STATE OF HAWAII

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

KEITH A. REGAN
COMPTROLLER

Independent Audit Contracted and Administered by
Office of the State Auditor

State of Hawaii
Single Audit of Federal Financial Assistance Programs
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Report of Independent Auditors 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii (the State) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 30, 2022.

Our report includes a reference to other auditors who audited the financial statements of the Department of Transportation – Airports Division, which is a major enterprise fund; the Hawaii Employer-Union Health Benefits Trust Fund, the Water Pollution Control Revolving Fund, and the Drinking Water Treatment Revolving Loan Fund, which are nonmajor enterprise funds; and the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation, which are discretely presented component units, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

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 deficiencies described in the accompanying schedule of findings and questioned costs as Findings No. 2022-001 and 2022-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding No. 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

State's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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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 State'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 State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawaii
December 30, 2022

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Report of Independent Auditors on Compliance for Each Major Federal Program, Internal Control Over Compliance, and the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Auditor
State of Hawaii

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the State of Hawaii's Department of Accounting and General Services, Department of Agriculture, Department of Budget and Finance, Department of Business, Economic Development and Tourism, Department of Commerce and Consumer Affairs, Department of Defense, Department of Human Resources Development, Department of Labor and Industrial Relations, Department of Land and Natural Resources, Department of Public Safety, Department of Taxation, and the Governor's Office (collectively, the State) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2022. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinions on Assistance Listing No. 17.225, Unemployment Insurance, Assistance Listing No. COVID-19 17.225, COVID-19 Unemployment Insurance, and Assistance Listing No. COVID-19 84.425C, COVID-19 Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Assistance Listing (AL) No. 17.225, *Unemployment Insurance,* AL No. COVID-19 17.225, *COVID-19 Unemployment Insurance*, and AL No. COVID-19 84.425C, *COVID-19 Education Stabilization Fund*, for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

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Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the State's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Assistance Listing No. 17.225, Unemployment Insurance, Assistance Listing No. COVID-19 17.225, Unemployment Insurance, and Assistance Listing No. COVID-19 84.425C, COVID-19 Education Stabilization Fund
As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding:

Finding No.	AL No.	Program or Cluster Name	Compliance Requirement
2022-006	17.225 COVID-17.225	Unemployment Insurance	Special Test and Provisions
2022-013	COVID-84.425C	Education Stabilization Fund	Reporting
2022-014	COVID-84.425C	Education Stabilization Fund	Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to those programs.

Other Matter – Federal Expenditures Not Included in the Compliance Audit
The State of Hawaii's basic financial statements include, among other departments and agencies, the operations of: Department of the Attorney General, Department of Education, Department of Hawaiian Home Lands, Department of Health, Department of Human Services, Department of Transportation, Drinking Water Treatment Revolving Loan Fund, Hawaii Community Development Authority, Hawaii Employer-Union Health Benefits Trust Fund, Hawaii Health Systems Corporation, Hawaii Housing Finance and Development Corporation, Hawaii Hurricane Relief Fund, Hawaii Public Housing Authority, Hawaii Tourism Authority, Judiciary, University of Hawaii, and the Water Pollution Control Revolving Fund which expended

$5,534,281,659 in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2022. Our compliance audit, described in the Qualified and Unmodified Opinions section of our report, did not include the operations of the Department of the Attorney General, Department of Education, Department of Hawaiian Home Lands, Department of Health, Department of Human Services, Department of Transportation, Drinking Water Treatment Revolving Loan Fund, Hawaii Community Development Authority, Hawaii Employer-Union Health Benefits Trust Fund, Hawaii Health Systems Corporation, Hawaii Housing Finance and Development Corporation, Hawaii Hurricane Relief Fund, Hawaii Public Housing Authority, Hawaii Tourism Authority, Judiciary, University of Hawaii, and the Water Pollution Control Revolving Fund, because these units separately engaged auditors to perform audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or did not require an audit in accordance with the Uniform Guidance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings No. 2022-004, 2022-005, 2022-007 through 2022-012, 2022-015, and 2022-016. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questions costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The State is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The State's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance

described in the accompanying schedule of findings and questioned costs as Findings No. 2022-006, 2022-013 and 2022-014 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings No. 2022-004, 2022-005, 2022-007 through 2022-012, 2022-015, and 2022-016 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State of Hawaii's basic financial statements. We issued our report thereon dated December 30, 2022, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Department of Transportation – Airports Division, the Hawaii Employer-Union Health Benefits Trust Fund, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. As described in Note 4 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such information 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.

The information has been subjected to the auditing procedures applied in the audit of the 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.

Accuity LLP

Honolulu, Hawaii
March 10, 2023

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State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE			
U.S. Department of Agriculture Direct Programs			
Plant and Animal Disease, Pest Control and Animal Care	10.025	$ 126,736	$ -
Inspection Grading and Standardization	10.162	5,886	-
Market Protection and Promotion	10.163	6,000	-
Specialty Crop Block Grant Program – Farm Bill	10.170	462,455	-
Micro-Grants for Food Security Program	10.179	43,668	-
Rural Business Development Grant	10.351	26,080	-
Farm and Ranch Stress Assistance Network	10.525	287,131	-
Senior Farmers Market Nutrition Program	10.576	426,996	421,714
Cooperative Forestry Assistance	10.664	1,155,165	-
Wood Utilization Assistance	10.674	19,446	-
Urban and Community Forestry Program	10.675	136,856	75,179
Forest Legacy Program	10.676	139,854	-
Forest Stewardship Program	10.678	69,750	-
Forest Health Protection	10.680	401,901	-
Feral Swine Eradication and Control Pilot Program	10.934	12,824	-
Food Distribution Cluster			
Commodity Supplemental Food Program	10.565	1,458,425	1,437,798
Emergency Food Assistance Program (Administrative Costs)	10.568	668,841	620,735
Emergency Food Assistance Program (Food Commodities)	10.569	4,224,309	4,224,309
Total Food Distribution Cluster		6,351,575	6,282,842
Total U.S. Department of Agriculture Direct Programs		9,672,323	6,779,735
Pass-through from the State Department of Education			
Child Nutrition Cluster			
School Breakfast Program (1420-C)	10.553	57,333	-
National School Lunch Program (1420-C)	10.555	104,483	-
Total Child Nutrition Cluster		161,816	-
Pass-through from the State Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster) (DHS-18-SNAP-5074 and DHS-22-SNAP-0038)	10.561	195,775	-
Total U.S. Department of Agriculture Pass-through Programs		357,591	-
Total U.S. Department of Agriculture		**10,029,914**	**6,779,735**
U.S. DEPARTMENT OF COMMERCE			
U.S. Department of Commerce Direct Programs			
National Oceanic and Atmosphere Administration – Management Support for Hawaiian Islands Humpback Whale, Joint Enforcement Agreement	11.U01	62,364	-
Interjurisdictional Fisheries Act of 1986	11.407	48,000	-
Fishery Products Inspection and Certification	11.413	4,246	-
Coastal Zone Management Administration Awards	11.419	2,592,208	1,602,442
Marine Sanctuary Program	11.429	261,053	-
Pacific Fisheries Data Program	11.437	483,887	-
Unallied Industry Projects	11.452	28,450	-
Meteorologic and Hydrologic Modernization Development	11.467	297,340	168,519
Unallied Science Program	11.472	517,002	-
Office for Coastal Management	11.473	424,790	-
Coral Reef Conservation Program	11.482	711,410	-
Manufacturing Extension Partnership	11.611	856,904	-
Marine Debris Program	11.999	32,984	-
Economic Development Cluster			
Economic Adjustment Assistance	11.307	1,271,858	68,500
Total Economic Development Cluster		1,271,858	68,500
Total U.S. Department of Commerce		**7,592,496**	**1,839,461**

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF DEFENSE			
U.S. Department of Defense Direct Programs			
Collaborative Research and Development	12.114	621,184	-
Military Construction, National Guard	12.400	2,042	-
National Guard Military Operations and Maintenance Projects	12.401	22,538,416	-
National Guard ChalleNGe Program	12.404	5,143,782	-
Economic Adjustment Assistance for State Governments	12.617	634,949	-
Total U.S. Department of Defense		**28,940,373**	**-**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
U.S. Department of Housing and Urban Development Direct Program			
Fair Housing Assistance Program – State and Local	14.401	120,419	-
Total U.S. Department of Housing and Urban Development		**120,419**	**-**
U.S. DEPARTMENT OF THE INTERIOR			
U.S. Department of the Interior Direct Programs			
Fish and Wildlife Management Assistance	15.608	42,336	-
Coastal Wetlands Planning, Protection and Restoration	15.614	729,205	231,328
Cooperative Endangered Species Conservation Fund	15.615	2,127,677	-
North American Wetlands Conservation Fund	15.623	30,000	-
Partners for Fish and Wildlife	15.631	16,792	-
State Wildlife Grants	15.634	1,599,835	-
Endangered Species Conservation – Recovery Implementation Funds	15.657	311,556	-
Candidate Species Conservation	15.660	155,747	-
Adaptive Science	15.670	247,028	-
Economic, Social and Political Development of the Territories	15.875	218,527	-
Historic Preservation Fund Grants-In-Aid	15.904	469,244	-
Outdoor Recreation – Acquisition, Development and Planning	15.916	606,984	-
Natural Resource Stewardship	15.944	27,005	-
Fish and Wildlife Cluster			
Sport Fish Restoration	15.605	2,689,877	-
Wildlife Restoration and Basic Hunter Education	15.611	3,257,800	-
Total Fish and Wildlife Cluster		5,947,677	-
Total U.S. Department of the Interior		**12,529,613**	**231,328**
U.S. DEPARTMENT OF JUSTICE			
U.S. Department of Justice Direct Programs			
State Criminal Alien Assistance Program	16.606	127,023	-
Stop School Violence	16.839	88,643	-
Equitable Sharing Program	16.922	14,518	-
Total U.S. Department of Justice Direct Programs		230,184	-
Pass-through from the State Department of the Attorney General			
COVID-19 – Coronavirus Emergency Supplemental Funding Program (20-VD-13 and 20-VD-11)	COVID-19 – 16.034	182,107	-
Crime Victim Assistance (19-V2-05, 19-V2-10 and 20-V2-05)	16.575	316,991	-
Residential Substance Abuse Treatment for State Prisoners (18-J2-01, 19-J2-01)	16.593	80,356	-
Edward Byrne Memorial Justice Assistance Grant Program (19-DJ-05 and 18-DJ-05)	16.738	33,664	-
Edward Byrne Memorial Competitive Grant Program (19-XT-01)	16.751	16,734	-
Total U.S. Department of Justice Pass-through Programs		629,852	-
Total U.S. Department of Justice		**860,036**	**-**

