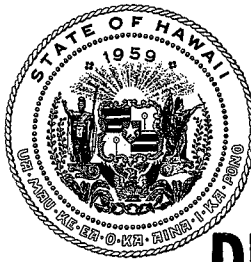


STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawai'i 96813-2917



LESLIE H. KONDO
State Auditor

(808) 587-0800
lao.auditors@hawaii.gov

DEPT. COMM. NO. 154

September 21, 2017

VIA HAND DELIVERY AND EMAIL

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Donovan M. Dela Cruz
Chair, Senate Committee on Ways and Means
415 South Beretania Street
State Capitol, Room 208
Honolulu, Hawai'i 96813

Re: 2016 Annual Report

Dear President Kouchi and Chair Dela Cruz:

We are enclosing a copy of our 2016 Annual Report, which includes summaries of the performance and financial audit reports that were issued during the 2016 calendar year. The report is accessible through our website at <http://files.hawaii.gov/auditor/Reports/2017/2016AnnualReport.pdf>.

If you have questions about the report or our work, generally, please contact me via telephone at 587-0809 or email at les.kondo@hawaii.gov.

Very truly yours,

Leslie H. Kondo
State Auditor

Enclosure

cc: Senators (via email only)



OFFICE OF THE AUDITOR

STATE OF HAWAII

2016 ANNUAL REPORT

Table of Contents

Auditor's Message	1	16-07 Follow-Up on Recommendations Made in Report No. 13-04, <i>Procurement Examination of the Department of Transportation</i>	12
Reaching Out	2	16-08 Audit of Hawai'i's Motion Picture, Digital Media, and Film Production Income Tax Credit	13
Summary of 2016 Reports	5	16-09 Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Offices of the Governor and Lieutenant Governor	14
16-01 Report on Selected Executive Branch Departments' Information Technology Expenditures	6	16-10 Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Office of Hawaiian Affairs	15
16-02 Analyses of Proposed Special and Revolving Funds	7	16-11 Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Education and the Hawai'i State Public Library System . . .	16
16-03 Follow-Up on Recommendations Made in Report No. 13-06, <i>Audit of the Kaho'olawe Rehabilitation Trust Fund</i>	8	Capstone: Follow-Up of Audit Recommendations for Reports Published from 2008–2013	17
16-04 Follow-Up on Recommendations Made in Report No. 13-02, <i>Audit of the Department of Hawaiian Home Lands' Homestead Services Division</i>	9	Summary of 2015 Financial Audits	25
16-05 Follow-Up on Recommendations Made in Report No. 13-09, <i>Audit of Major Contracts and Agreements of the Hawai'i Tourism Authority</i>	10	Office of the Auditor Appropriations and Expenditures on a Budgetary Basis for the Fiscal Year Ended June 30, 2016	34
16-06 Follow-Up on Recommendations Made in Report No. 13-01, <i>Management Audit of the Department of Agriculture's Measurement Standards Branch</i>	11	Appendix	35

True Blue

The color and the commitment remain the same.

WELCOME TO THIS ANNUAL REPORT, which highlights the efforts of the Office of the State Auditor in 2016. This marks my first year in the position of State Auditor, and I'm proud to be continuing the good work for which this office is known.



PHOTO: MICHAEL KEANY

For decades, our reports have prominently featured a signature “Auditor Blue” stripe running along the front and back covers. Blue, the color of the sky and the ocean, is often associated with trust, intelligence, and truth. Former State Auditor Marion Higa selected our specific shade of blue to represent the office’s independence, integrity, and character.

Today, the blue stripes remain. Although they are less prominently featured on our report covers, those Auditor Blue stripes represent my commitment to build upon the solid foundation laid by my predecessors and our shared mission to provide objective, rigorous, and meaningful audits of State agencies. We continue to strive to improve State government by providing information to the Legislature about agency programs and making recommendations to help agencies achieve their goals.

And we continue to improve our own reports, to make sure they’re always true to our Auditor Blue.

Leslie H. Kondo
State Auditor

Mission of the Office of the Auditor

Improving government through independent and objective analyses.



PHOTO: OFFICE OF THE AUDITOR

Reaching Out

In 2016, the office made a commitment to communicate more effectively with our auditees and our audience.

2016 WAS AN EVENTFUL YEAR for the Office of the Auditor. We published audit reports on subjects ranging from the Kaho‘olawe Rehabilitation Trust Fund to Hawai‘i’s Motion Picture, Digital Media and Film Production Income Tax Credit.

We also underwent a successful peer review by a team of auditors from Washington, Colorado, and Virginia assembled by the National Legislative Program Evaluation Society. (See the full report on page 36). In its positive review, the team found, among other things, that we place a high priority on independence, invest a significant amount of effort and time in robust audit planning, generate a considerable amount of products for a small agency, care about our work, and want to make a difference. We strive to perform meaningful audits and take great pride in our work. It’s always gratifying to receive independent confirmation of the high quality of our audit work.

