>	<u>462,537</u>	

(b) Transfers in/out Other Funds

Interfund transfers in for the year ended June 30, 2021 were as follows:

<u>Fund</u>	<u>Transfers in from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>State of Hawaii Funds</u>	
General	\$ —	1,937,736	Transfers in from State of Hawaii funds for collective bargaining cost items for members of collective bargaining units 3, 4, and 13.
Crime justice data center	6,105	—	Transfers in from crime prevention and justice assistance funds for federal grant payments.
	<u>\$ 6,105</u>	<u>1,937,736</u>	

STATE OF HAWAII
 Department of the Attorney General
 Notes to the Financial Statements
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Interfund transfers out for the year ended June 30, 2021 were as follows:

<u>Fund</u>	<u>Transfers out to Other Department Funds</u>	<u>Description/Purpose</u>
Crime prevention and justice assistance	\$ 6,105	Transfers out to criminal justice data center funds for federal grant payments.
	<u>\$ 6,105</u>	

(9) Related Party Transactions

Certain Department employees perform services for other State departments and agencies. The Department bills those departments and agencies for such services and records revenues in the special fund to which the payroll costs were actually charged. Revenues totaled approximately \$14,974,000 for the fiscal year ended June 30, 2021, and the amount due from other State agencies totaled approximately \$1,019,000 at June 30, 2021.

(10) Lease Commitments

The Department leases office facilities and office equipment on a long-term basis, the expenditures of which are reported in the general and special revenue funds.

In addition to the minimum rent, certain leases also provide for the payment of operating costs and general excise taxes.

Total rent expense, including rents under short-term operating leases for the fiscal year ended June 30, 2021 was approximately \$667,000.

The following is a schedule of minimum future payments on noncancelable leases expiring through December 2025:

<u>Year ending June 30,</u>	<u>Operating Leases</u>
2022	\$ 443,000
2023	372,000
2024	293,000
2025	84,000
2026	<u>25,000</u>
	<u>\$ 1,217,000</u>

STATE OF HAWAII
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Notes to the Financial Statements
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(11) Retirement Benefits

Employees' Retirement System

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the Employee Retirement System (ERS), a cost sharing multiple-employer defined benefit pension plan administered by the State's pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS's issues a publicly available financial report that can be obtained at ERS's website: <http://ers.ehawaii.gov/resources/financials>.

Benefits provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability, and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class.

Noncontributory Class

- Retirement Benefits – General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

STATE OF HAWAII
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- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.
- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.
- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.
- *Disability and Death Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

STATE OF HAWAII
Department of the Attorney General
Notes to the Financial Statements
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Death benefits for contributory plan members hired after June 30, 2012 are generally the same as those for contributory plan members hired June 30, 2012 and prior.

Hybrid Class for Members Hired Prior to July 1, 2012

- Retirement Benefits – General employees’ retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.
- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member’s contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member’s contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- Retirement Benefits – General employees’ retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.
- Disability and Death Benefits – Provisions for disability and death benefits generally remain the same as those for hybrid class members hired prior to July 1, 2012, except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member’s contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

STATE OF HAWAII
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Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2021 was 24.00%.

Pursuant to Act 17 SLH 2017, employer contributions from the State and counties increased pursuant to a phased-in contribution rate increase over four years beginning July 1, 2017. The rate increased to 18.00% on July 1, 2017; 19.00% on July 1, 2018; 22.00% on July 1, 2019; and 24.00% on July 1, 2020.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

State Policy

Actuarial valuations are prepared for the entire ERS and are not separately computed for each department or agency. Information on vested and nonvested benefits and other aspects of the ERS is also not available on a departmental or agency basis. Accordingly, the State's policy on the accounting and reporting for pension benefits is to allocate a portion of the net pension liability, pension expense, and deferred inflows and outflows of resources required under GASB Statement No. 68 only to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the State's ACFR. The basis for the allocation is the number of covered employees for each component unit and proprietary fund for pension benefits.

The State's policy is to fund its required contribution annually. At June 30, 2021, the State's proportionate share of the net pension liability associated with the Department was \$110,640,549. The Department's share of the retirement system expense for the year ended June 30, 2021 was included as an item to be expended by the Department of Budget and Finance and is not reflected in the Department's financial statements.

The ERS issues a publicly available financial report that included financial statements and required supplemental information. That report may be obtained from the ERS.

