

STATE OF HAWAII

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2024



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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**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND UNIFORM
GUIDANCE COMPLIANCE REPORTS**



**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 (*Government Auditing Standards*), 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, 2024, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated January 30, 2025.

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.

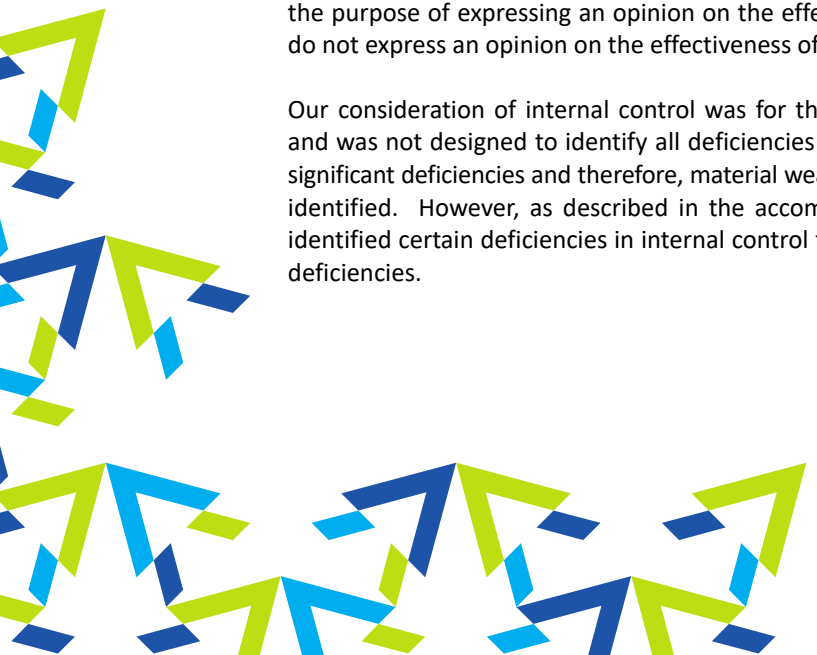
Report on Internal Control Over Financial Reporting


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.

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 identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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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 Finding No. 2024-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding Nos. 2024-002 and 2024-003 to be significant deficiencies.

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 auditors 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.

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
January 30, 2025



**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 Corrections and Rehabilitation, Department of Defense, Department of Human Resources Development, Department of Labor and Industrial Relations, Department of Land and Natural Resources, Department of Law Enforcement, 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, 2024. 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 (AL) No. 10.179, Micro-Grants for Food Security Program, AL No. 12.400, Military Construction, National Guard, and AL No. 17.225 and AL No. COVID-19 – 17.225, Unemployment Insurance

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 AL No. 10.179, *Micro-Grants for Food Security Program*, AL No. 12.400, *Military Construction, National Guard*, and AL No. 17.225 and AL No. COVID-19 – 17.225, *Unemployment Insurance*, for the year ended June 30, 2024.

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, 2024.

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*

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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 Opinions on AL No. 10.179, Micro-Grants for Food Security Program, AL No. 12.400, Military Construction, National Guard, and AL No. 17.225 and AL No. COVID-19 – 17.225, Unemployment Insurance

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
2024-005	10.179	Micro-Grants for Food Security Program	Cash Management
2024-006	12.400	Military Construction, National Guard	Cash Management
2024-007	17.225	Unemployment Insurance	Special Test and Provisions

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 approximately \$5,640,221,000 in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2024. 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 the 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 Finding Nos. 2024-004 and 2024-008. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditors 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 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.



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 Finding Nos. 2024-005 through 2024-007 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 Finding Nos. 2024-004 and 2024-008 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 auditors 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, 2024, 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 January 30, 2025, 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 27, 2025

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

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	\$ 389,912	\$ -
Inspection Grading and Standardization	10.162	13,765	-
Market Protection and Promotion	10.163	7,800	-
Specialty Crop Block Grant Program – Farm Bill	10.170	455,870	-
Micro-Grants for Food Security Program	10.179	2,992,581	-
Farm and Ranch Stress Assistance Network	10.525	81,132	-
Senior Farmers Market Nutrition Program	10.576	574,456	546,595
Cooperative Forestry Assistance	10.664	1,039,874	62,122
Wood Utilization Assistance	10.674	22,579	-
Urban and Community Forestry Program	10.675	159,483	102,272
Forest Legacy Program	10.676	191,816	-
Forest Stewardship Program	10.678	98,164	-
Forest Health Protection	10.680	249,284	-
State and Private Forestry Cooperative Fire Assistance	10.698	420,964	-
Inflation Reduction Act Urban & Community Forestry Program	10.727	2,227	-
Environmental Quality Incentives Program	10.912	950,911	-
Feral Swine Eradication and Control Pilot Program	10.934	194,592	-
Food Distribution Cluster			
Commodity Supplemental Food Program	10.565	1,495,453	1,473,810
Emergency Food Assistance Program (Administrative Costs)	10.568	523,986	467,772
Emergency Food Assistance Program (Food Commodities)	10.569	7,440,972	7,440,972
Total Food Distribution Cluster		<u>9,460,411</u>	<u>9,382,554</u>
Total U.S. Department of Agriculture Direct Programs		17,305,821	10,093,543
Pass-through from the State Department of Education			
School Breakfast Program (Child Nutrition Cluster)	10.553	151,802	-
Pass-through from the State Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster) (DHS-18-SNAP-0038 SA1 and DHS-18-SNAP-0038 SA2)	10.561	181,764	-
Total U.S. Department of Agriculture Pass-through Programs		<u>333,566</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>17,639,387</u>	<u>10,093,543</u>
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	34,070	-
State Digital Equity Planning and Capacity Grant	11.032	398,167	398,167
Broadband Equity, Access and Deployment Program	11.035	499,756	499,756
Interjurisdictional Fisheries Act of 1986	11.407	197,267	-
Coastal Zone Management Administration Awards	11.419	2,281,769	1,458,414
Marine Sanctuary Program	11.429	168,200	-
Pacific Fisheries Data Program	11.437	396,128	-
Marine Mammal Data Program	11.439	4,208	-
Unallied Industry Projects	11.452	10,700	-
Unallied Management Projects	11.454	3,310	-
Habitat Conservation	11.463	49,140	-
Meteorologic and Hydrologic Modernization Development	11.467	441,491	228,316
Congressionally Identified Awards and Projects	11.469	564,584	-
Unallied Science Program	11.472	562,460	-