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF LABOR			
U.S. Department of Labor Direct Programs			
Labor Force Statistics	17.002	247,599	-
Compensation and Working Conditions	17.005	382,740	-
Unemployment Insurance	17.225	22,583,830	-
COVID-19 – Unemployment Insurance	COVID-19 – 17.225	680,402,907	-
Total Unemployment Insurance		702,986,737	-
Senior Community Service Employment Program	17.235	1,088,419	-
Trade Adjustment Assistance	17.245	336,722	-
H-1B Job Training Grants	17.268	172,833	-
Work Opportunity Tax Credit Program	17.271	152,978	-
Temporary Labor Certification for Foreign Workers	17.273	72,728	-
WIOA National Dislocated Workers Grants / WIA National Emergency Grants	17.277	1,440,457	995,628
Apprenticeship USA Grants	17.285	440,286	-
Occupational Safety and Health – State Program	17.503	1,362,241	-
Consultation Agreements	17.504	425,311	-
Local Veterans' Employment Representative Program	17.804	122,414	-
Employment Service Cluster			
Employment Service / Wagner-Peyser Funded Activities	17.207	2,768,071	-
Disabled Veterans' Outreach Program	17.801	396,935	-
Total Employment Service Cluster		3,165,006	-
WIOA Cluster			
WIOA Adult Program	17.258	2,332,558	1,089,365
WIOA Youth Activities	17.259	2,710,465	1,116,999
WIOA Dislocated Worker Formula Grants	17.278	1,575,446	918,323
Total WIOA Cluster		6,618,469	3,124,687
Total U.S. Department of Labor		**719,014,940**	**4,120,315**
U.S. DEPARTMENT OF TRANSPORTATION			
U.S. Department of Transportation Direct Program			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	751,429	-
Pass-through from the State Department of Transportation			
Federal Transit Administration			
Federal Transit – Capital Investment Grants (Federal Transit Cluster) (HI-03-0038-00)	20.500	8,202,329	-
Total U.S. Department of Transportation		**8,953,758**	**-**
U.S. DEPARTMENT OF THE TREASURY			
U.S. Department of Treasury Direct Program			
Equitable Sharing	21.016	23,394	-
COVID-19 – Emergency Rental Assistance Program	COVID-19 – 21.023	166,988,300	166,988,300
COVID-19 – Homeowner Assistance Fund	COVID-19 – 21.026	49,975,000	20,275,000
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	COVID-19 – 21.027	1,340,220,839	236,220,851
Total U.S. Department of the Treasury		**1,557,207,533**	**423,484,151**
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
U.S. Equal Employment Opportunity Commission Direct Program			
Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	30.002	151,177	-
Total U.S. Equal Employment Opportunity Commission		**151,177**	**-**

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. GENERAL SERVICES ADMINISTRATION			
U.S. General Services Administration Direct Program			
Donation of Federal Surplus Personal Property	39.003	834,139	-
Total U.S. General Services Administration		**834,139**	**-**
U.S. NATIONAL ENDOWMENT FOR THE ARTS			
U.S. National Endowment for the Arts Direct Program			
Promotion of the Arts – Partnership Agreements	45.025	1,396,794	1,018,967
Total U.S. National Endowment for the Arts		**1,396,794**	**1,018,967**
U.S. SMALL BUSINESS ADMINISTRATION			
U.S. Small Business Administration Direct Program			
Federal and State Technology Partnership Program	59.058	28,253	-
State Trade Expansion	59.061	595,813	-
Total U.S. Small Business Administration		**624,066**	**-**
U.S. DEPARTMENT OF VETERANS AFFAIRS			
U.S. Department of Veterans Affairs Direct Program			
Grants to States for Construction of State Home Facilities	64.005	18,824,055	-
Veterans Cemetery Grants Program	64.203	4,413,669	-
Total U.S. Department of Veterans Affairs		**23,237,724**	**-**
U.S. ENVIRONMENTAL PROTECTION AGENCY			
U.S. Environmental Protection Agency Direct Programs			
Regional Wetland Program Development Grants	66.461	124,204	-
Performance Partnership Grants	66.605	209,061	-
Total U.S. Environmental Protection Agency Direct Programs		333,265	-
Pass-through from the State Department of Health			
Air Pollution Control Program Support (920A31.001)	66.001	99,895	-
Nonpoint Source Implementation Grant (DOH319)	66.460	188,376	-
Total U.S. Environmental Protection Agency Pass-through Programs		288,271	-
Total U.S. Environmental Protection Agency		**621,536**	**-**
U.S. DEPARTMENT OF ENERGY			
U.S. Department of Energy Direct Programs			
State Energy Program	81.041	654,716	-
Weatherization Assistance for Low-Income Persons	81.042	275,023	249,115
Renewable Energy Research and Development	81.087	377,651	-
State Energy Program Special Projects	81.119	11,030	-
Total U.S. Department of Energy		**1,318,420**	**249,115**
U.S. DEPARTMENT OF EDUCATION			
U.S. Department of Education Direct Program			
COVID-19 – Education Stabilization Fund	COVID-19 – 84.425C	12,799,081	3,950,000
Total U.S. Department of Education Direct Program		12,799,081	3,950,000
Pass-through from the University of Hawaii			
Career and Technical Education – Basic Grants to States (V048A20011)	84.048A	59,180	-
Total U.S. Department of Education Pass-through Program		59,180	-
Total U.S. Department of Education		**12,858,261**	**3,950,000**

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. ELECTION ASSISTANCE COMMISSION			
U.S. Election Assistance Commission Direct Program			
Help America Vote Act Requirements Payments	90.401	49,376	-
HAVA Election Security	90.404	1,401,367	-
Total U.S. Election Assistance Commission		**1,450,743**	**-**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
U.S. Department of Health and Human Services Direct Programs			
Food and Drug Administration Research	93.103	198,221	-
Refugee and Entrant Assistance – State Administered Programs	93.566	31,837	22,418
Community Services Block Grant	93.569	3,319,435	3,134,003
COVID-19 – Community Services Block Grant	COVID-19 – 93.569	1,632,023	1,554,479
Total Community Services Block Grant		4,951,458	4,688,482
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations & Evaluations	93.779	278,779	-
Total U.S. Department of Health and Human Services Direct Programs		5,460,295	4,710,900
Pass-through from the State Department of Health			
Epidemiology & Laboratory Capacity for Infectious Diseases (NU50CK000553)	93.323	1,034,234	-
Total U.S. Department of Health Pass-Through Program		1,034,234	-
Pass-through from the State Department of Human Services			
Temporary Assistance for Needy Families (2101HITANF, DHS-17-ETPO-4031 and DHS-21-ETPO-0049)	93.558	1,252,754	134,998
Low-Income Home Energy Assistance (G-2101HILIEA and G-2201HILIEA)	93.568	318,696	291,371
Total U.S. Department of Health and Human Services Pass-through Programs		1,571,450	426,369
Total U.S. Department of Health and Human Services		**8,065,979**	**5,137,269**
U.S. DEPARTMENT OF HOMELAND SECURITY			
U.S. Department of Homeland Security Direct Programs			
Non-profit Security Grant Program	97.008	4,805	-
Boating Safety Financial Assistance	97.012	692,899	-
Community Assistance Program State Support Services Element	97.023	58,353	-
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	100,820,452	89,226,360
National Dam Safety Program	97.041	85,289	-
Emergency Management Performance Grants	97.042	3,614,650	943,137
Cooperating Technical Partners	97.045	107,135	-
Pre-Disaster Mitigation	97.047	2,297,946	2,249,615
COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	COVID-19 – 97.050	1,696,611	-
Port Security Grant Program	97.056	1,024,786	268,129
Homeland Security Grant Program	97.067	4,214,174	127,980
Earthquake Consortium	97.082	30,641	-
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132	155,151	-
Total U.S. Department of Homeland Security		**114,802,892**	**92,815,221**
Total Expenditures of Federal Awards		**$ 2,510,610,813**	**$ 539,625,562**

(concluded)

See accompanying notes to the schedule of expenditures of federal awards.

1. Reporting Entity

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the following State of Hawaii departments and agencies:

- Department of Accounting and General Services
- Department of Agriculture
- Department of Budget and Finance
- Department of Business, Economic Development and Tourism
- Department of Commerce and Consumer Affairs
- Department of Defense
- Department of Human Resources Development
- Department of Labor and Industrial Relations
- Department of Land and Natural Resources
- Department of Public Safety
- Department of Taxation
- Governor's Office

Certain other departments and agencies within the State of Hawaii obtained separate audits performed in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and accordingly, separate Uniform Guidance submissions are made. (See Note 2.)