Post-Retirement Health Care and Life Insurance Benefits

Plan Descriptions

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH of 2001, the State contributes to the Employer-Union Health Benefits Trust Fund (EUTF), a multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public. That report may be obtained at <https://eutf.hawaii.gov/reports/>.

STATE OF HAWAII
Department of the Attorney General
Notes to the Financial Statements
June 30, 2021

For employees hired before July 1, 1996, the State pays the entire monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

State's Policy

The actuarial valuation of the EUTF does not provide OPEB information by department or agency. Accordingly, the State's policy on the accounting and reporting for OPEB is to allocate a portion of the State's Annual Required Contribution funds (ARC), interest, and any adjustment to the ARC, to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the State's ACFR. The basis for the allocation is the proportionate share of the State's total covered employee headcount by each component unit or proprietary fund for retiree health benefits.

The State's ACFR includes the required footnote disclosures and required supplementary information on the State's OPEB plans. The State's ACFR can be found at ags.hawaii.gov/accounting/annual-financial-reports/.

At June 30, 2021, the State's proportionate share of the net OPEB liability associated with the Department was \$104,719,291. The Department's share of the non-pension post-retirement benefits is expended by the Department of Budget and Finance and is not reflected in the Department's financial statements.

The State's ACFR also includes financial disclosure and required supplementary information on the State's pension and non-pension retirement benefits.

(12) Welfare Reform Act

The enactment of Public Law 104-193, the PRWORA, implemented changes in the availability of Federal funding and in the information required to compute State grant awards. PRWORA made effective the TANF Program under Title IV-A of the Social Security Act and repealed the Aid to Families With Dependent Children Program under Title IV-A of this Act.

(13) Subsequent Events

The AG has evaluated subsequent events from the balance sheet date through March 31, 2023, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

**REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION –
BUDGETARY COMPARISON STATEMENTS**

STATE OF HAWAII

Department of the Attorney General

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) – General Fund – UNAUDITED

For the year ended June 30, 2021

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance – Favorable (Unfavorable)</u>
Revenues			
State appropriations	\$ 36,187,102	32,989,358	(3,197,744)
Total revenues	<u>36,187,102</u>	<u>32,989,358</u>	<u>(3,197,744)</u>
Expenditures			
Personal services	25,235,591	25,234,829	762
Other	<u>9,727,579</u>	<u>9,692,265</u>	<u>35,314</u>
Total expenditures	<u>34,963,170</u>	<u>34,927,094</u>	<u>36,076</u>
Excess (deficiency) of revenues over expenditures	1,223,932	(1,937,736)	(3,161,668)
Transfers in	<u>1,160,570</u>	<u>1,937,736</u>	<u>777,166</u>
Excess of revenues over expenditures and transfers	<u>\$ 2,384,502</u>	<u>—</u>	<u>(2,384,502)</u>

See accompanying independent auditors' report.

STATE OF HAWAII

Department of the Attorney General

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) – UNAUDITED

Child Support Enforcement Special Revenue Fund

For the year ended June 30, 2021

	Original & Final Budget	Actual	Variance – Favorable (Unfavorable)
Revenues			
Special funds and others	\$ 33,153,500	16,455,680	(16,697,820)
Total revenues	<u>33,153,500</u>	<u>16,455,680</u>	<u>(16,697,820)</u>
Expenditures			
Personal services	10,942,504	10,870,161	72,343
Other	<u>7,027,295</u>	<u>3,042,607</u>	<u>3,984,688</u>
Total expenditures	<u>17,969,799</u>	<u>13,912,768</u>	<u>4,057,031</u>
Excess of revenues over expenditures	15,183,701	2,542,912	(12,640,789)
Transfers out	<u>—</u>	<u>—</u>	<u>—</u>
Excess of revenues over expenditures and transfers	<u>\$ 15,183,701</u>	<u>2,542,912</u>	<u>(12,640,789)</u>

See accompanying independent auditors' report.