(continued)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
Office for Coastal Management	11.473	475,401	-
Coral Reef Conservation Program	11.482	638,134	-
Manufacturing Extension Partnership	11.611	1,017,276	-
Economic Adjustment Assistance (Economic Development Cluster)	11.307	1,259,956	85,864
Total U.S. Department of Commerce		<u>9,002,017</u>	<u>2,670,517</u>
U.S. DEPARTMENT OF DEFENSE			
U.S. Department of Defense Direct Programs			
Readiness and Environmental Protection Integration Program	12.017	745,302	-
Collaborative Research and Development	12.114	645,311	-
Basic and Applied Scientific Research	12.300	20,975	-
Military Construction, National Guard	12.400	2,200,680	-
National Guard Military Operations and Maintenance Projects	12.401	22,561,815	-
National Guard ChalleNGe Program	12.404	4,659,648	-
Economic Adjustment Assistance for State Governments	12.617	110,168	-
Legacy Resource Management Program	12.632	184,924	-
Total U.S. Department of Defense		<u>31,128,823</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
U.S. Department of Housing and Urban Development Direct Program			
Fair Housing Assistance Program	14.401	68,128	-
Total U.S. Department of Housing and Urban Development		<u>68,128</u>	<u>-</u>
U.S. DEPARTMENT OF THE INTERIOR			
U.S. Department of the Interior Direct Programs			
WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507	3,539	-
Cooperative Watershed Management	15.554	7,875	-
Fish and Wildlife Management Assistance	15.608	70,828	-
Coastal Wetlands Planning, Protection and Restoration	15.614	873,225	-
Cooperative Endangered Species Conservation Fund	15.615	6,323,065	-
North American Wetlands Conservation Fund	15.623	10,513	-
Coastal Program	15.630	147,300	-
State Wildlife Grants	15.634	2,503,558	-
Endangered Species Conservation – Recovery Implementation Funds	15.657	3,071,606	-
Candidate Species Conservation	15.660	193,187	-
NFWF-USFWS Conservation Partnership	15.663	32,136	-
Cooperative Landscape Conservation	15.669	186,947	-
Economic, Social and Political Development of the Territories	15.875	327,914	-
Historic Preservation Fund Grants-In-Aid	15.904	614,605	-
Outdoor Recreation – Acquisition, Development and Planning	15.916	802,140	-
Natural Resource Stewardship	15.944	23,572	-
Fish and Wildlife Cluster			
Sport Fish Restoration	15.605	2,849,349	428,865
Wildlife Restoration and Basic Hunter Education	15.611	4,782,765	-
Total Fish and Wildlife Cluster		<u>7,632,114</u>	<u>428,865</u>
Total U.S. Department of the Interior		<u>22,824,124</u>	<u>428,865</u>