2. Other State of Hawaii Departments and Agencies Not Included in the Accompanying Schedule of Expenditures of Federal Awards

The following is a summary of State of Hawaii departments and agencies that obtain separate Uniform Guidance audits or do not receive federal grants and, therefore, do not obtain an audit under the Uniform Guidance. Awards listed in these audit reports are not included in the accompanying SEFA:

- Department of the Attorney General
- Department of Education
- Department of Hawaiian Home Lands
- Department of Health
- Department of Human Services
- Department of Transportation
- Drinking Water Treatment Revolving Loan Fund
- Hawaii Community Development Authority
- Hawaii Employer-Union Health Benefits Trust Fund
- Hawaii Health Systems Corporation
- Hawaii Housing Finance and Development Corporation
- Hawaii Hurricane Relief Fund
- Hawaii Public Housing Authority

- Hawaii Tourism Authority
- Judiciary
- University of Hawaii
- Water Pollution Control Revolving Fund

3. Basis of Accounting

The basic financial statements of the State of Hawaii have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

4. Basis of Presentation

The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Expenditures reported in the schedule are reported on the cash basis of accounting.

5. Nonmonetary Assistance

The SEFA contains values of a nonmonetary assistance program. As provided by program regulations, property received under AL No. 39.003, *Donation of Federal Surplus Personal Property*, and food commodities received under AL No. 10.553, *School Breakfast Program*, AL No. 10.555, *National School Lunch Program*, and AL No. 10.569, *Emergency Food Assistance Program*, are presented at the estimated fair value at the time of donation.

6. Unemployment Insurance

State unemployment tax revenues and government contributions are used to pay benefits under federally approved State unemployment law. Of the $702,986,737 reported as expenditures for AL No. 17.225, *Unemployment Insurance*, and AL No. COVID-19 – 17.225, *COVID-19 – Unemployment Insurance*, $680,402,907 represented expenditures of the State.

7. Relationship to Federal and State Financial Reports

The regulations and guidelines governing the preparation of Federal and State financial reports vary by Federal and State agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal and State financial reports do not necessarily agree with the amounts reported in the accompanying SEFA which is prepared as explained in Notes 3 and 4 above.

8. Indirect Costs

The State does not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

9. Research and Development Cluster Expenditures

The SEFA includes the following Research and Development amounts:

Federal Grantor and Program Title	Federal AL Number	Federal Expenditures
U.S. Department of Commerce Direct Programs		
Interjurisdictional Fisheries Act of 1986	11.407	$ 48,000
Marine Sanctuary Program	11.429	261,053
Pacific Fisheries Data Program	11.437	483,887
Unallied Industry Projects	11.452	28,450
Coral Reef Conservation Program	11.482	711,410
Total U.S. Department of Commerce		1,532,800
U.S. Department of Defense Direct Programs		
Collaborative Research and Development	12.114	621,184
Total U.S. Department of Defense		621,184
U.S. Department of the Interior Direct Programs		
Fish and Wildlife Management Assistance	15.608	42,336
Coastal Wetlands Planning, Protection and Restoration	15.614	729,205
Cooperative Endangered Species Conservation Fund	15.615	2,127,677
State Wildlife Grants	15.634	1,599,835
Adaptive Science	15.670	247,028
Economic, Social and Political Development of the Territories	15.875	218,527
Natural Resource Stewardship	15.944	27,005
Total U.S. Department of the Interior		4,991,613
U.S. Environmental Protection Agency Direct Programs		
Regional Wetland Program Development Grants	66.461	124,204
Total U.S. Environmental Protection Agency		124,204
U.S. Department of Health and Human Services Direct Programs		
Food and Drug Administration Research	93.103	198,221
Total U.S. Department Health and Human Services Direct Programs		198,221
Total Research and Development Cluster		$ 7,468,022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting		
• Material weaknesses identified?	X yes	___ no
• Significant deficiencies identified?	X yes	___ none reported
Noncompliance material to financial statements noted?	___ yes	X no

Federal Awards

Internal control over major programs		
• Material weaknesses identified?	X yes	___ no
• Significant deficiencies identified?	X yes	___ none reported
Type of auditors' report issued on compliance for major programs	Qualified	

An unmodified opinion was issued on the State of Hawaii's compliance with its major federal programs for the year ended June 30, 2022, except for the requirements regarding special tests and provisions for AL No. 17.225, *Unemployment Insurance* , and AL No. COVID-19 – 17.225, COVID-19 – *Unemployment Insurance* , and reporting and subrecipient monitoring for AL No. COVID-19 – 84.425C, *COVID-19 – Education Stabilization Fund* , for which the opinion on compliance was qualified.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	X yes	___ no
Dollar threshold used to distinguish between type A and type B program	$7,531,832	
Auditee qualified as low-risk auditee?	___ yes	X no

Identification of Major Programs

Federal AL Number	Name of Federal Program or Cluster
20.500	Federal Transit – Capital Investment Grants (Federal Transit Cluster)
COVID-19 – 21.023	COVID-19 – Emergency Rental Assistance Program
COVID-19 – 21.026	COVID-19 – Homeowner Assistance Fund
COVID-19 – 21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
64.005	Grants to States for Construction of State Home Facilities
COVID-19 – 84.425C	COVID-19 – Education Stabilization Fund
97.036	Disaster Grants − Public Assistance (Presidentially Declared Disasters)
	Unemployment Insurance
17.225	Unemployment Insurance
COVID-19 – 17.225	COVID-19 – Unemployment Insurance
	Fish and Wildlife Cluster
15.605	Sport Fish Restoration
15.611	Wildlife Restoration and Basic Hunter Education

FINANCIAL STATEMENT FINDINGS

Section II – Financial Statement Findings

Finding No. 2022-001: Internal Control over Financial Reporting (Material Weakness)

State Department of Accounting and General Services

Condition
The State's internal control over financial reporting could be improved. During our audit of the fiscal year 2022 financial statements, we identified multiple deficiencies that, when considered in the aggregate, indicated a material weakness in the State's internal control over financial reporting.

The process used by the State Department of Accounting and General Services (DAGS) Accounting Division to consolidate required information from State departments and agencies to prepare the State's Annual Comprehensive Financial Report (ACFR) (e.g., preparing Governmental Funds financial statements on a modified accrual basis and the Government-Wide financial statements on an accrual basis) is inefficient, time consuming, and causes delays in statewide financial reporting.

Information necessary to prepare such accounting entries must be obtained from other State departments and agencies. For the year ended June 30, 2022, DAGS requested formal reporting information packages to obtain the financial information from State departments but did not receive timely responses from some of the departments, including information for the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*.

A similar finding was reported as a material weakness in the prior year as Finding No. 2021-001.

Criteria
Management is responsible for establishing and maintaining internal control over financial reporting, the objectives of which are to provide management with reasonable, but not absolute, assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The DAGS Accounting Division is responsible for preparing the ACFR in accordance with GAAP.

Effect
Due to the untimely submission of information to DAGS, inadequate review of journal entries by the departments, and issues in accounting for capital assets at the department-level, audit adjustments and reclassifications were necessary to properly report the fiscal year 2022 financial statements.

Other misstatements identified were not corrected as they were deemed to be immaterial to the financial statements.

Cause and View of Responsible Officials
The deficiencies are due to inefficiencies in the financial statement preparation process, the lack of timely information from various departments, the lack of review at the departments, and inadequate staffing within DAGS Accounting Division.

Recommendation

DAGS should continue to develop well-defined, systematic, efficient and orderly processes for financial reporting that include a comprehensive set of policies and procedures necessary to establish internal control over financial reporting. The process and its key attributes (e.g., overall timing, methodology, format and frequency of analyses) should be formally documented, approved, communicated to other departments and agencies, and monitored on a regular basis.

DAGS should also develop plans for the adoption of new accounting standards that may have a material effect on the State's financial statements well in advance of effective dates to allow for timely and accurate implementation.

DAGS should ensure adequate staffing within the Accounting Division or procure for professional services.

Furthermore, individuals who perform reviews of journal entries at the departments should be adequately trained to review for proper source codes, appropriations, and object codes being used. Departments should perform a thorough review of post-closing journal entries to ensure all items from various schedules are reflected in the post-closing journal entries. Departments should also ensure construction projects are properly classified as in-progress, transferred to the proper depreciable asset class when placed in service, or written off as expenses if abandoned or otherwise not capitalizable. Departments should ensure capital assets schedules provided to DAGS are complete and accurate.

Adherence to these policies and procedures will facilitate the processing of complete, accurate and timely financial information.

Finding No. 2022-002: Accounting for Component Units and Proprietary Funds (Significant Deficiency)

State Department of Accounting and General Services

Condition
During fiscal year 2008, DAGS implemented a financial statement policy on reporting material component units (CU) and proprietary funds (PF), which indicated that only material CUs and PFs would be reported as discretely presented CUs and major PFs in the ACFR. Materiality was determined based on certain quantitative criteria determined by DAGS. During the year ended June 30, 2013, DAGS revised its financial reporting policy to comply with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and 34*.

Consequently, although DAGS determined that the Stadium Authority, Hawaii Strategic Development Corporation, Hawaii Technology Development Corporation, Natural Energy Laboratory of Hawaii, and Agribusiness Development Corporation met the definition of discretely presented CUs as defined in GASB Statement No. 61, these CUs did not meet the materiality thresholds under the State's policy, and thus were not disclosed as discretely presented in the June 30, 2022 ACFR. Instead, these entities were reported as blended component units within the State's governmental activities and the governmental funds to which they were administratively attached.

DAGS also determined that the Department of Labor and Industrial Relations – Disability Compensation Fund, the Department of Public Safety – Correctional Industries Fund, the Department of Accounting and General Services – State Parking Revolving Fund, and the Department of Accounting and General Services – Motor Pool Fund met the definition of PFs as defined in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. However, they did not meet the materiality threshold under the State's financial reporting policy. Therefore, these PFs were not reported as PFs in the June 30, 2022 ACFR but were reported as part of the State's governmental activities and within the governmental funds to which they were administratively attached.

A similar finding was reported in the prior year as Finding No. 2021-002.

Criteria
CUs are legally separate organizations that the State must include as part of its financial reporting entity for fair presentation in conformity with GAAP. CUs have unique accounting and reporting requirements as established by GASB Statement No. 61. The GASB accounting standards provide defined criteria for determining whether a particular legally separate entity is a discretely presented CU of the State.