STATE OF HAWAII

Department of the Attorney General

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) – UNAUDITED

Legal Services Special Revenue Fund

For the year ended June 30, 2021

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
Special funds and others	\$ <u>40,249,257</u>	<u>24,747,087</u>	<u>(15,502,170)</u>
Total revenues	<u>40,249,257</u>	<u>24,747,087</u>	<u>(15,502,170)</u>
Expenditures			
Personal services	20,665,833	19,612,104	1,053,729
Other	<u>8,334,549</u>	<u>5,056,998</u>	<u>3,277,551</u>
Total expenditures	<u>29,000,382</u>	<u>24,669,102</u>	<u>4,331,280</u>
Excess of revenues over expenditures	11,248,875	77,985	(11,170,890)
Transfers in (out)	<u>830,792</u>	<u>—</u>	<u>(830,792)</u>
Excess of revenues over expenditures and transfers	\$ <u><u>12,079,667</u></u>	<u><u>77,985</u></u>	<u><u>(12,001,682)</u></u>

See accompanying independent auditors' report.

STATE OF HAWAII

Department of the Attorney General

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) – UNAUDITED

Crime Prevention and Justice Assistance Special Revenue Fund

For the year ended June 30, 2021

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
Special funds and others	\$ 1,354,044	15,730,352	14,376,308
Total revenues	<u>1,354,044</u>	<u>15,730,352</u>	<u>14,376,308</u>
Expenditures			
Personal services	—	571,587	(571,587)
Other	1,354,044	17,418,429	(16,064,385)
Total expenditures	<u>1,354,044</u>	<u>17,990,016</u>	<u>(16,635,972)</u>
Deficiency of revenues over expenditures	—	(2,259,664)	(2,259,664)
Transfers out	—	(6,105)	(6,105)
Deficiency of revenues over expenditures and transfers	\$ <u>—</u>	<u>(2,265,769)</u>	<u>(2,265,769)</u>

See accompanying independent auditors' report.

STATE OF HAWAII

Department of the Attorney General

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) – UNAUDITED

Criminal Justice Data Center

For the year ended June 30, 2021

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
Special funds and others	\$ 4,401,785	3,712,439	(689,346)
Total revenues	<u>4,401,785</u>	<u>3,712,439</u>	<u>(689,346)</u>
Expenditures			
Personal services	2,069,004	1,988,958	80,046
Other	<u>2,370,302</u>	<u>1,279,579</u>	<u>1,090,723</u>
Total expenditures	<u>4,439,306</u>	<u>3,268,537</u>	<u>1,170,769</u>
Excess (deficiency) of revenues over expenditures	(37,521)	443,902	481,423
Transfers in (out)	<u>87,521</u>	<u>6,105</u>	<u>(81,416)</u>
Excess of revenues over expenditures and transfers	\$ <u>50,000</u>	<u>450,007</u>	<u>400,007</u>

See accompanying independent auditors' report.

STATE OF HAWAII

Department of the Attorney General

Notes to the Budgetary Comparison Statements

June 30, 2021

(1) Budgeting and Budgetary Control

The AG's budget is established through the State's budgetary process.

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services, and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented, and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the General Fund Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act, Supplemental Appropriations Act, and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various State Legislative Hearings.

All expenditures of appropriated funds are made pursuant to the appropriations in the biennial budget.

The General Fund and Special Revenue Funds have legally appropriated annual budgets.

The final legally adopted budget in the accompanying General Fund and Special Revenue Funds Statements of Revenues and Expenditures – Budget and Actual (Budgetary Basis) represents the original appropriations, transfers, and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Department of Accounting and General Services.

To the extent not expended or encumbered, the General Fund and Special Revenue Funds appropriations generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse dates and any other contingencies which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the General Fund and Special Revenue Funds are presented in the General Fund and Special Revenue Funds' Statements of Revenues and Expenditures – Budget and Actual (Budgetary Basis). The State's annual budget is prepared on the cash basis of accounting except for the encumbrance of purchase order and contract obligations (basis difference), which represent departures from GAAP.