Perhaps most notably, in April, the Legislature appointed Leslie H. Kondo as the new State Auditor.

Kondo came to the office from the Hawai‘i State Ethics Commission, where he had been the executive director and chief legal counsel for the past five years. Before that, he served as a commissioner on the Hawai‘i Public Utilities Commission and led the Hawai‘i Office of Information Practices from 2003 to 2007.

He brings to the Office of the Auditor a demonstrated commitment to public service and a passion for improving and fostering public confidence in State government. He has proven to be an independent thinker, unafraid to challenge the status quo.

In his first few months, Kondo committed the office to looking at different approaches to performing its work, encouraging staff to think critically and creatively. The result is more meaningful and efficient analysis. Analysts are also encouraged to perform more work away from their desks, doing more walk-through inspections, talking to more agency staff, and conducting fieldwork at auditees’

“We’re striving to build more trust with the agencies by being more transparent about our audit process and by communicating more effectively so agency personnel, from the director to line staff, understand the basis for our findings and recommendations.”

-Les Kondo, State Auditor

offices. At the conclusion of fieldwork, we share our preliminary findings with the audited agency and meet to discuss those findings, primarily to confirm our understanding of the facts upon which the audit findings and recommendations are based. We share and discuss the draft audit report only with the agency.

“We need to maintain our credibility and to continue working to improve our audit process so when we issue that report, it’s fair and unbiased; we’ve thoroughly assessed the agency’s performance; and the recommendations are relevant, meaningful, and help the agency improve its operations,” Kondo says. “We’re striving to build more trust with the agencies by being more transparent about our audit process and by communicating more effectively so agency personnel, from the director to line staff, understand the basis for our findings and recommendations. We expect the auditing process to be as collaborative and constructive as possible, rather than having it be seen as adversarial or punitive.”

Kondo’s leadership and new direction are most visible through the office’s reports, from the images on the report covers to the pull-quotes and infographics sprinkled throughout. Our audits contain important and often very interesting information, but many times those details can be obscured by the dense layout of a traditionally formatted audit. We’re now striving to make our reports more “accessible” and readable by using clear, straightforward language and supplementing the report text with concise summaries, sidebars, and other ways of explaining things. We intend our audit reports to offer valuable information to legislators, the audited agency, and the public, much of which likely may not be widely known. To that end, we

must continue improving the “readability” of our reports so people read and understand the reports.

The full complexity of the audit remains. But when you’re reading an audit, you should be able to quickly learn the important findings, without combing through pages of complicated text.

“For whatever reason, the audits have traditionally been a lot of words on paper, and only a handful of people read those reports cover to cover with complete comprehension,” Kondo says. “By making our reports more accessible, we’re making them more meaningful.”

We’ve also been improving and expanding the ways in which we reach out to the public once an audit is ready to be published. In addition to the report itself, we’ve started issuing media statements that help explain succinctly the main takeaways from our audits, making it easier for journalists to accurately report about it. We understand that the news media is often the primary means for us to inform the public about agency performance. As government agencies, funded primarily through taxpayer dollars, it is important that agencies be accountable and the public have confidence that agencies are performing their work as efficiently and effectively as possible.

In recognition of the fact that more and more people get their news from online social media channels, the Office of the Auditor has set up presences on both Facebook and Twitter, making it easy to keep up with our latest reports. Find us @HawaiiStateAuditor and, as always, at auditor.hawaii.gov.

A black and white photograph of a large, classical-style building with columns and a balcony. A blue semi-transparent banner is overlaid on the upper right portion of the image. The building's name, 'TERRITORIAL OFFICE BUILDING', is visible on the facade above the entrance archway. A modern high-rise building is visible in the background to the left.