Similarly, Enterprise Funds that meet the definition of proprietary funds established by GASB Statement No. 34 should be reported within the PF financial statements and the business-type activities in the government-wide financial statements.

Effect

In accordance with the State's policy, the CUs and PFs noted above were incorrectly included in the governmental activities and respective governmental funds in the State's ACFR, rather than as discretely presented CUs or PFs, despite meeting the discretely presented CU and PF criteria under GAAP. A summary of account balances and funds that were incorrectly classified by State management is presented below (amounts expressed in millions):

	Revenues	Expenditures	Assets
Discretely presented component units			
Stadium Authority	$ 14.7	$ 5.8	$ 42.7
Hawaii Strategic Development Corporation	-	-	0.1
Hawaii Technology Development Corporation	26.0	2.1	25.7
Natural Energy Laboratory of Hawaii	5.0	5.2	10.3
Agribusiness Development Corporation	3.5	3.1	87.9
Nonmajor proprietary funds			
Department of Accounting and General Services – State Parking Revolving Fund	$ 3.2	$ 3.0	$ 12.5
Department of Accounting and General Services – State Motor Pool Fund	2.2	2.0	2.3
Department of Public Safety – Correctional Industries Fund	8.2	6.2	5.6
Department of Labor and Industrial Relations – Disability Compensation Fund	14.9	16.1	11.0

Cause and View of Responsible Officials

In determining which CUs and PFs should be presented as discretely presented CUs and nonmajor PFs in the ACFR, management did not follow the guidelines described in GASB Statements No. 61 and 34, respectively. DAGS also determined that some of the potential CUs and PFs are unable to close their accounting records and to complete audits in a timely manner, such that audited financial statements would not be available for the preparation of the ACFR. Therefore, application of GASB Statements Nos. 34 and 61 would require time and resources to complete and would likely delay the completion of the ACFR.

Recommendation

DAGS should consider changing the ACFR accounting and reporting policy to conform to the provisions of GASB Statements No. 34 and 61.

Finding No. 2022-003: IT General Control Deficiencies (Material Weakness)

Condition
Information technology (IT) is a strategic element of the State's operations. Because of the high volume of transactions at the State, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit of the State for the year ended June 30, 2022, we performed an IT general controls review of selected State departments' systems, including the following systems operated by the Department of Labor and Industrial Relations (DLIR) and DAGS:

DLIR	DAGS
UI BPS	HawaiiPay
UI Tax	FAMIS
QWRS	Statewide Inventory System
UI Employer website	CWWS

Our review resulted in IT control deficiencies in the areas of logical security and change management as follows:

Logical security

DLIR

- Annual user access review over the UI Employer Website was not performed timely.

DAGS

- The annual user access review over HawaiiPay users at Department of Taxation was not performed in a timely manner.

Change management

DLIR

- Developers have access to the production environment.
- No evidence to support that developers are properly segregated from the production environment for the UI Employer Website and no monitoring control in place to detect unauthorized changes.

Collectively, the number and related number of the IT control deficiencies resulted in an overall material weakness.

A similar finding was reported as a significant deficiency in the prior year as Finding No. 2021-003.

Criteria
When IT is used to initiate, record, process and report on transactions included in the financial statements, the systems and related processes should include internal controls to prevent or detect potential misstatements.

Effect
Internal controls in the areas of logical security and change management address the following risks:

Logical security

Unauthorized access to financial systems could result in the loss of data, unauthorized or nonexistent transactions being made, or transactions being inaccurately recorded.

Change management

Unauthorized or untested changes promoted to the production environment could cause the financial systems to either process data differently than intended or unexpectedly compromise the integrity of the data maintained.

Cause and View of Responsible Officials
The State's IT policies and procedures do not include internal control procedures addressing the risks discussed above or such controls are not consistently followed.

Recommendation
We recommend that DLIR and DAGS perform the following:

Logical security

DLIR/DAGS

- Ensure access permissions are reviewed as part of the annual user access review.

Change management

DLIR

- Remove developers' access to the production environment.
- Ensure that developer access to the UI Employer Website is properly restricted from the production environment.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Section III – Federal Award Findings and Questioned Costs

Finding No. 2022-004: SEFA (Significant Deficiency)

Condition
The State's current accounting process for certain departments does not track federal funds individually within the general ledger system. Instead, one appropriation account is often created and assigned to the respective department and multiple federal grants expended by the department are grouped within the one appropriation account. For a department that receives and expends multiple federal awards, it must prepare and maintain separate accounting records outside of FAMIS, the State's accounting system, to segregate the cash balances, receipts and expenditures by each grant. These separate accounting records are maintained by multiple accountants in larger departments and are not combined and reconciled with FAMIS periodically.

A similar finding was reported in the prior year as Finding No. 2021-004.

Criteria
The Office of Management and Budget (OMB) issued the Uniform Guidance, which is codified in Title 2 CFR Part 200 and requires non-federal entities that expend $750,000 or more in federal awards in a year to have a Single Audit conducted on its federal award programs and SEFA.

The Uniform Guidance established responsibilities for auditees, including:

- Identify all federal awards received and expended and the federal programs under which they were received.
- Maintain internal control over federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.
- Prepare appropriate financial statements, including the SEFA.

Effect
Due to the deficiencies in internal control over SEFA preparation noted, there was a misstatement in the SEFA for the year ended June 30, 2022 and related notes to the SEFA that were not detected by management's internal controls, but was subsequently identified and corrected as part of our auditing procedures. For AL No. COVID-19 – 21.019, *COVID-19 – Coronavirus Relief Fund*, amounts were improperly calculated which resulted in expenditures being overstated by approximately $21,000,000.

Cause and View of Responsible Officials
A thorough review of each department's reconciliation of its separate accounting records that track federal expenditures to FAMIS was not performed by someone knowledgeable to ensure that the expenditure amounts were accurately reported. Although formal reporting instructions were created by DAGS to establish internal control over preparing the SEFA and sent to other departments for the year ended June 30, 2022, certain departments failed to follow the instructions and process established by DAGS.

Recommendation

We recommend DAGS enforce its established process for preparing the SEFA. We also recommend DAGS provide training to the other departments to ensure proper information is provided by the departments for DAGS to accurately prepare the State's SEFA. We also recommend DAGS and other departmental personnel review and keep abreast of reporting guidance issued by the OMB.

		Questioned Cost
Finding No. 2022-005:	**Eligibility (Significant Deficiency)**	**$ 1,986**
State Agency:	DLIR	
Federal Agency:	Department of Labor	
AL Number and Title:	17.225 – *Unemployment Insurance* COVID-19 – 17.225 – *COVID-19 – Unemployment Insurance*	
Award Number and Award Year:	UI-3644-21-55-A-15 2021 UI-3590-20-60-A-15 2020 UI-35700-21-55-A-15 2021 UI-37219-22-55-A-15 2022	
Repeat Finding?	No	

Condition
During our audit, we selected a non-statistical sample of fifty benefit payments made during the year and identified three payments where the recipients did not make the minimum number of work search contacts.

Criteria
Pursuant to State *Handbook of Unemployment Benefits*, the following requirements must be met to become eligible for benefit payments:

1) Be totally or partially unemployed;
2) File an application to establish an unemployment insurance claim;
3) File a claim certification on a weekly or bi-weekly basis to request payment of benefits;
4) Register for work with the State Workforce Development Division;
5) Participate in re-employment services;
6) Be physically and mentally able to work;
7) Be ready and willing to seek and accept work by making three or more work search contacts every week;
8) Serve a one-week waiting period; and
9) Report for interviews.

Effect
Failure to comply with the eligibility requirements results in noncompliance with the terms of the award and may result in recapture of funds by the awarding agency.

Cause and View of Responsible Officials
The department experienced a staffing shortage and was unable to investigate cases within a timely manner.

Recommendation
We recommend that the State department follow the policies and procedures established to comply with eligibility requirements. Furthermore, we recommend that the department formalize any modifications to the work search requirements used in practice as allowed under HRS Section 12-5-34.

		Questioned Cost
Finding No. 2022-006:	**Special Tests and Provisions (Material Weakness)**	**$ –**
State Agency:	DLIR	
Federal Agency:	Department of Labor	
AL Number and Title:	17.225 – *Unemployment Insurance* COVID-19 – 17.225 – *COVID-19 – Unemployment Insurance*	
Award Number and Award Year:	UI-37219-22-55-A-15 2022	
Repeat Finding?	Yes	

Condition
During our audit, we examined the Benefit Accuracy Measurement (BAM) summary report and identified minimum cases and timeliness requirements were not met regarding paid and denied claims.

Criteria
Pursuant to 20 CFR Part 602, the BAM system requires the State department to complete a minimum number of unemployment cases timely in order to maintain a current database. The required number of cases and the timeliness percentages for completing paid and denied claims are as follows:

Paid Claims

- Minimum cases: 480 paid cases
- Timeliness percentages: Complete 70% within 60 days, 95% within 90 days, and 98% within 120 days

Denied Claims

- Minimum cases: 450 denied cases (150 cases for each category: monetary, separation and non-separation)
- Timeliness percentages: Complete 60% within 60 days, 85% within 90 days, and 98% within 120 days

Effect
Failure to meet timeliness requirements prevents the granting agency from maintaining a current database.

Cause and View of Responsible Officials
Due to the COVID-19 pandemic, the department was significantly impacted with an increase in unemployment claims. Furthermore, the department experienced a staffing shortage and was unable to process the minimum number of cases and/or investigate cases within a timely manner.

Recommendation
We recommend that the State department develop new policies and procedures to handle the increase in unemployment claims and follow existing policies and procedures established to comply with claim handling requirements.

		Questioned Cost
Finding No. 2022-007:	**Subrecipient Monitoring (Significant Deficiency)**	**$ –**
State Agency:	Governor's Office	
Federal Agency:	Department of the Treasury	
AL Number and Title:	COVID-19 – 21.023 – *COVID-19 – Emergency Rental Assistance Program*	
Award Number and Award Year:	American Rescue Plan Act (ARPA) 2021	
Repeat Finding?	Yes	

Condition
During our audit, we examined a non-statistical sample of three subawards and noted untimely evaluation of the subrecipients' risk of noncompliance for two subawards.