STATE OF HAWAII
 Department of the Attorney General
 Notes to the Budgetary Comparison Statements
 June 30, 2021

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2021 follows:

	<u>General</u>	<u>Child Support Enforcement</u>	<u>Legal Services</u>	<u>Crime Prevention and Justice Assistance</u>	<u>Criminal Justice Data Center</u>
Excess (deficiency) of revenues over expenditures and transfers, GAAP basis	\$ 928,377	857,631	(813,186)	240,125	383,066
Increase (decrease) in revenues:					
Current year receivables	—	(882,878)	(1,077,046)	(62,565)	(11,285)
Prior year receivables	—	552,912	2,354,604	2,208,062	10,659
Current year deferred revenue	—	7,067,324	—	1,170,851	—
Prior year deferred revenue	—	(5,218,350)	—	(3,642,919)	—
	<u>—</u>	<u>1,519,008</u>	<u>1,277,558</u>	<u>(326,571)</u>	<u>(626)</u>
Increase (decrease) in expenditures:					
Current year accrued liabilities	(2,076,731)	(581,870)	(1,195,894)	(69,311)	(130,430)
Prior year accrued liabilities	3,348,363	554,656	1,141,594	2,248,634	97,431
Current year encumbrances	655,430	727,805	479,639	—	63,186
Expenditures for liquidation of prior fiscal year encumbrances	(998,685)	(866,864)	(38,952)	—	(97,754)
	<u>928,377</u>	<u>(166,273)</u>	<u>386,387</u>	<u>2,179,323</u>	<u>(67,567)</u>
Excess (deficiency) of revenues over expenditures and transfers, budgetary basis	\$ <u>—</u>	<u>2,542,912</u>	<u>77,985</u>	<u>(2,265,769)</u>	<u>450,007</u>



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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Auditor
State of Hawaii:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the Department of the Attorney General, State of Hawaii (the AG), which comprise the financial statements of the governmental activities, each major fund, and the fiduciary activities as of and for the year then ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the AG's basic financial statements, and have issued our report thereon dated March 31, 2023. Our report contains emphasis of matter paragraphs that state the basic financial statements do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2021, and the changes in its financial position, for the year then ended, in conformity with U.S. generally accepted accounting principles and the AG's adoption of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the AG's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the AG's internal control. Accordingly, we do not express an opinion on the effectiveness of the AG's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we did identify a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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. We consider the deficiency described in the accompanying schedule of findings and responses questioned costs as item 2021-001 to be a material weakness. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the AG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the Hawaii Public Procurement Code (Chapter 103D,



Hawaii Revised Statutes) and procurement rules, directives and circulars, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

AG's Response to Findings

The AG's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The AG's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the AG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the AG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Honolulu, Hawaii
March 31, 2023



KPMG LLP
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1003 Bishop Street
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Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance

The Auditor
State of Hawaii:

Report on Compliance for Each Major Federal Program

We have audited the Department of the Attorney General, State of Hawaii's (the AG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the AG's major federal programs for the year ended June 30, 2021. The AG's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the AG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the AG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the AG's compliance.

Opinion on Each Major Federal Program

In our opinion, the AG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the AG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the AG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each



major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the AG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Honolulu, Hawaii
March 31, 2023

STATE OF HAWAII

Department of the Attorney General

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Current Year Expenditure Amount</u>	<u>Passes Through to Subrecipients</u>
U.S. Department of Justice:					
Sexual Assault Services Formula Program:	16.017	2018-KF-AX-0056	\$ 386,396	—	—
		2019-KF-AX-0023	414,072	318,795	318,323
		2020-KF-AX-0021	389,751	—	—
			<u>1,190,219</u>	<u>318,795</u>	<u>318,323</u>
Coronavirus Emergency Supplemental Funding Program:	16.034	2020-VD-BX-0310	3,642,919	2,472,639	1,137,874
			<u>3,642,919</u>	<u>2,472,639</u>	<u>1,137,874</u>
Missing Children's Assistance:	16.543	2017-MC-FX-K018	891,332	101,123	—
		2020-MC-FX-K017	314,533	207,116	—
			<u>1,205,865</u>	<u>308,239</u>	<u>—</u>
State Justice Statistics Program for Statistical Analysis Centers:	16.550	2018-86-CX-K025	53,670	29,000	29,000
		2020-86-CX-K005	51,722	5,663	—
			<u>105,392</u>	<u>34,663</u>	<u>29,000</u>
National Criminal History Improvement Program:	16.554	2018-RU-BX-K013	401,719	143,267	—
		2019-RU-BX-K033	290,000	116,974	—
		2020-RU-BX-K016	753,230	—	—
			<u>1,444,949</u>	<u>260,241</u>	<u>—</u>
Crime Victim Assistance:	16.575	2017-VA-GX-0008	8,450,536	547,627	547,627
		2018-V2-GX-0015	14,803,390	8,491,124	8,034,443
		2019-V2-GX-0017	10,058,537	1,336,619	1,174,637
		2020-V2-GX-0055	7,502,120	—	—
			<u>40,814,583</u>	<u>10,375,370</u>	<u>9,756,707</u>
VOCA Training Program:	16.582	2018-V3-GX-0029	161,866	36,956	36,956
			<u>161,866</u>	<u>36,956</u>	<u>36,956</u>