Summary of 2016 Reports

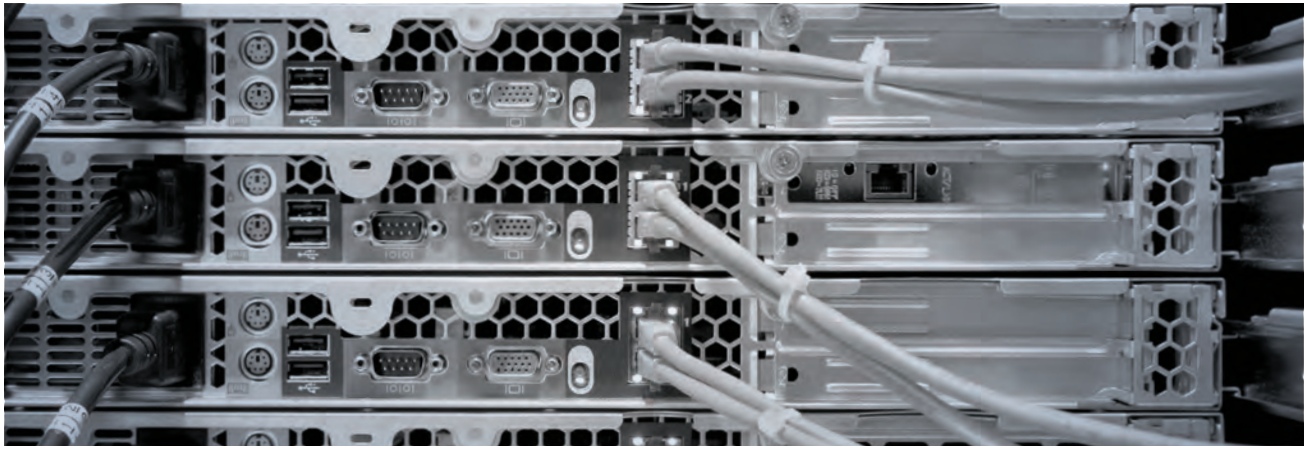


PHOTO: THINKSTOCK.COM

Report on Selected Executive Branch Departments' Information Technology Expenditures

Report No. 16-01, March 2016

The 2015 State Legislature asked the Auditor to conduct a financial audit of information technology (IT) expenditures in the executive branch departments and attached agencies, excluding the Department of Education, University of Hawai'i, and Office of Hawaiian Affairs, over the previous four fiscal years.

WE FOUND THAT the definition, categorization, and recording of IT expenditures vary widely throughout state government. The lack of a statewide definition of what constitutes IT goods and services, coupled with inconsistent coding of IT expenditures, makes it difficult if not impossible for the State to assemble an accurate inventory of its IT resources. And, without an annual reporting requirement to a central agency, the State is unable to manage its IT resources in the short-term or plan for long-term growth.

The six selected departments' initial reports of IT expenditures were only 44 percent of the final compilation of data. The initial reports totaled \$156.4 million while the final reports totaled \$359.6 million for the fiscal years 2011–2014, an increase of approximately 130 percent. We also found that the number of object codes used by the departments to categorize IT expenditures varied significantly, ranging from as many as 66 different codes to as few as 7 codes. Some codes are simple and straightforward, like the Department of Health's codes for "software," "hardware," and "repairs/maintenance services." Others define IT costs more broadly, using codes for general office supplies, membership dues, and even mileage.

We also found that IT staffing had flattened out while overall spending continued to increase. Overall,

IT-related staffing increased about 13 percent for the fiscal years 2011–2014 but flattened out in the last two years. IT-related expenditures for the six departments we surveyed grew significantly over the same time period, from approximately \$52 million in FY2011 to about \$140 million in FY2014, an increase of almost 170 percent.

In addition, we found that a small group of vendors provides IT goods and services to most of the departments surveyed. The State's chief information officer (CIO) expressed concern that these vendors offer easily accessible menus for goods and services but may not represent the best value for the State.

The Office of Enterprise Technology Services agreed with our recommendations. The State CIO noted that the challenges we faced in collecting executive departments' IT expenditure data were consistent with the difficulties he experienced during similar efforts. He also pointed out that a standard taxonomy for use in all IT-related expenditures, regardless of project size and scope, would benefit his IT governance efforts.



PHOTO: OFFICE OF THE AUDITOR

Analyses of Proposed Special and Revolving Funds

Report No. 16-02, March 2016

Every year, the Auditor analyzes all legislative bills introduced each session that propose to establish new special or revolving funds, and were transmitted to a committee or committees of referral. None of the 47 new special and revolving funds proposed during the 2016 legislative session met amended statutory criteria for establishing such funds. Only one fund in the past three years has met the criteria.

IN 2013, the Legislature amended Section 23-11, HRS, after the Auditor recommended changes to stem a trend in the proliferation of special and revolving funds over the past 30 years. General funds, which made up about two-thirds of State operating budget outlays in the late 1980s, had dwindled to about half of outlays. Much of the trend was caused by an increase in special funds, which are funds set aside by law for a specified object or purpose. By 2011, special funds amounted to \$2.48 billion, or 24.3 percent, of the State's \$10.2 billion operating budget. Also ballooning were revolving funds, which are used to pay for goods and services and are replenished through charges to users of the goods and services or transfers from other accounts or funds. By 2011, revolving funds made up \$384.2 million, or 3.8 percent, of the State's operating budget.

None of the 47 new special and revolving funds proposed during the 2016 legislative session met amended statutory criteria for establishing such funds. In 2015, just 1 of 44 funds proposed met the criteria. And in 2014, none of the 37 funds proposed met the criteria. Still, special and revolving funds persist: In FY2015, the general fund comprised approximately 51 percent of the State operating budget, with special and revolving funds comprising 28 percent.

None of the 47 new special and revolving funds proposed during the 2016 legislative session met amended statutory criteria for establishing such funds.

Still, special and revolving funds persist.