Criteria
2 CFR Section 200.332(b) requires a pass-through entity to evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Effect
Without evaluating the subrecipient's risk of noncompliance and determining the appropriate subrecipient monitoring procedures necessary, the State may not be providing the appropriate level of monitoring over its subrecipients.

Cause and View of Responsible Officials
Due to resource constraints in Office of Federal Awards Management (OFAM), the program personnel were unable to perform the subrecipients' risk of noncompliance in a timely manner.

Recommendation
We recommend that program management ensure that program personnel are familiar with all grant requirements, including compliance with 2 CFR Part 200 which requires the reporting of all necessary federal award information to subrecipients and risk assessments of subrecipients. Management should develop procedures that ensure the State's responsibilities as a pass-through entity are fulfilled, including a formal analysis of each subrecipient's risk of noncompliance with each of the respective subaward requirements. This evaluation of risk may include consideration of such factors as the following:

- The subrecipient's prior experience with the same or similar subawards;

- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of federal awarding agency monitoring.

			Questioned Cost
Finding No. 2022-008:	**Cash Management (Significant Deficiency)**		**$ –**
State Agency:	Governor's Office		
Federal Agency:	Department of the Treasury		
AL Number and Title:	COVID-19 – 21.026 – *COVID-19 – Homeowner Assistance Fund*		
Award Number and Award Year:	ARPA	2021	
Repeat Finding?	No		

Condition
During our audit, we examined three haphazardly selected cash disbursements and identified two instances totaling approximately $15,500,000 in which the time elapsing between the receipt of federal award and the disbursement was greater than 25 days. While the expenditures were allowable costs under the grant, it does not appear the State disbursed these federal advances as soon as administratively feasible.

Criteria
31 CFR Section 205.33 requires the State to minimize the time between the receipt of federal funds from the federal government and the State's disbursement of the funds for federal program purposes. Therefore, the timing and amount of funds being requested and received must be as close as administratively feasible to the State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. Based on our testing, we determined 25 days to be a reasonable period of time to disburse cash after receipt from the federal government.

Effect
Without minimizing time between the drawdown and disbursement of federal funds, the State is not in compliance with federal requirements.

Cause and View of Responsible Officials
The lag in disbursing the funds was attributed to the U.S. Department of the Treasury providing the State an upfront lump sum advance to administer the program.

Recommendation
As the exceptions were caused by a lump sum advance provided from the U.S. Department of the Treasury, we recommend that program management contact the awarding agency to obtain best practices for cash management.

		Questioned Cost
Finding No. 2022-009:	**Reporting (Significant Deficiency)**	**$ –**
State Agency:	Governor's Office	
Federal Agency:	Department of the Treasury	
AL Number and Title:	COVID-19 – 21.026 – *COVID-19 – Homeowner Assistance Fund*	
Award Number and Award Year:	ARPA 2021	
Repeat Finding?	No	

Condition
During our audit, we tested a non-statistical sample of two subawards and found no evidence that the reporting required by Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the Federal Funding Accountability and Transparency Act ("FFATA") was completed.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
2	2	0	0	0
Dollar Amount of Tested Transactions	**Subaward Not Reported**	**Report Not Timely**	**Subaward Amount Incorrect**	**Subaward Missing Key Elements**
$38,822,930	$38,822,930	$0	$0	$0

Criteria
Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA requires an entity to report subcontracts made under federally-awarded contracts by the end of the month following the month in which the prime recipient awards any subgrant greater than or equal to $30,000.

Effect
Failure to file required reports reduces transparency on the use of program funds and represents an instance of noncompliance with the requirements of 2 CFR Part 200.

Cause and View of Responsible Officials
Program personnel were unable to file the FFATA reports due to the Federal Award Identification Number (FAIN) not being available on the FFATA Subaward Reporting System (FSRS), a federal government website.

Recommendation
As the error appears to be caused by the FSRS, we recommend that program management continue to monitor the status of the FSRS and file the necessary FFATA reports when enabled.

		Questioned Cost
Finding No. 2022-010:	**Subrecipient Monitoring (Significant Deficiency)**	**$ –**
State Agency:	Governor's Office	
Federal Agency:	Department of the Treasury	
AL Number and Title:	COVID-19 – 21.026 – *COVID-19 – Homeowner Assistance Fund*	
Award Number and Award Year:	ARPA 2021	
Repeat Finding?	No	

Condition
During our audit, we examined a non-statistical sample of two subawards and found no evidence of evaluation of the subrecipients' risk of noncompliance at the time of the subawards.

Criteria
2 CFR Section 200.332(b) requires a pass-through entity to evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Effect
Without evaluating the subrecipient's risk of noncompliance and determining the appropriate subrecipient monitoring procedures necessary, the State may not be providing the appropriate level of monitoring over its subrecipients.

Cause and View of Responsible Officials
Due to resource constraints in OFAM, the program personnel were unable to perform the subrecipients' risk of noncompliance in a timely manner.

Recommendation
We recommend that program management ensure that program personnel are familiar with all grant requirements, including compliance with 2 CFR Part 200 which requires the reporting of all necessary federal award information to subrecipients and risk assessments of subrecipients. Management should develop procedures that ensure the State's responsibilities as a pass-through entity are fulfilled, including a formal analysis of each subrecipient's risk of noncompliance with each of the respective subaward requirements. This evaluation of risk may include consideration of such factors as the following:

- The subrecipient's prior experience with the same or similar subawards;

- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of federal awarding agency monitoring.

			Questioned Cost
Finding No. 2022-011:	**Suspension and Debarment (Significant Deficiency)**		**$ –**
State Agency:	Governor's Office		
Federal Agency:	Department of the Treasury		
AL Number and Title:	COVID-19 – 21.027 – *COVID-19 – Coronavirus State and Local Fiscal Recovery Funds*		
Award Number and Award Year:	ARPA	2021	
Repeat Finding?	No		

Condition
During our audit, we tested a non-statistical sample of seven subawards and found no evidence indicating that program personnel verified whether any of the contractors were not federally suspended or debarred.

Criteria
According to 2 CFR 200.214, regulations restrict awards, subawards and contracts with certain parties that are debarred, suspended, or otherwise excluded from, ineligible from, or ineligible for participation in federal assistance programs or activities. Therefore, verification is required that either checks the System for Award Management (SAM), an official website for the U.S. Government, collects a certification from the contractor, or adds a clause or condition to the contract.

Effect
Without evaluating the contractors' status on the SAM before executing agreements, the State may pass through federal funding to ineligible entities.

Cause and View of Responsible Officials
Program personnel responsible for procurement indicated that a review for the federal SAM website was performed prior to the execution of the contract, however, no formal documentation of the review was retained.

Recommendation
We recommend that program management retain evidence of the suspension and debarment review, including who performed the procedure and the date performed, prior to entering into the agreement.

			Questioned Cost
Finding No. 2022-012:	**Subrecipient Monitoring (Significant Deficiency)**		**$ –**
State Agency:	Governor's Office		
Federal Agency:	Department of the Treasury		
AL Number and Title:	COVID-19 – 21.027 – *COVID-19 – Coronavirus State and Local Fiscal Recovery Funds*		
Award Number and Award Year:	ARPA	2021	
Repeat Finding?	No		

Condition
During our audit, we examined a non-statistical sample of seven subawards and found no evidence of evaluation of the subrecipients' risk of noncompliance at the time of the subaward for one of the subawards tested.

Criteria
2 CFR Section 200.332(b) requires a pass-through entity to evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Effect
Without evaluating the subrecipient's risk of noncompliance and determining the appropriate subrecipient monitoring procedures necessary, the State may not be providing the appropriate level of monitoring over its subrecipients.

Cause and View of Responsible Officials
Due to resource constraints within OFAM, program personnel were unable to perform the subrecipient's risk of noncompliance in a timely matter.

Recommendation
We recommend that program management ensure that program personnel are familiar with all grant requirements, including compliance with 2 CFR Part 200, which requires the reporting of all necessary federal award information to subrecipients and risk assessments of subrecipients. Management should develop procedures that ensure the State department's responsibilities as a pass-through entity are fulfilled, including a formal analysis of each subrecipient's risk of noncompliance with each of the respective subaward requirements. This evaluation of risk may include consideration of such factors as the following:

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of federal awarding agency monitoring.

			Questioned Cost
Finding No. 2022-013:	**Reporting (Material Weakness)**		**$ –**
State Agency:	Governor's Office		
Federal Agency:	Department of the Education		
AL Number and Title:	COVID-19 – 84.425C – *COVID-19 – Education Stabilization Fund*		
Award Number and Award Year:	Coronavirus Aid, Relief, and Economic Security Act (CARES) Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA)	2020 2021	
Repeat Finding?	No		

Condition
During our audit, we tested a non-statistical sample of four subawards and found no evidence that the reporting required by Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA was completed for three subawards and one instance of untimely submission.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
4	3	1	0	0
Dollar Amount of Tested Transactions	**Subaward Not Reported**	**Report Not Timely**	**Subaward Amount Incorrect**	**Subaward Missing Key Elements**
$6,357,000	$757,000	$5,600,000	$0	$0

Criteria
Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA requires an entity to report subcontracts made under federally-awarded contracts by the end of the month following the month in which the prime recipient awards any subgrant greater than or equal to $30,000.

Effect
Failure to file required reports reduces transparency on the use of program funds and represents an instance of noncompliance with the requirements of 2 CFR Part 200.

Cause and View of Responsible Officials
Due to changes in program personnel, there was miscommunication between the parties responsible for filing the FFATA reports.

Recommendation
We recommend that program personnel ensure that required FFATA reports are filed timely.