(continued)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

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 JUSTICE			
U.S. Department of Justice Direct Programs			
State Criminal Alien Assistance Program	16.606	4,279	-
Congressionally Recommended Awards	16.753	273,000	-
Equitable Sharing Program	16.922	<u>177,132</u>	-
Total U.S. Department of Justice Direct Programs		454,411	-
Pass-through from the State Department of the Attorney General			
Crime Victim Assistance (21-V2-05 and 22-V2-05)	16.575	121,486	-
Residential Substance Abuse Treatment for State Prisoners (19-J2-01 and 20-J2-01)	16.593	142,996	-
Edward Byrne Memorial Justice Assistance Grant Program (19-DJ-20, 20-DJ-05, and 21-DJ-05)	16.738	<u>122,576</u>	-
Total U.S. Department of Justice Pass-through Programs		<u>387,058</u>	-
Total U.S. Department of Justice		<u>841,469</u>	-
U.S. DEPARTMENT OF LABOR			
U.S. Department of Labor Direct Programs			
Labor Force Statistics	17.002	736,448	-
Unemployment Insurance	17.225	266,006,612	-
COVID-19 – Unemployment Insurance	COVID-19 – 17.225	<u>1,627,853</u>	-
Total Unemployment Insurance		267,634,465	-
Senior Community Service Employment Program	17.235	998,688	193,032
Trade Adjustment Assistance	17.245	71,489	-
Reentry Employment Opportunities	17.270	196	-
Work Opportunity Tax Credit Program	17.271	223,145	-
Temporary Labor Certification for Foreign Workers	17.273	36,414	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	6,843,364	3,644,060
Registered Apprenticeship	17.285	143,506	-
Community Project Funding/Congressionally Directed Spending	17.289	14,819	-
Occupational Safety and Health – State Program	17.503	1,321,505	-
Consultation Agreements	17.504	733,248	-
Employment Service Cluster			
Employment Service / Wagner-Peyser Funded Activities	17.207	1,769,205	-
Disabled Veterans’ Outreach Program	17.801	<u>589,996</u>	-
Total Employment Service Cluster		2,359,201	-
WIOA Cluster			
WIOA Adult Program	17.258	11,123,282	3,538,621
WIOA Youth Activities	17.259	3,392,631	1,122,813
WIOA Dislocated Worker Formula Grants	17.278	<u>2,098,138</u>	<u>767,404</u>
Total WIOA Cluster		<u>16,614,051</u>	<u>5,428,838</u>
Total U.S. Department of Labor		<u>297,730,539</u>	<u>9,265,930</u>
U.S. DEPARTMENT OF TRANSPORTATION			
U.S. Department of Transportation Direct Program			
Recreational Trails Program	20.219	692,112	-
Pass-through from the State Department of Transportation			
Highway Planning and Construction (204.03-21, 204.01-21)	20.205	137,821	-
Federal Transit – Capital Investment Grants (Federal Transit Cluster) (HI-03-0038-00)	20.500	<u>198,457</u>	-
Total U.S. Department of Transportation Pass-through Programs		<u>336,278</u>	-
Total U.S. Department of Transportation		<u>1,028,390</u>	-

(continued)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

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 THE TREASURY			
U.S. Department of Treasury Direct Programs			
COVID-19 – Emergency Rental Assistance Program	COVID-19 – 21.023	334,243	334,243
COVID-19 – Homeowner Assistance Fund	COVID-19 – 21.026	16,425,000	16,425,000
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	COVID-19 – 21.027	31,502,066	31,378,967
COVID-19 – Coronavirus Capital Projects Fund	COVID-19 – 21.029	3,379,429	3,379,429
Technical Assistance Grant Program	COVID-19 – 21.031	2,207,639	-
Total U.S. Department of the Treasury		53,848,377	51,517,639
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	176,366	-
Total U.S. Equal Employment Opportunity Commission		176,366	-
U.S. FEDERAL COMMUNICATIONS COMMISSION			
U.S. Federal Communications Commission Direct Program			
Affordable Connectivity Outreach Grant Program	32.011	25,741	-
Total U.S. Federal Communications Commission		25,741	-
U.S. GENERAL SERVICES ADMINISTRATION			
U.S. General Services Administration Direct Program			
Donation of Federal Surplus Personal Property	39.003	1,222,197	-
Total U.S. General Services Administration		1,222,197	-
U.S. NATIONAL ENDOWMENT FOR THE ARTS			
U.S. National Endowment for the Arts Direct Program			
Promotion of the Arts – Partnership Agreements	45.025	927,484	591,519
Total U.S. National Endowment for the Arts		927,484	591,519
U.S. SMALL BUSINESS ADMINISTRATION			
U.S. Small Business Administration Direct Program			
State Trade Expansion	59.061	494,846	-
Cybersecurity for Small Business Pilot Program	59.079	66,500	-
Total U.S. Small Business Administration		561,346	-
U.S. DEPARTMENT OF VETERANS AFFAIRS			
U.S. Department of Veterans Affairs Direct Programs			
Grants to States for Construction of State Home Facilities	64.005	2,658,290	-
Veterans Cemetery Grants Program	64.203	1,615,649	-
Total U.S. Department of Veterans Affairs		4,273,939	-
U.S. ENVIRONMENTAL PROTECTION AGENCY			
U.S. Environmental Protection Agency Direct Programs			
Climate Pollution Reduction Grants	66.046	251,589	-
Regional Wetland Program Development Grants	66.461	107,826	37,962
Performance Partnership Grants	66.605	317,733	-
Total U.S. Environmental Protection Agency Direct Programs		677,148	37,962
Pass-through from the State Department of Health			
Nonpoint Source Implementation Grant (MOA CWB – PRC 21-2 and MOA 21-3)	66.460	72,147	-
Total U.S. Environmental Protection Agency		749,295	37,962