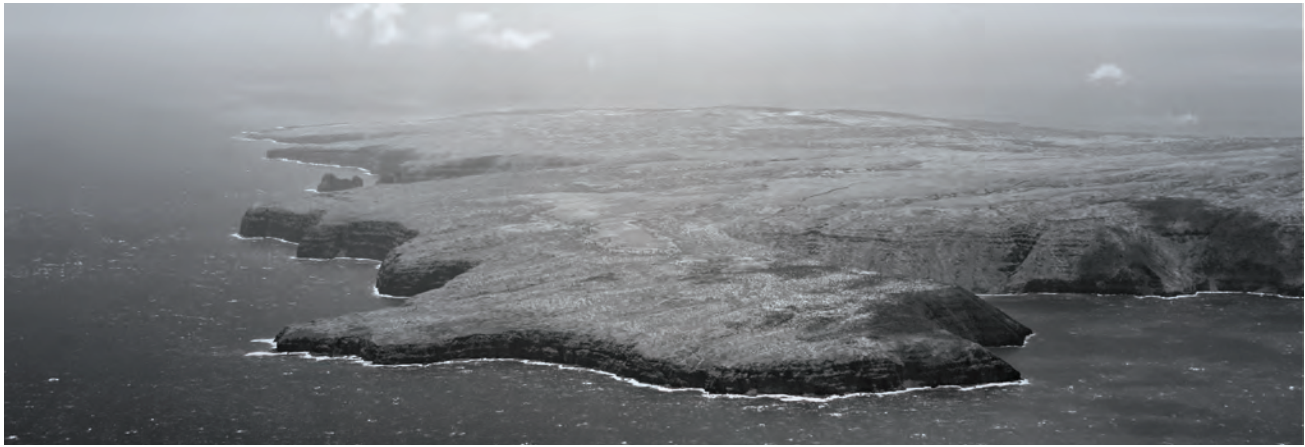


PHOTO: THINKSTOCK.COM

Follow-Up on Recommendations Made in Report No. 13-06, *Audit of the Kaho‘olawe Rehabilitation Trust Fund*

Report No. 16-03, April 2016

To ensure accountability over audit recommendations, the 2008 Legislature amended the Auditor’s governing statute to require follow-up reporting on recommendations made in its audit reports. This office now reports to the Legislature on each audit recommendation more than one year old that has not been implemented by an audited agency.

IN OUR FOLLOW-UP of recommendations made in our 2013 *Audit of the Kaho‘olawe Rehabilitation Trust Fund*, we found that the Kaho‘olawe Island Reserve Commission (KIRC) had not implemented our recommendation to establish a comprehensive and measurable restoration plan with meaningful performance measures. The commission had also not aligned its fundraising and spending plans and failed to ensure the financial sustainability of the Kaho‘olawe Rehabilitation Trust Fund, which is forecast to be depleted by FY2018. Although it has released a Six-Year Financial and Work Plan, the commission cannot support its optimistic projections with reliable financial data. Now relying heavily on State funding, KIRC is not financially self-sufficient.

In the 2013 audit, we found that KIRC had not established a comprehensive and measurable plan for its restoration effort. Its resource management plan did not include meaningful performance measures to gauge whether its objectives were being met and lacked cost estimates for actions that the commission wanted to pursue. As a result, spending had outpaced revenues and the trust fund, which contained as much as \$33.6 million in FY2004, had been whittled down to \$8.1 million in FY2012.

Our follow-up found that, even though KIRC made staffing cuts and reduced its base camp

operations on Kaho‘olawe, it continued to drain the trust fund, and the fund’s balance had declined by more than 95 percent, from \$8.1 million in FY2012 to approximately \$394,000 as of January 31, 2016. With the trust fund nearly depleted, KIRC relies almost completely on State funding to support its operations. For FY2015 and FY2016–17, the commission received \$2 million in State general fund appropriations; however, with general administrative and operational costs totaling more than \$724,000, as of December 2015, the commission will exhaust State funding by FY2017.

We also found that KIRC’s Six-Year Financial and Work Plan projects revenues and expenditures for fiscal years 2016 through 2021 and requires additional State funding. We note that the plan is overly optimistic, considering the trust fund’s financial position. For example, besides being highly dependent on annual State funding, the plan projects a return to full-time base camp operations and a restoration of four staff positions as soon as FY2020. Even if State funding is continued through FY2020, KIRC does not have additional revenues that could support such an effort. In addition, KIRC has been unsuccessful at meeting fundraising targets and securing a reliable funding source.



PHOTO: DEPARTMENT OF HAWAIIAN HOME LANDS

Follow-Up on Recommendations Made in Report No. 13-02, *Audit of the Department of Hawaiian Home Lands' Homestead Services Division*

Report No. 16-04, April 2016

This report reviewed the recommendations we made to the Department of Hawaiian Home Lands in Report No. 13-02, Audit of the Department of Hawaiian Home Lands' Homestead Services Division, released in April 2013. This office reports to the Legislature on each recommendation the Auditor has made that is more than one year old and has not been implemented by the audited agency.