			Questioned Cost
Finding No. 2022-014:	**Subrecipient Monitoring (Material Weakness)**		$ –
State Agency:	Governor's Office		
Federal Agency:	Department of Education		
AL Number and Title:	COVID-19 – 84.425C – *COVID-19 – Education Stabilization Fund*		
Award Number and Award Year:	CARES	2020	
	CRRSA	2021	
Repeat Finding?	No		

Condition
During our audit, we examined a non-statistical sample of two subawards and found no evidence that evaluations of the subrecipients' risk of noncompliance and applicable federal award information was communicated to the subrecipients at the time of the subawards.

Criteria
2 CFR Section 200.332(a) requires subawards to clearly identify information, such as the FAIN, identification of whether the award is R&D, period of performance, and indirect cost.

2 CFR Section 200.332(b) requires a pass-through entity to evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related the subaward.

Effect
By not including the required information in the subaward, subrecipients may have trouble complying with federal grant requirements. Furthermore, without evaluating the subrecipient's risk of noncompliance and determining appropriate subrecipient monitoring procedures necessary, the State may not be providing the appropriate level of monitoring over its subrecipients.

Cause and View of Responsible Officials
Program personnel improperly determined first-tier subrecipients resulting in applicable federal award information not being communicated in the subawards and not assessing the subrecipients' risk of noncompliance not being performed.

Recommendation
We recommend that program management ensure that program personnel are familiar with all grant requirements, including compliance with 2 CFR Part 200 which requires the reporting of all necessary federal award information to subrecipients and risk assessments of subrecipients. Management should develop procedures that ensure the State's responsibilities as a pass-through entity are fulfilled, including providing subrecipients all applicable federal award information and performing a formal analysis of each subrecipient's risk of noncompliance with each of the respective subaward requirements. The risk evaluation may include consideration of the following factors:

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of federal awarding agency monitoring.

			Questioned Cost
Finding No. 2022-015:	**Special Tests and Provisions (Significant Deficiency)**		**$ –**
State Agency:	Governor's Office		
Federal Agency:	Department of Education		
AL Number and Title:	COVID-19 – 84.425C – *COVID-19 – Education Stabilization Fund*		
Award Number and Award Year:	S425C200001	2020	
Repeat Finding?	No		

Condition
During our audit, we examined a non-statistical sample of two subawards and found no evidence of consultation with private school officials.

Criteria
Section 1117(a)(4)(A) of the Elementary and Secondary Education Act requires that a recipient must provide equitable services to students and teachers in private schools as determined in consultation with private school officials.

Effect
Without evidence of program personnel's consultation with private school officials, the State is unable to support its assertion of compliance with federal requirements.

Cause and View of Responsible Officials
Program personnel indicated a consultation meeting took place; however, no formal documentation was retained.

Recommendation
We recommend that program management ensure that program personnel are familiar with all grant requirements and retain necessary documentation to comply with federal program requirements.

			Questioned Cost
Finding No. 2022-016:	**Subrecipient Monitoring (Significant Deficiency)**		**$ –**
State Agency:	Department of Defense		
Federal Agency:	Federal Emergency Management Agency		
AL Number and Title:	97.036 – *Disaster Grants – Public Assistance*		
Award Number and Award Year:	4282-DR-HI	2016	
	4366-DR-HI	2018	
	4395-DR-HI	2018	
	4604-DR-HI	2021	
Repeat Finding?	No		

Condition
During our audit, we examined a non-statistical sample of six subawards and found no evidence of evaluation of any of the subrecipients' risk of noncompliance at the time of the subaward. Furthermore, the most recent Single Audit report for one of the subrecipients selected for testing was not reviewed by program personnel for any potential findings.

Criteria
Per 2 CFR Section 200.332(b), a pass-through entity is required to evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring procedures related to the subaward.

Per 2 CFR Section 200.332(d), a pass-through entity is required to monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. Monitoring must include a review of financial performance reports, following up with the subrecipient to ensure timely and appropriate action on all deficiencies, issuing management decision for applicable audit findings, resolving audit findings, and verifying that each subrecipient is audited as required by 2 CFR 200, Subpart F.

Effect
Without evaluating the subrecipient's risk of noncompliance and determining the appropriate subrecipient monitoring procedures necessary, the State may not be providing the appropriate level of monitoring over its subrecipients.

Cause and View of Responsible Officials
Due to changes in personnel responsibilities, there was miscommunication between the parties responsible for evaluating the risk of noncompliance. Furthermore, the Single Audit report for one of the subrecipients was not reviewed due to oversight as the program personnel was unaware that the subrecipient is separately audited.

Recommendation
We recommend that program management ensure that program personnel are familiar with all grant requirements, including compliance with 2 CFR Part 200 which requires the reporting of all necessary federal award information to subrecipients and risk assessments of subrecipients. Management should develop procedures that ensure the State department's responsibilities as a pass-through entity are fulfilled, including a formal analysis of each subrecipient's risk of noncompliance with each of the respective subaward requirements. This evaluation of risk may include consideration of such factors as the following:

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward was audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

JOSH GREEN M.D.
GOVERNOR
KE KIAʻĀINA

KEITH A REGAN
COMPTROLLER
KA LUNA HOʻOMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HOʻOMALU HANA LAULĀ

STATE OF HAWAIʻI | KA MOKUʻĀINA O HAWAIʻI
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA ʻOIHANA LOIHELU A LAWELAWE LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

March 10, 2023

ACC 23.U007

Accuity LLP
999 Bishop Street, Suite 1900
Honolulu, HI 96813

Gentlemen:

Thank you for the opportunity to provide comments on the Schedule of Findings and Questioned Costs issued in connection with the Single Audit of Federal Financial Assistance Programs for the fiscal year ended June 30, 2022. We have also attached our comments on the status of prior audit findings.

We commend Accuity LLP's staff for the cooperative and professional manner in which they conducted themselves during this audit.

If you have any questions, please call Ms. Lenora D. Fisher, Accounting Division at 586-0600.

Sincerely,

KEITH A. REGAN
Comptroller

Attachments

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

State of Hawaii
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Finding No.	Description	Department	Classification	Status		Current Year Finding No.
				Resolved	Unresolved	
2021-001	Internal Control Over Financial Reporting	DAGS	Material Weakness		X	2022-001
2021-002	Accounting for Component Units and Proprietary Funds	DAGS	Significant Deficiency		X	2022-002
2021-003	IT General Control Deficiencies	DLIR; DAGS	Significant Deficiency		X	2022-003
2021-004	Schedule of Expenditures of Federal Awards	DAGS	Material Weakness		X	2022-004
2021-005	Special Tests and Provisions	DLIR	Material Weakness		X	2022-006
2021-006	Special Tests and Provisions	DLIR	Significant Deficiency	X		
2021-007	Allowable Costs	DLIR	Significant Deficiency	X		
2021-008	Subrecipient Monitoring	Governor's Office	Significant Deficiency		X	2022-007
2021-009	Subrecipient Monitoring	DLIR	Significant Deficiency	X		
2021-010	Subrecipient Monitoring	Governor's Office	Significant Deficiency	X		
2019-010	Earmarking	DLNR	Material Weakness		X	
2019-011	Special Tests and Provisions	DLNR	Significant Deficiency	X		
09-01	Improve Controls over Inmate Agency Accounts	DPS	Material Weakness		X	

Corrective Actions Taken for Unresolved Findings

Finding No. 2021-001: Internal Control Over Financial Reporting
In fiscal year 2022, DAGS requested formal reporting information packages from State departments but did not receive timely and accurate responses from some departments. As a current year finding (Finding No. 2022-001) is reported, Finding No. 2021-001 will not be carried forward.

Finding No. 2021-002: Accounting for Component Units and Proprietary Funds
No corrective action was taken in fiscal year 2022. As a current year finding (Finding No. 2022-002) is reported, Finding No. 2021-002 will not be carried forward.

Finding No. 2021-003: IT General Control Deficiencies
Corrective actions were taken in fiscal year 2022 to mitigate a number of the previously reported deficiencies; however, corrective action is still ongoing. As a current year finding (Finding No. 2022-003) is reported, Finding No. 2021-003 will not be carried forward.

Finding No. 2021-004: Schedule of Expenditures of Federal Awards
Formal reporting instructions were created by DAGS and sent to other departments and agencies for the year ended June 30, 2022. As a current year finding (Finding No. 2021-004) is reported, Finding No. 2021-004 will not be carried forward.

Finding No. 2021-005: Special Tests and Provisions
DLIR continues to improve its internal controls to comply with requirements. As a current year finding (Finding No. 2022-006) is reported, Finding No. 2021-005 will not be carried forward.

Finding No. 2021-008: Subrecipient Monitoring
No corrective actions were taken in fiscal year 2022. As a current year finding (Finding No. 2022-007) is reported, Finding No. 2021-008 will not be carried forward.

Finding No. 2019-010: Earmarking
DLNR continues to improve its internal controls to comply with earmarking requirements.

Finding No. 09-01: Improve Controls over Inmate Agency Accounts
A new system is being developed to assist the programs in addressing Inmate Accounts issues. Implementation of the new system is anticipated to be completed by fiscal year 2024.

CORRECTIVE ACTION PLAN

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-001 – Internal Control over Financial Reporting (Material Weakness)

State Department of Accounting and General Services

Condition

The State's internal control over financial reporting could be improved. During our audit of the fiscal year 2022 financial statements, we identified multiple deficiencies that, when considered in the aggregate, indicated a significant deficiency in the State's internal control over financial reporting.

The process used by DAGS Accounting Division to consolidate required information from State departments and agencies to prepare the State's Annual Comprehensive Financial Report (ACFR) (e.g. preparing Governmental Funds financial statements on a modified accrual basis and the Government-Wide financial statements on an accrual basis) is inefficient, time consuming, and causes delays in statewide financial reporting.

Information necessary to prepare such accounting entries must be obtained from other State departments and agencies. For the year ended June 30, 2022, DAGS requested formal reporting information packages to obtain the financial information from State departments but did not receive timely responses from some departments, including information for the implementation of Government Accounting Standard Boards Statement No. 87, *Leases*.