(continued)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

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 ENERGY			
U.S. Department of Energy Direct Programs			
State Energy Program	81.041	868,670	-
Weatherization Assistance for Low-Income Persons	81.042	647,930	556,897
Renewable Energy Research and Development	81.087	328,163	249,407
Grid Infrastructure Deployment and Resilience	81.254	47,140	-
Total U.S. Department of Energy		<u>1,891,903</u>	<u>806,304</u>
U.S. DEPARTMENT OF EDUCATION			
U.S. Department of Education Direct Program			
COVID-19 – Education Stabilization Fund	COVID-19 – 84.425	474,345	474,345
Pass-through from the University of Hawaii			
Career and Technical Education – Basic Grants to States (V048A20011)	84.048A	92,000	-
Total U.S. Department of Education		<u>566,345</u>	<u>474,345</u>
U.S. ELECTION ASSISTANCE COMMISSION			
U.S. Election Assistance Commission Direct Programs			
Help America Vote Act Requirements Payments	90.401	80,187	-
HAVA Election Security	90.404	39,117	-
Total U.S. Election Assistance Commission		<u>119,304</u>	<u>-</u>
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	138,184	-
1332 State Innovation Waivers	93.423	409,364	-
Refugee and Entrant Assistance – State Administered Programs	93.566	197,958	155,821
Community Services Block Grant	93.569	3,774,116	3,535,344
COVID-19 – Community Services Block Grant	COVID-19 – 93.569	355,123	355,123
Total Community Services Block Grant		<u>4,129,239</u>	<u>3,890,467</u>
Total U.S. Department of Health and Human Services Direct Programs		4,874,745	4,046,288
Pass-through from the State Department of Health			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SM 082961)	93.104	55,992	-
Injury Prevention and Control Research and State Community Based Programs (6 NU17CE925009-03-02)	93.136	40,644	-
Epidemiology & Laboratory Capacity for Infectious Diseases (DOCD-PSD-2024-01)	93.323	300,932	-
Pass-through from the State Department of Human Services			
Temporary Assistance for Needy Families (2201HITANF, 2301HITANF, DHS-21-ETPO-0049#2, and DHS-21-ETPO-0049 #3)	93.558	621,587	144,025
Low-Income Home Energy Assistance (2301HILIEA and 2401HILIEA)	93.568	365,066	332,669
Total U.S. Department of Health and Human Services Pass-through Programs		<u>1,384,221</u>	<u>476,694</u>
Total U.S. Department of Health and Human Services		<u>6,258,966</u>	<u>4,522,982</u>

(continued)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

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 HOMELAND SECURITY			
U.S. Department of Homeland Security Direct Programs			
Non-profit Security Grant Program	97.008	94,355	69,527
Boating Safety Financial Assistance	97.012	881,516	-
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	260,518,502	7,187,687
Hazard Mitigation Grant	97.039	474,845	474,845
National Dam Safety Program	97.041	240,008	-
Emergency Management Performance Grants	97.042	2,670,329	531,766
Cooperating Technical Partners	97.045	127,530	-
Pre-Disaster Mitigation	97.047	17,633	-
Port Security Grant Program	97.056	225,994	225,994
Homeland Security Grant Program	97.067	9,697,787	7,668,239
Regional Catastrophic Preparedness Grant Program	97.111	90,807	-
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132	368,110	43,450
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	97.137	248,766	248,766
Total U.S. Department of Homeland Security		<u>275,656,182</u>	<u>16,450,274</u>
Total Expenditures of Federal Awards		<u>\$ 726,540,322</u>	<u>\$ 96,859,880</u>

(concluded)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

State of Hawaii

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

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 Corrections and Rehabilitation
- Department of Defense
- Department of Human Resources Development
- Department of Labor and Industrial Relations
- Department of Land and Natural Resources
- Department of Law Enforcement
- 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* 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

See accompanying report of independent auditors.

State of Hawaii
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

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. 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*, and AL No. 10.569, *Emergency Food Assistance Program (Food Commodities)*, 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 \$267,634,465 reported as expenditures for AL No. 17.225 and AL No. COVID-19 – 17.225, *Unemployment Insurance*, \$247,988,172 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.

See accompanying report of independent auditors.

State of Hawaii
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

9. Research and Development Cluster Expenditures

The SEFA includes the following Research and Development amounts:

<u>Federal Grantor and Program Title</u>	<u>Federal AL Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce		
Interjurisdictional Fisheries Act of 1986	11.407	\$ 197,267
Marine Sanctuary Program	11.429	168,200
Pacific Fisheries Data Program	11.437	396,128
Marine Mammal Data Program	11.439	4,208
Unallied Industry Projects	11.452	10,700
Unallied Management Projects	11.454	3,310
Habitat Conservation	11.463	49,140
Coral Reef Conservation Program	11.482	638,134
Total U.S. Department of Commerce		<u>1,467,087</u>
U.S. Department of Defense		
Collaborative Research and Development	12.114	645,311
Total U.S. Department of Defense		<u>645,311</u>
U.S. Department of the Interior		
Fish and Wildlife Management Assistance	15.608	70,828
Coastal Program	15.630	147,300
State Wildlife Grants	15.634	2,503,558
Endangered Species Conservation – Recovery Implementation Funds	15.657	3,071,606
Candidate Species Conservation	15.660	193,187
Natural Resource Stewardship	15.944	23,572
Total U.S. Department of the Interior		<u>6,010,051</u>
U.S. Environmental Protection Agency		
Regional Wetland Program Development Grants	66.461	107,826
Total U.S. Environmental Protection Agency		<u>107,826</u>
U.S. Department of Health and Human Services		
Food and Drug Administration Research	93.103	138,184
Total U.S. Department Health and Human Services		<u>138,184</u>
Total Research and Development Cluster		<u>\$ 8,368,459</u>

See accompanying report of independent auditors.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued

Unmodified

Internal control over financial reporting

- Material weaknesses identified?
- Significant deficiencies identified?

yes no
 yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs

- Material weaknesses identified?
- Significant deficiencies identified?

yes no
 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, 2024, except for the requirements regarding cash management for AL No. 10.179, *Micro-Grants for Food Security Program*, and AL No. 12.400, *Military Construction, National Guard*, and special tests and provisions for AL No. 17.225 and AL No. COVID-19 – 17.225, *Unemployment Insurance*, for which the opinions on compliance were qualified.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

yes no

Dollar threshold used to distinguish between type A and type B program

\$3,000,000

Auditee qualified as low-risk auditee?