STATE OF HAWAII

Department of the Attorney General

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Current Year Expenditure Amount</u>	<u>Passes Through to Subrecipients</u>
U.S. Department of Justice (Continued):					
Violence Against Women Formula Grants:	16.588	2016-WF-AX-0022	1,138,212	3,183	2,614
		2017-WF-AX-0042	1,119,445	121,702	38,752
		2018-WF-AX-0024	1,129,162	635,103	635,103
		2019-WF-AX-0035	1,125,400	148,490	143,387
		2020-WF-AX-0001	1,107,864	—	—
			<u>5,620,083</u>	<u>908,478</u>	<u>819,856</u>
Residential Substance Abuse Treatment for State Prisoners:	16.593	2018-J2-BX-0045	162,272	52,213	—
		2019-J2-BX-0013	160,296	—	—
		2020-J2-BX-0003	164,066	—	—
			<u>486,634</u>	<u>52,213</u>	<u>—</u>
Project Safe Neighborhoods:	16.609	2018-GP-BX-0010	146,006	11,935	8,574
			<u>146,006</u>	<u>11,935</u>	<u>8,574</u>
Special Data Collections And Statistical Studies:	16.734	2016-FU-CX-K067	480,268	13,275	—
			<u>480,268</u>	<u>13,275</u>	<u>—</u>
Edward Byrne Memorial Justice Assistance Grant Program:	16.738	2016-DJ-BX-0089	862,956	22,400	22,400
		2017-DJ-BX-0190	840,284	20,342	17,780
		2018-DJ-BX-0471	846,920	522,016	460,509
		2019-DJ-BX-0069	810,917	6,133	—
		2020-DJ-BX-0048	748,592	—	—
		2018-DS-BX-0011	48,725	—	—
		2019-DS-BX-0009	46,635	—	—
		2020-DS-BX-0011	43,061	—	—
		<u>4,248,090</u>	<u>570,891</u>	<u>500,689</u>	
Paul Coverdell Forensic Sciences Improvements Grant Program:	16.742	2018-CD-BX-0001	271,960	18,472	18,472
		2019-CD-BX-0026	272,275	40,340	40,009
		2020-CD-BX-0005	264,698	—	—
		<u>808,933</u>	<u>58,812</u>	<u>58,481</u>	

STATE OF HAWAII

Department of the Attorney General

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Current Year Expenditure Amount</u>	<u>Passes Through to Subrecipients</u>
<u>U.S. Department of Justice (Continued):</u>					
Support For Adam Walsh Act Implementation Grant Program:	16.750	2017-AW-BX-0042	\$ 300,000	10,337	—
		2018-AW-BX-K017	301,000	114,528	—
		2019-AW-BX-0001	360,344	89,691	—
		2020-AW-BX-0003	388,585	—	—
			<u>1,349,929</u>	<u>214,556</u>	<u>—</u>
Edward Byrne Memorial Competitive Grant Program:	16.751	2018-XT-BX-0003	24,363	16,263	—
		2019-XT-BX-0016	23,318	8,820	—
		2020-XT-BX-0005	21,531	—	—
			<u>69,212</u>	<u>25,083</u>	<u>—</u>
NICS Act Record Improvement (NARIP):	16.813	2019-NS-BX-K015	254,375	143,835	—
		2020-NS-BX-K004	828,510	—	—
			<u>1,082,885</u>	<u>143,835</u>	<u>—</u>
John R. Justice Prosecutors And Defenders Incentive Act:	16.816	2019-RJ-BX-0008	32,902	32,902	—
		2020-RJ-BX-0019	32,977	—	—
			<u>65,879</u>	<u>32,902</u>	<u>—</u>
National Sexual Assault Kit Initiative:	16.833	2016-AK-BX-K005	2,000,000	—	—
			<u>2,000,000</u>	<u>—</u>	<u>—</u>
<u>Total U.S. Department of Justice</u>			<u>64,923,712</u>	<u>15,838,883</u>	<u>12,666,460</u>
<u>U.S. Department of Health and Human Services:</u>					
Child Support Enforcement Title IV-D:	93.563	2001HICSES	1,694,556	1,694,556	—
		2101HICSES	8,261,665	6,974,388	—
			<u>9,956,221</u>	<u>8,668,944</u>	<u>—</u>

