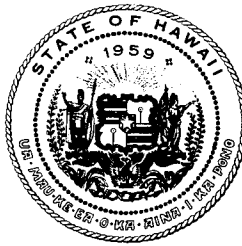


STATE OF HAWAII
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DEPT. COMM. NO. 40

February 28, 2006

The Honorable Robert Bunda
President of the Senate
State Capitol, Room 003
Honolulu, Hawai'i 96813

Dear Mr. President:

I transmit to you a copy of our *2005 Annual Report*.

This Annual Report highlights the work and activities of the Office of the Auditor in 2005. The report, comprised of each of the audits and studies issued last year, reflects some of the opportunities and challenges facing state government.

We were pleased to find that several of our departmental audits identified noteworthy improvements. We hope that positive changes will continue, particularly in the area of the departmental strategic planning process. This process has been embraced by our state government as a proven means to enhance government operations. However, difficulties in establishing and executing these plans surfaced in almost all of agencies we audited. We offer in our Annual Report commentary some thoughts on how to better confront this challenge.

As we move forward in 2006, my office remains committed to its principles of fairness, transparency, and objectivity in conducting our audits and reports.

We will place the report on our website, www.state.hi.us/auditor, and release it to the public and press, on Wednesday, March 1, 2006.

Sincerely,

Marion M. Higa
State Auditor

Enclosure

c: ✓Paul Kawaguchi, Senate Clerk