yes no

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Identification of Major Programs

Federal AL Number	Name of Federal Program or Cluster
10.179	Micro-Grants for Food Security Program
12.400	Military Construction, National Guard
12.401	National Guard Military Operations and Maintenance Projects
17.277	WIOA National Dislocated Worker Grants/WIA National Emergency Grants
COVID-19 – 21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
COVID-19 – 21.029	COVID-19 – Coronavirus Capital Projects Fund
	WIOA Cluster
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants
	Unemployment Insurance
17.225	Unemployment Insurance
COVID-19 – 17.225	COVID-19 – Unemployment Insurance
	Community Services Block Grant
93.569	Community Services Block Grant
COVID-19 – 93.569	COVID-19 – Community Services Block Grant

FINANCIAL STATEMENT FINDINGS

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section II – Financial Statement Findings

Finding No. 2024-001: 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 2024 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, 2024, 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.

A similar finding was reported as a material weakness in the prior year as Finding No. 2023-001.

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 2024 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.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

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. When third parties are engaged to assist DAGS, DAGS personnel should properly monitor the contractors and adequately review deliverables provided.

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.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Finding No. 2024-002: 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 Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 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 fiscal year 2023 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 Corrections and Rehabilitation – 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 fiscal year 2023 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. 2023-002.

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.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

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):

	<u>Revenues</u>	<u>Expenditures</u>	<u>Assets</u>
Discretely presented component units			
Stadium Authority	\$ 61.5	\$ 12.0	\$ 76.0
Hawaii Strategic Development Corporation	-	-	0.1
Hawaii Technology Development Corporation	10.0	6.6	17.7
Natural Energy Laboratory of Hawaii	5.4	5.3	7.2
Agribusiness Development Corporation	3.0	2.7	87.2
Nonmajor proprietary funds			
Department of Accounting and General Services – State Parking Revolving Fund	\$ 4.4	\$ 4.5	\$ 13.4
Department of Accounting and General Services – State Motor Pool Fund	2.9	2.9	3.0
Department of Corrections and Rehabilitation – Correctional Industries Fund	7.5	5.4	5.6
Department of Labor and Industrial Relations – Disability Compensation Fund	0.4	2.7	1.2

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 No. 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 No. 34 and No. 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 No. 61.

State of Hawaii

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Finding No. 2024-003: IT General Control Deficiencies (Significant Deficiency)

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, 2024, 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):

- UI Tax
- QWRS
- UI Employer Website

Our review resulted in the following IT control deficiencies over change management:

- 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.

A similar finding was reported in the prior year as Finding No. 2023-003.

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 change management address the risk of unauthorized or untested changes promoted to the production environment that 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 perform the following:

- 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**

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section III – Federal Award Findings and Questioned Costs

Finding No. 2024-004: Schedule of Expenditures of Federal Awards (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. 2023-004.

Criteria

The Office of Management and Budget (OMB) issued the Uniform Guidance, which is codified in Title 2 U.S. *Code of Federal Regulations* (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 were misstatements in the SEFA for the year ended June 30, 2024 and related notes to the SEFA that were not detected by management’s internal controls, but were subsequently identified and corrected as part of our auditing procedures.

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, 2024, 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.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

		Questioned Cost
Finding No. 2024-005:	Cash Management (Material Weakness)	\$ _____ -
State Agency:	Department of Agriculture	
Federal Agency:	Department of Agriculture	
AL Number and Title:	10.179 – <i>Micro-Grants for Food Security Program</i>	
Award Number and Award Year:	AM200100XXXXG132 2020 21MGFSPHI1003-00 2021 AM22MGFSPHI1007-04 2022 23MGFSPHI1011-00 2023	
Repeat Finding?	No	

Condition

During our audit, we examined 25 haphazardly selected drawdowns and identified 25 instances totaling approximately \$55,000 in which the time elapsing between the receipt of federal award and the disbursement was greater than 25 days, ranging from 48 to 137 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 funds was due to the limited personnel assigned to this program in comparison to the volume of disbursements to beneficiaries.

Recommendation

The State department should design and implement controls over monitoring cash management timeliness requirements, ensure program personnel are aware of all federal program requirements, and ensure there is adequate staffing for the program to comply with federal requirements.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

		Questioned Cost
Finding No. 2024-006:	Cash Management (Material Weakness)	\$ _____ –
State Agency:	Hawaii Technology Development Corporation (HTDC)	
Federal Agency:	Department of Defense	
AL Number and Title:	12.400 – <i>Military Construction, National Guard</i>	
Award Number and Award Year:	W912J6-23-2-2102 2023	
Repeat Finding?	No	

Condition

During our audit, we examined four haphazardly selected cash disbursements and identified an instance totaling approximately \$60,000 in which the time elapsing between the receipt of the federal cash draw and the disbursement to vendor was greater than 45 days. For this instance, the time elapsed was 229 days. While the expenditures were allowable costs under the master cooperative agreement, the State did not disburse these federal advances within National Guard Bureau requirements.

Criteria

National Guard Regulations 5-1, *National Guard Grants and Cooperative Agreements* Chapter 11-5: *Advance Payment Method*, requires the State to minimize the time elapsing between the transfer of funds from the federal government and its disbursement to no more than 45 days.