OUR 2013 AUDIT of the Department of Hawaiian Home Lands (DHHL) contained 20 audit recommendations. Our 2016 follow-up review found the commission had taken steps to implement 15 of the 20 recommendations, but had not actually implemented any of them.

That 2013 audit found the Hawaiian Homes Commission, as a whole, may not have understood its role as fiduciary and did not assert its authority to set loan program risk policies for the department. Managing loan risk is a key function of the Hawaiian Homes Commission, but we found the commission had not exercised appropriate leadership and oversight of the department's loan programs. Instead, it assumed loan liabilities without understanding the risk associated with the department's direct loans. We also found the extent of delinquent loan risk was not reflective in department reports to the commission. Departmental policies governing direct loans were vague and internal controls governing loan collections and monitoring compliance with commission orders were weak.

Our 2016 follow-up review found the commission had not established a risk management plan and did not have any direct involvement in adopting policies or procedures related to the issuance of direct loans, delinquent loan collections, or monitoring

Our 2016 follow-up review found the commission had taken steps to implement 15 of the 20 recommendations, but had not actually implemented any of them.

contested case hearing orders. The department had, however, more clearly identified staff responsibilities for collecting and monitoring delinquent loan-related contested cases through amendments to the department's loan policies and procedures manual. It also established financial requirements for direct loan applicants and reassessed and adjusted departmental direct loan interest rates to help identify qualified loan candidates and to provide financial relief for borrowers. However, the department continued to provide monthly reports to the commission that did not fully reflect the severity of loan delinquencies. The department argued its current reporting method is based on industry practices. However, the department was drafting an additional quarterly report.



PHOTO: HAWAII TOURISMAUTHORITY

Follow-Up on Recommendations Made in Report No. 13-09, *Audit of Major Contracts and Agreements of the Hawai‘i Tourism Authority*

Report No. 16-05, May 2016

This report reviewed the recommendations we made to the Hawai‘i Tourism Authority in Report No. 13-09, Audit of Major Contracts and Agreements of the Hawai‘i Tourism Authority, released in December 2013. This office reports to the Legislature on each recommendation the Auditor has made that is more than one year old and has not been implemented by the audited agency.

OUR REVIEW FOCUSED on the Hawai‘i Tourism Authority’s implementation of 14 audit recommendations made in the 2013 audit. We found that the new HTA management had improved its plans, its contract oversight, and its reporting, refining operations and working toward full implementation of almost all the 2013 audit recommendations.

In Report No. 13-09, we found that HTA’s “marketing plan” was nearly 600 pages, spread across more than a dozen documents, and fell short of statutory requirements. (By law, the authority is responsible for developing and annually updating a tourism marketing plan that identifies marketing efforts and targets. It also must establish measures of effectiveness and document progress of the marketing plan in meeting strategic plan goals. This provision is designed to hold HTA accountable for state tourism marketing efforts.)

Contract monitoring needed improvements to ensure contractors’ obligations and performance expectations. We also found that without improved contract monitoring, HTA could not ensure that contractors were held accountable for the use of those taxpayer funds. It lacked policies, procedures, and training needed to ensure consistent and efficient monitoring of its marketing contracts and Access and Signature Events programs. For example, HTA did not

ensure that contractors submitted final reports and did not routinely conduct final evaluations of contractors. Contract files were also missing key reports.

In our 2016 review, we found that the prior administration began efforts to implement our audit recommendations shortly after the release of Report No. 13-09. Even before statutory amendments were passed during the 2014 legislative session, HTA re-evaluated its strategic plan and performance measures and augmented its policies and procedures with internal controls, as well as increased training and implemented a new quality assurance process. By mid-2015, HTA underwent major organizational changes. The authority hired a new president and chief executive officer, filled a newly created chief operating officer position, and appointed a new board chair. The former HTA vice president of Brand Management left the organization and the retitled vice president of Marketing and Product Development post was filled in January 2016. The new administration was faced with the challenge of reducing staff by eight positions due to FY2016 budget reductions. Nevertheless, HTA has continued to refine operations and work toward full implementation of almost all our 2013 audit recommendations.



PHOTO: THINKSTOCK.COM

Follow-Up on Recommendations Made in Report No. 13-01, *Management Audit of the Department of Agriculture's Measurement Standards Branch*

Report No. 16-06, May 2016

This report reviewed the recommendations we made to the Department of Agriculture in Report No. 13-01, Management Audit of the Department of Agriculture's Measurement Standards Branch, released in March 2016. This office reports to the Legislature on each recommendation the Auditor has made that is more than one year old and has not been implemented by the audited agency.

OUR REVIEW FOCUSED on the Department of Agriculture's implementation of seven audit recommendations made in the 2013 audit. All seven of our recommendations in Report No. 13-01 remained open, meaning work on the recommendations had not started, or could not start because precursor events had not occurred.