STATE OF HAWAII

Department of the Attorney General

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Current Year Expenditure Amount</u>	<u>Passes Through to Subrecipients</u>
<u>U.S. Department of Health and Human Services (Continued):</u>					
Medicaid Cluster:					
State Medicaid Fraud Control Units:	93.775	01-2001-HI-5050	\$ 1,884,364	310,916	—
		01-2101-HI-5050	1,828,792	992,144	—
Total Medicaid Cluster			3,713,156	1,303,060	—
<u>Total U.S. Department of Health and Human Services</u>			13,669,377	9,972,004	—
<u>Executive Office of the President</u>					
High Intensity Drug Trafficking Areas Program:	95.001	G19HI0007A	853,900	402,061	—
		G20HI0007A	1,002,322	481,095	—
			1,856,222	883,156	—
<u>Total Executive Office of the President</u>			1,856,222	883,156	—
<u>U.S. Department of Homeland Security</u>					
Passed through Hawaii Department of Defense:					
Homeland Security Grant Program:	97.067	EMW-2018-SS-00006	76,000	—	—
		EMW-2019-SS-00019	85,000	13,944	—
			161,000	13,944	—
<u>Total U.S. Department of Homeland Security</u>			161,000	13,944	—
<u>Total Federal Financial Assistance</u>			\$ <u>80,610,311</u>	<u>26,707,987</u>	<u>12,666,460</u>

See accompanying independent auditors' report, auditors' report on compliance for each major federal program, and report on internal control over compliance and notes to schedule of expenditures of federal awards.

STATE OF HAWAII
Department of the Attorney General
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

(1) General

The accompanying schedule of expenditures of federal awards (Schedule) includes the Federal award activity of the Department of the Attorney General of the State of Hawaii (AG). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

(2) Basis of Accounting

The accompanying schedule is prepared on the accrual basis of accounting.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree in all material respects with the amounts reported in the related federal financial reports.

(4) Indirect Cost Rate

The AG has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance Section 200.414.

STATE OF HAWAII
Department of the Attorney General
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **Yes**
 - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major program:
 - CFDA No. 16.034 – Coronavirus Emergency Supplemental Funding Program**
 - CFDA No. 16.575 – Crime Victim Assistance**
 - CFDA No. 95.001 – High Intensity Drug Trafficking Areas Program**
 - CFDA No. 93.775 – Medicaid Cluster**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$801,240**
- (i) Auditee qualified as a low risk auditee: **Yes**

STATE OF HAWAII
 Department of the Attorney General
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2021

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding #2021-001 – Financial Statements and Schedule of Expenditures of Federal Awards

<u>Finding Criteria</u>	<u>Discussion</u>
Criteria	Management at the AG is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the AG's financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. Management also has the responsibility of preparing the schedule of expenditures of Federal awards expended in accordance with 2 CFR 200.502.
Condition	We identified instances where certain revenues and expenses were not recognized in the appropriate reporting period. We also noted certain fund balances were not correctly reported within fund balance as unrestricted versus restricted. Finally, we noted adjustments that were required to the amounts reported in the AG's schedule of expenditures of federal awards.
Cause	The AG has insufficient controls and resources to correctly interpret and apply U.S. generally accepted accounting principles to appropriately present its Child Support Enforcement and Crime Prevention and Justice Assistance activities in its financial statements and schedule of expenditures of federal awards.
Effect	The deficiency resulted in multiple corrections to the financial statements and corrections to the schedule of expenditures of federal awards.
Recommendation	We recommend that management enhance its controls over the preparation and review of the AG's financial statements and the reconciliation of amounts reported in the financial statements to the expenditures reported in the schedule of expenditures of federal awards.
Views of Responsible Official	Management will work to enhance its controls over the preparation and review of the AG's financial statements and the reconciliation of amounts reported in the financial statements to the expenditures reported in the schedule of expenditures of federal awards.

STATE OF HAWAII
Department of the Attorney General
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

(3) Findings and Questioned Costs Relating to Federal Awards

None