

# There are two kinds of audits

## Performance audits

also referred to as management audits, examine the efficiency and effectiveness of government programs or agencies. These are also called program audits when they focus on whether programs are attaining the objectives and results expected of them, and operations audits when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.

## The Law

The drafters of the 1950 Constitution envisioned an Auditor who would help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent. Article VII, section 10 of the State Constitution established the position of Auditor. Chapter 23, Hawai'i Revised Statutes, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every state agency. The Auditor also has the power to summon people to produce records and answer questions under oath.

# What is an audit?

A Legislator's guide to the audit process



## Financial audits

attest to the fairness of the financial statements of agencies. They examine the adequacy of financial records, accounting, and internal controls and determine the legality and propriety of expenditures.

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**OFFICE OF THE AUDITOR**  
STATE OF HAWAII'I

## Our Process

Because agency staff are a primary source of information, their cooperation is essential during key stages of our audit process.



### Planning

We research to obtain background information on an agency. We meet with the agency, request documents, and conduct preliminary interviews and observations to determine audit objectives.

### Fieldwork

We continue collecting and examining information relevant to the audit. This involves analyses of documents and data, and further interviews and observations. We meet with the agency to discuss our preliminary audit findings.

### Report

Based on our fieldwork, we finalize our audit findings and recommendations and prepare a draft report. We provide the draft report to the agency and meet to discuss at an exit conference.

### Feedback

Audited agencies have an opportunity to review and respond to our draft report. Our published report includes the audited agencies' responses and our comments on those responses.

## Our Mission

*Improve government through independent and objective analyses.*

## Our Work

In addition to performance and financial audits, our office performs procurement audits, sunset evaluations of regulatory programs, sunrise analyses of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, trust and revolving funds, and special studies requested by the Legislature. We report our findings and recommendations to the governor and the Legislature so they can make informed decisions.

## Our Standards

Our audit work is conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

## How are audits selected?

Projects are initiated by the Legislature through concurrent resolution, law, or other legislative directive. We also self-initiate audit efforts after considering a variety of factors, such as legislative or public interest, economic or social impact, major investment or expenditures, and known or potential risks to the State.

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

### For more information

on the Office of the Auditor  
visit our website: <http://auditor.hawaii.gov>