Effect

The delay in disbursing advances of federal funding results in the State not complying with federal cash management requirements.

Cause and View of Responsible Officials

The delays was attributed to the draw down of federal funds by the State Department of Defense and transferring the funds to HTDC for disbursement to the contractors.

Recommendation

We recommend that HTDC design and implement internal controls over the monitoring of cash management and ensure personnel are aware of cash management requirements.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

		Questioned Cost
Finding No. 2024-007:	Special Tests and Provisions (Material Weakness)	\$ _____ –
State Agency:	Department of Labor and Industrial Relations (DLIR)	
Federal Agency:	Department of Labor	
AL Number and Title:	17.225 – <i>Unemployment Insurance</i>	
Award Number and Award Year:	24-A-55-UI-000068 2024	
Repeat Finding?	Yes	

Condition

During our audit, we examined the Benefit Accuracy Measurement (BAM) summary report and identified that minimum case requirements were not met for paid claims.

Criteria

Pursuant to 20 CFR Part 602, the BAM system requires the State department to complete a minimum number of unemployment cases in order to maintain a current database. The minimum number of cases for completing paid claims is 480 cases.

Effect

Failure to meet minimum case requirements prevents the granting agency from maintaining a current database.

Cause and View of Responsible Officials

The department is experiencing a staffing shortage and was unable to process the minimum number of cases.

Recommendation

We recommend that the State department address staffing shortages and 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, as necessary.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

		Questioned Cost
Finding No. 2024-008:	Earmarking (Significant Deficiency)	\$ _____ -
State Agency:	DLIR	
Federal Agency:	Department of Labor	
AL Number and Title:	17.258 – <i>WIOA Adult Program</i> 17.259 – <i>WIOA Youth Activities</i> 17.278 – <i>WIOA Dislocated Worker Formula Grants</i> (WIOA Cluster)	
Award Number and Award Year:	AA347643L0 2022 AA347645P0 2022	
Repeat Finding?	Yes	

Condition

During our audit, we noted a total of 15.63% of funds were allocated for employment and training activities for adults and dislocated workers.

Criteria

According to Section 129(b) of the Workforce Innovation and Opportunity Act, not more than 15% of funds allocated shall be used to provide employment and training activities for adults and dislocated workers.

Effect

Failure to comply with the award’s earmarking requirements results in noncompliance with the terms of the award and could result in sanctions by the awarding agency.

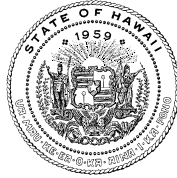
Cause and View of Responsible Officials

When the initial award is provided to the various subrecipients, program personnel allocate amounts in accordance with earmarking requirements. However, as actual results differ from the budget, program personnel became aware of noncompliance at the close of the award.

Recommendation

We recommend that program management establish policies and procedures with subrecipients to ensure earmarking requirements are met.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

March 27, 2025

ACC 25.U017

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, 2024. 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. Ladea M. Nash, 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, 2024

Finding No.	Description	Department	Classification	Status		Current Year Finding No.
				Resolved	Unresolved	
2023-001	Internal Control Over Financial Reporting	DAGS	Significant Deficiency		X	2024-001
2023-002	Accounting for Component Units and Proprietary Funds	DAGS	Significant Deficiency		X	2024-002
2023-003	IT General Control Deficiencies	DLIR	Material Weakness		X	2024-003
2023-004	Schedule of Expenditures of Federal Awards	DAGS	Significant Deficiency		X	2024-004
2023-005	Suspension and Debarment	DLNR	Significant Deficiency	X		
2023-006	Reporting	DLNR	Significant Deficiency		X	
2023-007	Suspension and Debarment	DLNR	Significant Deficiency	X		
2023-008	Subrecipient Monitoring	DLNR	Significant Deficiency		X	
2023-009	Eligibility	DLIR	Significant Deficiency	X		
2023-010	Special Tests and Provisions	DLIR	Material Weakness		X	2024-007
2023-011	Earmarking	DLIR	Significant Deficiency		X	2024-008
2023-012	Reporting	DLIR	Material Weakness	X		
2023-013	Subrecipient Monitoring	DLIR	Material Weakness	X		
2023-014	Reporting	DOD	Significant Deficiency	X		
2019-010	Earmarking	DLNR	Material Weakness	X		
09-01	Improve Controls over Inmate Agency Accounts	DCR	Material Weakness		X	

State of Hawaii

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2024

Corrective Actions Taken for Unresolved Findings

Finding No. 2023-001: Internal Control Over Financial Reporting

In fiscal year 2024, 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. 2024-001) is reported, Finding No. 2023-001 will not be carried forward.

Finding No. 2023-002: Accounting for Component Units and Proprietary Funds

No corrective action was taken in fiscal year 2024. As a current year finding (Finding No. 2024-002) is reported, Finding No. 2023-002 will not be carried forward.

Finding No. 2023-003: IT General Control Deficiencies

Corrective action is still ongoing. As a current year finding (Finding No. 2024-003) is reported, Finding No. 2023-003 will not be carried forward.

Finding No. 2023-004: 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, 2023. As a current year finding (Finding No. 2024-004) is reported, Finding No. 2023-004 will not be carried forward.