A similar finding was reported in the prior year as Finding No. 2021-001.

Current Status of Corrective Action Plan

Concur.

The Department of Accounting and General Services (DAGS) will continue to develop a well-defined, systematic, efficient, and orderly process for financial reporting that will include a comprehensive set of policies and procedures necessary to establish internal control over financial reporting. The process will be formally documented, approved, communicated to other departments and agencies, and monitored on a regular basis.

DAGS will review audit entries for use of proper source codes, object codes, and appropriation accounts and work with individuals who perform reviews of journal entries at the identified departments on specific issues relating to proper use of such codes and accounts. Departments will be reminded to perform a thorough review of post-closing journal entries to ensure all items from various schedules are reflected in the post-closing journal entries and all the journal entries properly reflect what is shown on the schedules.

While DAGS will continue to improve efficiencies within the current system, significant efficiencies are not anticipated to be achieved until implementation of a new financial system. A new financial system will improve internal controls and facilitate a more efficient financial reporting process, allowing more time for review and analysis of financial results.

DAGS has completed a draft of a new chart of accounts for the whole state which will assist in the reporting and compliance of the ACFR and SEFA reports. The procurement of a new accounting system has been recently awarded and expected to run by June 30, 2025. With this new system, it would address or mitigate financial reporting deficiencies.

Person Responsible

Lenora D. Fisher, Administrator, DAGS Accounting Division

Anticipated Date of Completion

June 30, 2025

2022-002 – Accounting for Component Units and Proprietary Funds (Significant Deficiency)

State Department of Accounting and General Services

Condition

During fiscal year 2008, DAGS implemented a financial statement policy on reporting material component units (CU) and proprietary funds (PF), which indicated that only material CUs and PFs would be reported as discretely presented CUs and major PFs in the ACFR. Materiality was determined based on certain quantitative criteria determined by DAGS. During the year ended June 30, 2013, DAGS revised its financial reporting policy to comply with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and 34*.

Consequently, although DAGS determined that the Stadium Authority, Hawaii Strategic Development Corporation, Hawaii Technology Development Corporation (HITDC), Natural Energy Laboratory of Hawaii, and Agribusiness Development Corporation met the definition of discretely presented CUs as defined in GASB Statement No. 61, these CUs did not meet the materiality thresholds under the State's policy, and thus were not disclosed as discretely presented in the June 30, 2022 ACFR. Instead, these entities were reported as blended component units, within the State's governmental activities and the governmental funds to which they were administratively attached.

DAGS also determined that the Department of Accounting and General Services – State Parking Revolving Fund, the Department of Accounting and General Services – State Motor Pool Fund, the Department of Public Safety – Correctional Industries Fund, and the Department of Labor and Industrial Relations – Disability Compensation Fund met the definition of PFs as defined in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. However, they did not meet the materiality threshold under the State's financial reporting policy. Therefore, these PFs were not reported as PFs in the June 30, 2022 ACFR but were reported as part of the State's governmental activities and within the governmental funds to which they were administratively attached.

A similar finding was reported in the prior year as Finding No. 2021-002.

Current Status of Corrective Action Plan

Concur.

DAGS will review the State's policy annually regarding the reporting of discretely presented Component Units and nonmajor Proprietary Funds as compared with Governmental Accounting Standards Board Statement Nos. 34 and 61.

Person Responsible

Lenora D. Fisher, Administrator, DAGS Accounting Division

Anticipated Date of Completion

June 30, 2025

2022-003 – IT General Control Deficiencies (Material Weakness)

The Department of Tax (DoTax), Department of Labor and Industrial Relations (DLIR) and the Enterprise Technology Services (ETS) address their respective IT control deficiencies in the areas of logical security, change management, and IT operations as follows:

Logical Security

DLIR

- Annual user access review over the UI Employer Website was not performed timely.

  Current Status of Corrective Action Plan

  Concur.

  DLIR-UI will schedule annual user access review and make sure to document the process. UI will perform review of UI Employer Website annually. Next review is scheduled for March 2023.

  Person Responsible

  Joni Muramoto, DLIR-UI Program Specialist

  Anticipated Date of Completion

  July 2023

DAGS

- The annual user access review over HawaiiPay users at Department of Taxation (DOTAX) was not performed in a timely manner.

  Current Status of Corrective Action Plan

  The Hawaii Information Portal (HIP) HR and Payroll user access reviews were completed outside of the fiscal year. There was a transition of the DOTAX HR Officer, and the Acting HR Officer did not receive the user access review information for HIP. Going forward, DOTAX will verify the departments HawaiiPay users are correct annually. DOTAX will complete HIP HR and Payroll user access reviews upon receiving the user access information from HIP administrators.

  Person Responsible

  Emill Acosta, Accountant VI

  Anticipated Date of Completion

  July 1, 2023

Change Management

DLIR

- Developers have access to the production environment.

  Current Status of Corrective Action Plan

  Concur.

DLIR is working with ETS to remove developers access to the production environment. Developers are able to request access for emergency situations. A special login is provided for a limited time to address the emergency. This emergency process has been in place for 2+ years.

Person Responsible

Bennett Yap, DLIR IT Chief

Anticipated Date of Completion

July 2023

- No evidence to support that developers are properly segregated from the production environment for the UI Employer Website and no monitoring control in place to detect unauthorized changes.

  Current Status of Corrective Action Plan

  Concur.

  DLIR is working with the vendor to understand controls and/or have access to a SOC-1 report.

  Person Responsible

  Bennett Yap, DLIR IT Chief

  Anticipated Date of Completion

  July 2023

Section III – Federal Award Findings and Questioned Costs

Finding No. 2022-004 – SEFA (Significant Deficiency)

Condition

The State's current accounting process for certain departments does not track federal funds individually within the general ledger system. Instead, one appropriation account is often created and assigned to the respective department and many federal grants expended by the department are grouped within the one appropriation account. For a department that receives and expends multiple federal awards, it must prepare and maintain separate accounting records outside of FAMIS, the State's accounting system, to be able to segregate the cash balances, receipts and expenditures by each grant that it receives. These separate accounting records are maintained by multiple accountants in the larger departments and are not combined and reconciled into FAMIS periodically.

A similar finding was reported in the prior year as Finding No. 2021-004.

Current Status of Corrective Action Plan

Concur.

DAGS' management has developed a well-defined process for Federal financial reporting that includes a comprehensive set of policies and procedures necessary to establish internal control over preparing the SEFA. DAGS will remind the departments to follow these established policies and procedures when preparing the SEFA.

DAGS has completed a draft of a new chart of accounts for the whole state which will assist in the reporting and compliance of the ACFR and SEFA reports. The procurement of a new accounting system has been recently awarded and expected to run by June 30, 2025. With this new system, it would address or mitigate financial reporting deficiencies.

Person Responsible

Lenora D. Fisher, Administrator, DAGS Accounting Division

Anticipated Date of Completion

June 30, 2025

Finding No. 2022-005 – Eligibility (Significant Deficiency)

State Department of Labor and Industrial Relations

AL Number: 17.225 **Program Title:** Unemployment Insurance

Direct Award from: UI-3644-21-55-A-15, UI-3590-20-60-A-15, UI-35700-21-55-A-15, UI-37219-22-55-A-15

Condition

Per Administrative Rule 12-5-35(c), an individual may be considered available for work for any week if they make a minimum of three work search contacts each week, unless the individual is exempt from the work search requirements or be subject to a modified work search requirement consistent with and reflective of local area policies and local labor market opportunities.

Findings identified three claimants who did not comply with the above requirements and were improperly paid.

Current Status of Corrective Action Plan

Concur.

Hawaii will resend our revised written procedures regarding Administrative Rule 12-5-35(c) dated January 16, 2020, to ensure staff is aware and compliant with our Work Search requirements to ensure proper payment of benefits in the future. To address the modified work search requirements for specific islands or locality, Hawaii will provide staff with a written policy regarding this matter.

Person Responsible

Sheryl Maligro, UI Program Specialist Supervisor

Anticipated Date of Completion

June 30, 2023

Finding No. 2022-006 –Special Tests and Provisions (Material Weakness)

State Department of Labor and Industrial Relations

AL Number: 17.225 **Program Title:** Unemployment Insurance

Direct Award from: UI-37219-22-55-A-15

Condition

Both and/or either the minimum number of cases and timeliness percentages for paid and denied claims including monetary, separation, and nonseparation, were not met.

Current Status of Corrective Action Plan

Concur.

1. The BAM unit was short staffed an investigator from March 2022. The vacancy was filled on January 17, 2023.

2. The number of paid and denied claims was increased and the BAM supervisor was assigned denied cases.

3. The unit anticipates to meet the minimum number of 480 paid and 450 denied cases effective FY 23-24 which begins in July 2023.

4. The unit has made great strides and is currently meeting the denied timeliness requirements and 60 day paid timeliness requirement.

5. The unit has brought on an experienced adjudicator to fill a vacancy and learn BAM methodology. The unit has worked cohesively to assist colleagues with investigative tasks. Other areas contribute to this effort by assisting with the assembly of new case files for the BAM investigators. This collective effort allows the unit to make progress to our goals. The BAM supervisor continues to help and monitors case completion and timeliness to ensure the unit works toward achieving the BAM requirements.

Person Responsible

Sheryl Ozaki, UI Quality Control Supervisor

Anticipated Date of Completion

June 2024

Finding No. 2022-007 – Subrecipient Monitoring (Significant Deficiency)

Governor's Office care of State Department of Budget and Finance

AL Number: 21.023 **Program Title:** Emergency Rental Assistance Program

Direct Award from: U.S. Department of Treasury

Condition

2 CFR Section 200.332(b) requires a pass-through entity to evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward. The auditing firm selected three subawards and noted untimely evaluation of the subrecipients' risk of noncompliance for two subawards. The auditing firm noted that one assessment was performed 2 days after a subaward was made, and for the second subaward, an assessment was performed 172 days after the subaward was made.