We found that, despite having secured State funding since 2012, the chairperson of the Board of Agriculture had neither re-established nor filled the branch's program manager and inspector positions. As a result, the Measurement Standards Branch (MSB) still had not carried out its inspection duties or responsibilities. Inspections of petroleum meters, scales, and taxi meters continued to decline by as much as 85 percent for petroleum meters. In addition, neighbor island inspections continued to be ignored. Consequently, there was a continued risk that consumers and businesses were not being protected from inaccurate or fraudulent business practices.

Recommendation No. 1 directed the chairperson of the Board of Agriculture to temporarily appoint a Commodities Branch manager to free the Quality Assurance Division acting administrator of those responsibilities. We found that a Commodities Branch temporary manager was assigned in April 2013; however, the division administrator continued to perform commodities inspections.

Recommendation Nos. 2, 3, and 4 directed the Quality Assurance Division acting administrator to recruit to fill the two vacant inspector positions, and establish and recruit to fill the program manager position and three new inspector positions. We found that the division administrator had only filled one of the two vacant inspector positions and has not re-established the program manager and three inspector positions. Moreover, the filled inspector position was not hired through recruitment efforts but rather through a departmental human resources placement. According to the division administrator, the remaining inspector positions would not be filled until a program manager was hired.

Recommendation Nos. 5, 6, and 7 instructed the division acting administrator to use the *National Institute of Standards and Technology Weights and Measures Program Requirements: A Handbook for the Weights and Measures Administrator 2011* to develop a strategic plan for the branch, develop a training program, and develop plans, policies, and procedures for oversight of registered service agencies and persons with follow-up inspections. We found that the division administrator had not developed a strategic plan, training program, and oversight policies and procedures for registered service agencies and persons with follow-up inspections. According to the division administrator, the performance of such responsibilities would be placed on the MSB program manager, who had yet to be hired.



Follow-Up on Recommendations Made in Report No. 13- 04, *Procurement Examination of the Department of Transportation*

Report No. 16-07, August 2016

This report reviewed the recommendations we made to Department of Transportation in Report No. 13-04, Procurement Examination of the Department of Transportation, released in August 2013. This office reports to the Legislature on each recommendation the Auditor has made that is more than one year old and has not been implemented by the audited agency.

WE REVIEWED 14 recommendations made by our 2013 report on DOT procurement practices, and found that DOT had addressed or was in the process of addressing the majority of the audit recommendations. Of the 14 recommendations, 8 were deemed to be closed, 5 were open but in progress, and 1 was considered open. However, our follow-up found that Airports Division's lack of clear guidance may affect its ability to fully implement these recommendations.

In response to the recommendation that construction management policies and procedures be reviewed to ensure sufficient oversight of contractors, Airports planned to use a computerized system called UNIFIER, which was being developed for contract administration.

In response to the recommendation that all divisions receive training on the use of contractors for program, project, and construction management services, the Contracts Office supervisor clarified that her office provided training to Airports project managers in 2014, but the training did not specifically address procuring program management services or any aspect of contract administration.

In response to the recommendation that Airports implement formal procedures to regularly and actively monitor the costs of security services incurred in all districts, while there were still no centralized procedures for estimating security needs, costs, or monitoring expenditures, we found Airports initiated

a collective effort in July 2016 to ensure monitoring and oversight procedures and forms are uniform and memorialized to ensure consistency. A proposed draft was to be discussed in August 2016.

In response to the recommendation to determine what actions can and should be taken against Ted's Wiring Service to recover any damages for the extensive delays in completing an automotive vehicle identification project, litigation between the company and the State was ongoing, with Department of the Attorney General pursuing an appeal.

With regard to the recommendation that Airports implement formal procedures to improve monitoring and planning for contracts and services agreements, we found that there were still no formal written procedures to monitor or plan for the renewal of services agreements, which would ensure that new agreements are procured before the expiration of existing ones.

And, with regard to the recommendation that Airports develop a process to ensure contract awards are posted in a timely fashion, which may involve having the individuals responsible for issuing award letters also be responsible for posting awards, we found that the responsibility to post professional services contract awards were reassigned in 2013 from the divisions to the Contracts Office; however, we understand that the responsibility to post contract awards may again be returned to the divisions.

PHOTO: DEPARTMENT OF TRANSPORTATION



Audit of Hawai‘i’s Motion Picture, Digital Media, and Film Production Income Tax Credit

Report No. 16-08, November 2016

This audit was conducted pursuant to Article VII, Section 10, of the Hawai‘i State Constitution and Section 23-4, Hawai‘i Revised Statutes, which requires the Auditor to conduct post-audits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

WE FOUND THAT insufficient administration of the film tax credit by the Department of Taxation (DoTAX) and the Hawai‘i Film Office likely increased the cost of the credit while overstating the possible economic benefits that it provides to the State.