Finding No. 2023-006: Reporting

The DLNR Administrative Service Office (ASO) continues to work with the respective divisions to ensure subaward information is provided timely to ASO for FFATA reporting and maintenance of information.

Finding No. 2023-008: Subrecipient Monitoring

DLNR DOFAW continues to refine the federal award information provided to subrecipients and evidence of monitoring subrecipient single audits.

Finding No. 2023-010: Special Tests and Provisions

DLIR met the timeliness requirements in fiscal year 2024. DLIR also filled a vacancy in the BAM Unit. As a current year finding (Finding No. 2024-007) is reported, Finding No. 2023-010 will not be carried forward.

Finding No. 2023-011: Earmarking

DLIR heightened fiscal training and internal controls among its WIOA accountants to ensure that the federal award is managed in compliance with all terms and conditions of the award, including requirements pertaining to subrecipient earmarking. As a current year finding (Finding No. 2024-008) is reported, Finding No. 2023-011 will not be carried forward.

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, but is delayed by a procurement protest. In fiscal year 2024, the department hired an additional account clerk to provide support.

CORRECTIVE ACTION PLAN

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

Corrective Action Plan

Finding No. 2024-001 – Internal Control over Financial Reporting (Material Weakness)

Condition

Concur.

The State's internal control over financial reporting could be improved. During our audit of the fiscal year 2024 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, 2024, 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.

A similar finding was reported as a material weakness in the prior year as Finding No. 2023-001.

Corrective Action Plan

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.

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

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 state which will assist in the reporting and compliance of the ACFR and SEFA reports. The Enterprise Financial System Project was conceptualized to replace the old Financial Accounting and Management Information System and will address or mitigate financial reporting deficiencies. The solicitation to procure to develop the new system is on-going. This effort is a collaborative undertaking of all state departments and spear-headed by the Comptroller, Director of Budget and Finance, and the Chief Information Officer.

Person Responsible

DAGS Accounting Division Administrator

Anticipated Date of Completion

June 30, 2027

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

Finding No. 2024-002 – Accounting for Component Units and Proprietary Funds (Significant Deficiency)

Condition

Concur.

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 No. 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 fiscal year 2024 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 Corrections and Rehabilitation – 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 fiscal year 2024 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. 2023-002.

Corrective Action Plan

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.

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

Person Responsible

DAGS Accounting Division Administrator

Anticipated Date of Completion

June 30, 2027

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

Finding No. 2024-003 – IT General Control Deficiencies (Significant Deficiency)

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, 2024, 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):

- UI Tax
- QWRS
- UI Employer Website

Our review resulted in the following IT control deficiencies over change management:

- 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.

A similar finding was reported in the prior year as Finding No. 2023-003.

Corrective Action Plan

The Department of Labor and Industrial Relations (DLIR) acknowledges the audit finding regarding IT control deficiencies over change management within the Unemployment Insurance (UI) Tax, QWRS, and UI Employer Website systems.

Due to current resource limitations and bandwidth constraints, DLIR will continue to manually monitor and have oversight of programmer access and change management for UI applications and data on the system. Implementing the recommended controls, including segregation of developer access to the production environment and establishing monitoring controls, represents a significant undertaking that would require extensive time, effort and funding.

It is important to note that the Unemployment Insurance Program Modernization Initiative is currently underway and is projected to launch a modern and optimized UI application by March 2027. This initiative will comprehensively address many of the existing system limitations and deficiencies, including the identified change management controls.

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

Person Responsible

Anne Perreira-Eustaquio, Unemployment Insurance Administrator

Anticipated Date of Completion

March 2027

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

**Finding No. 2024-004 – Schedule of Expenditures of Federal Awards (SEFA)
(Significant Deficiency)**

Condition

Concur.

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. 2023-004.

Corrective Action Plan

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 recording their award activity and preparing the SEFA.

DAGS had completed a draft of a new chart of accounts for the state which will assist in the reporting and compliance of the ACFR and SEFA reports. The Enterprise Financial System Project was conceptualized to replace the old Financial Accounting and Management Information System and will address or mitigate financial reporting deficiencies. The solicitation to procure and develop the new system is on-going. This is a collaborative undertaking of all state departments and spear-headed by the Comptroller, Director of Budget and Finance and the Chief Information Officer.

Person Responsible

DAGS Accounting Division Administrator

Anticipated Date of Completion

June 30, 2027

State of Hawaii
Department of Accounting and General Services
Current Year’s Audit Findings
Fiscal Year Ended June 30, 2024

Finding No: 2024-005

ALN No.: 10.179 **Program Title:** Micro-Grants for Food Security Program

Grant Award No.:	AM200100XXXXG132	2020
	21MGFSPHI1003-00	2021
	AM22MGFSPHI1007-04	2022
	23MGFSPHI1011-00	2023

Condition

The audit identified 25 instances totaling \$55,000 where grantee disbursements were not made as soon as administratively possible after the drawdown of Federal Funds. Audit staff determined 25 days to be a reasonable period to disburse cash after drawdown from the Federal Government.

Corrective Action Plan

Concur.

The Hawaii Department of Agriculture (HDOA) will change administrative procedures for disbursement of Federal funds under the Micro-Grants for Food Security Program. Going forward, HDOA will process the grant contracts and payments in batches of roughly 100 micro-grants per month. Federal Drawdown will not occur until the full batch of 100 contracts have been executed. HDOA fiscal staff will then expedite the payment process to ensure conformity with the 25-day disbursement timeline.

