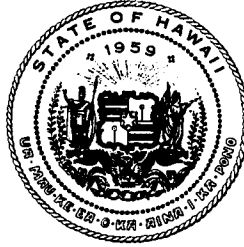


STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

DEPT. COMM. NO. 3

September 6, 2002

The Honorable Robert Bunda
President of the Senate
State Capitol, Room 003
Honolulu, Hawaii 96813

Dear Mr. President:

I transmit to you a copy of our report, *Financial Audit of the Department of Hawaiian Home Lands*.

We found that the Department of Hawaiian Home Lands has significant problems related to establishing effective internal controls over financial reporting. Numerous errors related to incorrect and improper entries were identified, resulting in misleading financial statements. The cause of these problems stems from ineffective management, which includes the lack of policies and procedures as well as the failure to enforce existing policies and procedures.

We hope that the report will assist you in reviewing the issues examined. The report will be available at our website, www.state.hi.us/auditor, and released to the public and press on Monday, September 9, 2002.

Sincerely,

for Marion M. Higa
State Auditor

Enclosure

✓c: Paul Kawaguchi, Senate Clerk