DoTAX has broadened the scope of the film tax credit by including out-of-state expenses as “qualified production costs.” That action is inconsistent with the plain language of the statute and the Legislature’s intent that the incentive would stimulate economic growth in Hawai‘i. For example, expenditures paid to out-of-state businesses and service providers do not infuse money into Hawai‘i’s economy or provide income for local residents; they do not create local jobs.

We also found that DoTAX had not adopted administrative rules needed to provide assurance that the film tax credits are sufficiently administered. Without such rules, tax credit qualifications are unclear, the film office does not have the administrative tools to enforce deadlines and other filing requirements, and there is no requirement that production costs be independently verified as qualifying for the tax credit. We had serious concerns about DoTAX’s extended delay in promulgating rules. It has been more than 10 years since the current form of the film tax credit was enacted, and DoTAX had yet to promulgate rules.

We also found that the film office’s analysis of film tax credit data did not measure the incentive’s

We found that insufficient administration of the film tax credit likely increased the cost of the credit while overstating the possible economic benefits it provides to the State.

true costs and reported economic impacts based on incomplete and overstated data. For instance, it included an unknown amount of out-of-state expenditures and wages paid to non-residents, as well as inaccurate production expenditure data. For example, highly paid producers, directors, actors, and crew are often residents of other states. While they may spend some of their salary or wages in Hawai‘i, it is very unlikely that a significant percentage of their Hawai‘i-earned income flows into the local economy.

The film tax credit was set to sunset at the end of 2018, but during the 2017 session, the Legislature extended it through January 1, 2026, and capped the annual amount of tax credits that may be claimed at \$35 million.



PHOTO: DANIEL RAMIREZ

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Offices of the Governor and Lieutenant Governor

Report No. 16-09, November 2016

Our review of eight trust funds of the Office of the Governor found two trust funds no longer serve their original purposes and should be closed.

SECTION 23-12, Hawai'i Revised Statutes (HRS), requires the Auditor to review all existing special, revolving, and trust funds administered by each State department and the Office of the Governor every five years. Reviews are scheduled so that each department's funds will be reviewed once every five years. Although not mandated by statute, we included trust accounts as part of our review. This was our fifth review of revolving funds, trust funds, and trust accounts of the Office of the Governor and our fourth review of the funds and accounts administered by the Lieutenant Governor. Additionally, this is our first review of special funds held by the Office of the Governor and the Lieutenant Governor since Act 130, Session Laws of Hawai'i 2013, amended section 23-12, HRS, to also require reviews of agencies' special funds.

In this report, we reviewed a total of eight trust funds of the Office of the Governor, finding that two of them no longer serve their original purposes and should be closed. The Office of the Lieutenant Governor did not have any non-general funds during our period of review.

We used criteria developed by the Legislature and by our office based on public finance and accounting literature. For each fund, we presented a five-year financial summary, the purpose of the fund, and conclusions about its use. We did not audit the

Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight and control of these funds...

financial data, which is provided for informational purposes. We did not present conclusions about the effectiveness of the program or their management, or whether the program should be continued.

We also noted that the Office of the Governor did not file statutorily required reports for non-general funds and for administratively created funds. Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

The Office of the Governor generally agreed with our review and will take appropriate action to ensure compliance with reporting requirements.



PHOTO: ARNA JOHNSON

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Office of Hawaiian Affairs

Report No. 16-10, December 2016

Our review of three special funds, one revolving fund, and one trust fund of the Office of Hawaiian Affairs found that one special fund no longer serves its original purpose and should be closed.

SECTION 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review all special, revolving, and trust funds administered by each State department and the Office of Hawaiian Affairs (OHA) every five years. Reviews are scheduled so that each department’s funds are reviewed once every five years. Although not mandated by statute, we also included trust accounts as part of our review; however, OHA did not have any trust accounts during our review period. This is our fifth review of OHA’s revolving funds, trust funds, and trust accounts. Additionally, this is our first review of special funds held by OHA since section 23-12, HRS, was amended to also require reviews of agencies’ special funds.

Our review of OHA’s three special funds, one revolving fund, and one trust fund found one special fund no longer serves its original purpose and should be closed.

We used criteria developed by the Legislature and by our office based on public finance and accounting literature. For each fund, we presented a five-year financial summary, the purpose of the fund, and conclusions about its use. We did not audit the financial data which is provided for informational purposes. We did not present conclusions about the effectiveness of the program or their management, or whether the program should be continued.

For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use.

We also noted that OHA did not file statutorily required reports for non-general funds and for administratively created funds. Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature’s oversight of these funds.

OHA generally agreed with our review and will take appropriate action to ensure compliance with reporting requirements.



Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Education and the Hawai'i State Public Library System

Report No. 16-11, December 2016

Our review of 13 special funds, 9 revolving funds, 9 trust funds, and 2 trust accounts of the Department of Education (DOE) found 3 funds did not meet criteria and should be closed. Our review of two special funds, two trust funds, and one trust account of the Hawai'i State Public Library System (HSPLS) found that all its funds and accounts met criteria.