Person Responsible

Brendan Akamu, Market Development Branch Manager

Anticipated Date of Completion

The updated work process will be implemented in April 2025. The first batch of grant contracts and payments for the 2023 Fiscal year awards are scheduled for April 2025.

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

Finding No: 2024-006

ALN No.: 12.400 **Program Title:** Military Construction, National Guard

Grant Award No.: W912J6-23-2-2101 2023

Condition

During our audit, we examined four haphazardly selected cash disbursements and identified an instance totaling approximately \$60,000 in which the time elapsing between the receipt of the federal cash draw and the disbursement to vendor was greater than 45 days. For this instance, the time elapsed was 229 days. While the expenditures were allowable costs under the master cooperative agreement, the State did not disburse these federal advances within National Guard Bureau requirements.

Corrective Action Plan

HCATT will continue in the management, validation, and process of invoices in close coordination with the 154th Wing, United States Property and Fiscal Office, and contractors as directed by NGR 5-1.

HCATT had previously established internal procedures which included regularly scheduled meetings with the 154th Wing in which all parties ensured invoiced tasks were completed per contract, that disbursements were made from the appropriate agreement, and federal cash management process were initiated. We will continue with those procedures.

As mentioned in the finding, the draw was done by the State Department of Defense and then transferred to HTDC. HCATT will work with the State Department of Defense on synchronizing our efforts with the National Guard Bureau.

Person Responsible

David Molinaro, HCATT Manager

Anticipated Date of Completion

March 17, 2025

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

Finding No: 2024-007

ALN No.: 17.225 **Program Title:** Unemployment Insurance

Grant Award No.: 24-A-55-UI-000068 2024

Condition

The minimum number of cases for paid were not met.

Corrective Action Plan

Concur.

1. The BAM unit was short staffed an investigator from July 2023 and a second investigator from February 2024. The 2 vacancies remain unstaffed.
2. The unit is in the process of filling a vacancy with an experienced adjudicator. Once the position is filled, the new staff member will be trained in BAM methodology. At this time, the BAM supervisor continues to help the unit toward achieving its BAM requirements.
3. The unit anticipates increasing the number of cases for paid beginning July 2025.

Person Responsible

Sheryl-Lynn Ozaki, UI Quality Control Supervisor

Anticipated Date of Completion

June 2026

NOTE: In response to the finding State of Hawaii – Single Audit 2024 finding, the DLIR offers the following:

The auditor's recommendation the DLIR develop new policies and procedures to handle the increase in unemployment claims fails to recognize the true source of the deficiency. The shortcoming is a direct result of staffing shortages.

A key requirement of the BAM program is the unit must be staffed with a sufficient number of knowledgeable and skilled investigators to ensure prompt and in-depth investigations. The investigator should be knowledgeable about and trained in the application of federal and state unemployment insurance law, regulation/rules, and official policy, able to interpret

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

and apply law and official policy to each individual claimant's situation. Proficient in fact-finding and determination procedures including the process of interviewing interested parties and providing the opportunity for fair hearing, rebuttal. Use independent judgment to develop and analyze evidentiary facts, assess credibility, weigh the evidence obtained, and decide when information is sufficient to issue legally binding decisions, determine appropriate administrative action required, authorized to change computerized records as needed to pay or stop payment of benefits, prepare a timely written decision to deny or allow benefits which clearly communicate the facts, conclusions and reasoning used to support the decision. Be knowledgeable of the methods to effectively deal with claimants/customers, employers, or others, who are under stress, experiencing negative emotions, etc. including handling and controlling conflict. Knowledgeable about and skilled in the navigation of the state's benefit, employment service, and tax systems; and knowledgeable about and compliant with BAM methodology and coding instructions.

Regardless of new policies and procedures, the shortcoming is a direct result of the lack of available skilled investigators with the required skills to conduct prompt and in-depth investigations in the BAM program.

State of Hawaii
Department of Accounting and General Services
Current Year's Audit Findings
Fiscal Year Ended June 30, 2024

Finding No: 2024-008

ALN No.:	17.258	Program Title: WIOA Adult Program
	17.259	Program Title: WIOA Youth Activities
	17.278	Program Title: WIOA Dislocated Worker Formula Grant (WIOA Cluster)

Grant Award No.:	AA347643L0	2022
	AA347645P0	2022

Condition

During the audit, it was noted that an excess 0.63% of funds were allocated for employment and training activities for adults and dislocated workers. The lead WIOA accountant who completed the close-out report at issue is no longer employed by DLIR.

Corrective Action Plan

Following the departure of the lead WIOA accountant who completed the subject close-out report, the Administrative Services Office (ASO) has heightened fiscal training and internal controls among its two new WIOA accountants to ensure that the federal award is managed in compliance with all terms and conditions of the award, including requirements pertaining to subrecipient earmarking, so no more than 15% of funds are expended towards the administrative costs category for the WIOA Title I Adult, Dislocated Worker, and Youth Programs.

The Workforce Development Council (WDC) is also in the process of contracting with a selected vendor to develop in-depth, in-person fiscal training to be held in June 2025 that will support fiscal staff, including local areas' fiscal staff, to better understand and navigate the financial management and budgeting for Workforce Innovation and Opportunity Act (WIOA) services.

Person Responsible

Lynn Araki-Regan

Anticipated Date of Completion

June 30, 2025