

# What is an audit?

## A Legislator's guide to the audit process

### 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.

#### 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.

### Understanding the Audit Process

Audits are one way the people of Hawai'i can see how their government is working. Thorough and independent, audits are a chance to see what's being done right, what's being done wrong, and note where improvements can be made. Here's a brief rundown 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 make initial observations to determine audit objectives, which are often questions the audit will try to answer.



#### Fieldwork

We continue collecting and examining information specific to the audit objectives, and often will use a representative sample of agency data to gain a more complete understanding of an agency's process. We use that information to determine audit findings, which explain what the issues are, why they are occurring, and what impacts they may have on public resources.



#### Reporting

Based on our fieldwork, we finalize the audit findings in a report. Our reports include recommendations that we believe agencies should implement to address the audit findings. We provide the draft report to the agency and include the agency's response to our findings in the final report.



#### Following Up

Each year, we ask agencies to report the status of their implementation of our recommendations. We also independently assess an agency's progress in implementing each recommendation. That independent assessment of the implementation status generally occurs two to three years after the audit report was issued.

**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.**

### 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.



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### 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 government auditing standards issued by the U.S. Comptroller General. 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.

**For more information**  
on the Office of the Auditor  
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