Current Status of Corrective Action Plan

Concur.

B&F will ensure that program personnel are familiar with federal program requirements, including compliance with 2 CFR Section 200.331(b) which requires an evaluation of each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Person Responsible

Mark K. Anderson, Office of Federal Awards Management, Administrator

Anticipated Date of Completion

July 1, 2023

2022-008 – Cash Management (Significant Deficiency)

Governor's Office care of State Department of Budget and Finance

AL Number: 21.026 **Program Title:** Homeowner Assistance Fund

Direct Award from: U.S. Department of Treasury

Condition

Per 31 CFR Part 205, the State must minimize the time between the drawdown of Federal funds from the Federal government and subsequent disbursement for Federal program purposes.

The auditing firm haphazardly tested 3 expenditures of the 7 transactions that occurred in fiscal year 2022 and found that the time between drawdown and disbursement of Federal funds by the State was not minimized.

Current Status of Corrective Action Plan

Concur.

The U.S. Treasury wired Homeowner Assistance Funds (HAF) as a lump sum payment thus B&F did not have to submit a drawdown request to obtain the funds. Since B&F did not have control over the timing of the receipt of the funds, it is unclear how B&F could have complied with the requirement of 31 CFR Part 205 to minimize the timing of the disbursement of the funds. B&F had consulted with the U.S. Treasury on how to best comply with this requirement but has not received a response thus far.

Person Responsible

Mark K. Anderson, Office of Federal Awards Management, Administrator

Anticipated Date of Completion

July 1, 2023

2022-009 – Reporting (Significant Deficiency)

Governor's Office care of State Department of Budget and Finance

AL Number: 21.026 **Program Title:** Homeowner Assistance Fund

Direct Award from: U.S. Department of Treasury

Condition

A prime recipient of a federal award is required to file a Federal Funding Accountability and Transparency Act (FFATA) report to the FFATA Subaward Reporting System (FSRS) by a specific period for any subaward greater than or equal to $30,000.

The auditing firm haphazardly tested the two subawards executed in FY 2022 and noted that B&F was unable to file FFATA reports on FSRS.gov.

Current Status of Corrective Action Plan

Concur.

The HAF award is not listed on the pre-populated Worklist in FSRS thus subaward reports could not be filed for the award. The U.S. Treasury is aware that recipients are unable to report subawards in FSRS due to this unresolved technical issue between Treasury and FSRS. B&F will monitor the FSRS website and file the necessary FFATA reports if/when possible.

Person Responsible

Mark K. Anderson, Office of Federal Awards Management, Administrator

Anticipated Date of Completion

July 1, 2023

2022-010 – Subrecipient Monitoring (Significant Deficiency)

Governor's Office care of State Department of Budget and Finance

AL Number: 21.026 **Program Title:** Homeowner Assistance Fund

Direct Award from: U.S. Department of Treasury

Condition

2 CFR Section 200.332(b) requires a pass-through entity to evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring for the subaward.

The auditing firm selected a sample of two subawards that were executed in FY 2022. The auditing firm noted that program management did not evaluate the subrecipient's risk of noncompliance prior to the execution of the subawards.

Current Status of Corrective Action Plan

Concur.

B&F will ensure that program personnel are familiar with Federal program requirements, including compliance with 2 CFR Section 200.332(b) which requires an evaluation of each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Person Responsible

Mark K. Anderson, Office of Federal Awards Management, Administrator

Anticipated Date of Completion

July 1, 2023

2022-011 – Suspension and Debarment (Significant Deficiency)

Governor's Office care of State Department of Budget and Finance

AL Number: 21.027 **Program Title:** Coronavirus State and Local Fiscal Recovery Fund

Direct Award from: U.S. Department of Treasury

Condition

2 CFR Section 200.214 requires non-federal entities to comply with non-procurement debarment and suspension regulations. The regulations in 2 CFR Part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

The auditing firm selected a sample of subawards that were open in FY 2022. There was no evidence of a suspension or debarment review for 100% (7 out of 7) of the sample of subawards tested. The auditing firm was unable to verify that the State had checked whether the entities were federally suspended or debarred on the SAM.gov website prior to executing the subawards.

Current Status of Corrective Action Plan

Concur.

B&F will modify its procedures to check for debarment or suspension on SAM.gov prior to issuing a subaward to an entity and retain evidence of the verification including who performed the check and the date performed.

Person Responsible

Mark K. Anderson, Office of Federal Awards Management, Administrator

Anticipated Date of Completion

July 1, 2023

2022-012 – Subrecipient Monitoring (Significant Deficiency)

Governor's Office care of State Department of Budget and Finance

AL Number: 21.027 **Program Title:** Coronavirus State and Local Fiscal Recovery Fund

Direct Award from: U.S. Department of Treasury

Condition

2 CFR Section 200.332(b) requires a pass-through entity to evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward. The auditing firm selected a sample of 7 subawards active in FY 2022. The auditing firm noted that program management did not evaluate the subrecipient's risk of noncompliance at the time of the subaward for one of the subawards tested.

Current Status of Corrective Action Plan

Concur.

B&F will ensure that program personnel are familiar with federal program requirements, including compliance with 2 CFR Section 200.332(b) which requires an evaluation of each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Person Responsible

Mark K. Anderson, Office of Federal Awards Management, Administrator

Anticipated Date of Completion

July 1, 2023

2022-013 – Reporting (Material Weakness)

Governor's Office care of State Department of Budget and Finance

AL Number: 84.425C **Program Title:** COVID 19 – Education Stabilization Fund

Direct Award from: U.S. Department of Education

Condition

A prime recipient of a Federal award is required to file a Federal Funding Accountability and Transparency Act (FFATA) report to the FFATA Subaward Reporting System (FSRS) by a specific period for any award to a subrecipient greater than or equal to $30,000.

The State awarded Governor's Emergency Education Relief Fund (GEER) I and II funds to the Research Corporation of the University of Hawaii (RCUH). At the time of award, RCUH was improperly designated as a subrecipient rather than a grants management contractor. RCUH's role was to disburse GEER funds in the form of innovation grants to various public/private schools and non-profit organizations. Innovation grants were awarded to 31 organizations. B&F did not file FFATA reports for the recipients of the 31 innovation grants. B&F did file a FFATA report for RCUH.

Subsequently, the U.S. Department of Education (US DOE) provided additional guidance to B&F and suggested that the FFATA reports be amended to remove RCUH as a subrecipient and for B&F to submit a FFATA report to FSRS for the organizations that received innovation grants.

Current Status of Corrective Action Plan

Concur.

B&F will ensure that program personnel are familiar with all grant requirements, including compliance with 2 CFR Part 200 for the determination of subrecipients and FFATA reporting requirements. In addition, B&F will work with U.S. DOE to take appropriate action to address the lack of FFATA reports for the recipients of GEER innovation grants.

Person Responsible

Mark K. Anderson, Office of Federal Awards Management, Administrator

Anticipated Date of Completion

July 1, 2023

2022-014 – Subrecipient Monitoring (Material Weakness)

Governor's Office care of State Department of Budget and Finance

AL Number: 84.425C **Program Title:** COVID 19 – Education Stabilization Fund

Direct Award from: U.S. Department of Education

Condition

2 CFR Section 200.332(a) requires a pass-through entity to ensure that every subaward is clearly identified to the subrecipient as a subaward and provide specific Federal award information to subrecipients at the time of the subaward.

2 CFR Section 200.332(b) requires a pass-through entity to evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Due to the improper determination of the Research Corporation of the University of Hawaiʻi as a subrecipient rather than a grants contractor, State program management did not ensure Federal award information was included in the subawards to the entities ultimately determined to be first tier subrecipients.

Current Status of Corrective Action Plan

Concur.

B&F will ensure that program personnel are familiar with all grant requirements including compliance with 2 CFR Section 200.332 (a) and (b) which requires the reporting of specific Federal award information to subrecipients and performing an evaluation of each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Person Responsible

Mark K. Anderson, Office of Federal Awards Management, Administrator

Anticipated Date of Completion

July 1, 2023

2022-015 – Special Tests and Provisions (Significant Deficiency)

Governor's Office care of State Department of Budget and Finance

AL Number: 84.425C **Program Title:** COVID 19 – Education Stabilization Fund

Direct Award from: U.S. Department of Education

Condition

A local education agency that receives funds under the Governor's Emergency Education Relief (GEER I) Fund program must provide equitable services to students and teachers in private schools. During the audit, B&F was unable to locate documentation to verify that timely consultation with private school officials occurred.

Current Status of Corrective Action Plan

Concur.

B&F will ensure that program personnel maintain evidence of compliance with all grant requirements.

Person Responsible

Mark K. Anderson, Office of Federal Awards Management, Administrator

Anticipated Date of Completion

July 1, 2023

2022-016 – Subrecipient Monitoring (Significant Deficiency)

Department of Defense

AL Number: 97.036 **Program Title:** Disaster Grants – Public Assistance

Direct Award from: Federal Emergency Management Agency (FEMA)

Condition

The requirement to evaluate each subrecipients' risk of noncompliance was not being conducted during the audit timeframe of the awards that were audited. There was internal miscommunication as to who in the Hawaii Emergency Management Agency (HIEMA) is responsible for performing the risk assessments.

Current Status of Corrective Action Plan

Concur.

HIEMA has implemented a Risk Assessment Policy to ensure the assessments are completed at the beginning of the grant process and conducted annually to ensure continued compliance with all grant requirements. Resilience and the Grants teams will continue to work together to ensure this process is adhered to.

Person Responsible

Brian Fisher – Hawaii Emergency Management Agency – Disaster Assistance Project Manager
Lauren Mark – Hawaii Emergency Management Agency – Grants Program Manager

Anticipated Date of Completion

The Risk Assessment Policy was implemented on February 8, 2023 and outlines steps to be taken by all Grants Team members and Resilience Branch Point of Contacts to ensure compliance.