THIS REVIEW encompasses the special funds, revolving funds, trust funds, and trust accounts of DOE and its administratively attached agency, HSPLS. Section 23-12, Hawai'i Revised Statutes (HRS), requires the Auditor to review all special, revolving, and trust funds administered by each State department every five years. We also included trust accounts as part of our review.

This is our fifth review of DOE's revolving funds, trust funds, and trust accounts; and our fourth review of the funds and accounts administered by HSPLS, which did not have any revolving funds during our review period. Additionally, this is our first review of special funds held by DOE and HSPLS since section 23-12, HRS, was amended to also require reviews of agencies' special funds.

Our review of DOE's 13 special funds, 9 revolving funds, 9 trust funds, and 2 trust accounts of DOE found 1 special fund, 1 revolving fund, and 1 trust fund did not meet criteria and should be closed. Our review of HSPLS' two special funds, two trust funds, and one trust account found that all funds and accounts met criteria.

We noted inconsistent adherence by DOE when filing statutorily required reports for non-general funds and for administratively created funds and accounts. We also noted that HSPLS did not file statutorily required reports for administratively created funds and accounts. Accurate and complete

Our review found that three DOE funds did not meet criteria and should be closed, while all HSPLS funds and accounts met criteria.

reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight of these funds.

DOE generally agreed with our findings and will take appropriate action to close the three funds that did not meet criteria and ensure compliance with reporting requirements. HSPLS generally agreed with our findings, but disagreed with our conclusion on the reporting requirement for administratively created funds and accounts. HSPLS asserted that filing reports for administratively created funds and accounts is redundant because the same information is included in its annual report of non-general fund accounts. We disagree with HSPLS. The statutory requirement that HSPLS report to the Legislature is unambiguous.

A black and white photograph of a classical building facade. The building features ornate architectural details, including a balcony with a decorative railing and a large, ornate column. A street lamp with multiple spherical globes is visible in the foreground. The word "TERRITORY" is visible on the building's facade. A blue semi-transparent banner is overlaid on the upper portion of the image, containing the title text.

Capstone: Follow-Up of Audit Recommendations for Reports Published from 2008–2013

Capstone: Follow-Up of Audit Recommendations for Reports Published from 2008–2013

To ensure agency accountability over audit recommendations, the 2008 Legislature amended the Auditor's governing statute to require follow-up reporting on recommendations made in various audit reports. The purpose of this change was to apprise the Legislature of recommendations not implemented by audited agencies. Section 23-7.5, Hawai'i Revised Statutes, now requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited agency.

EVERY YEAR, we follow up on recommendations made in our audit reports, verifying if the affected agencies have implemented our recommendations. Our reviews include interviews with selected personnel from the department. We examine the department's policies, procedures, records, and relevant documents to assess whether its actions fulfilled our recommendations.

Our efforts are limited to the reviewing and reporting on implementation of recommendations made in the original report. We do not explore new issues or revisit old ones that do not relate to our original recommendations. From 2008 to 2013, we made 374 actionable audit recommendation of which 268 were partially or fully implemented by the affected agencies.

We based our scope and methodology on General Accountability Office's (GAO) guidelines in *How to Get Action on Audit Recommendations* (1991).

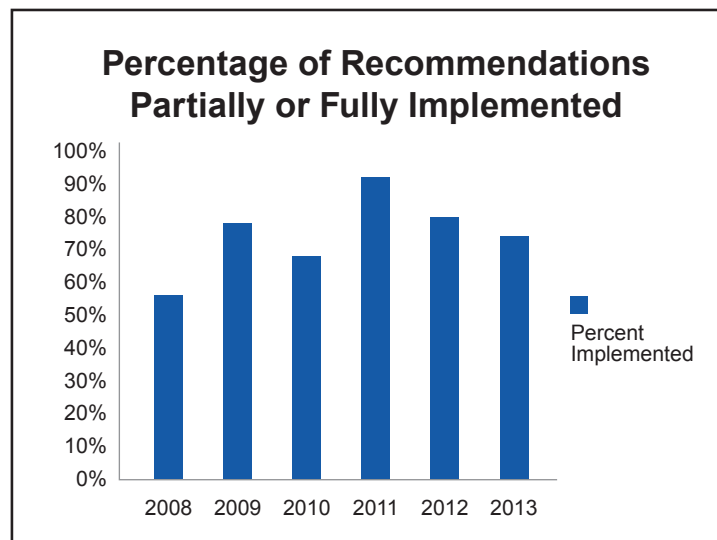
According to GAO, saving tax dollars, improving programs and operations, and providing better service to the public represent audit work's "bottom line." Recommendations are the vehicles by which these objectives are sought. However, it is action on recommendations—not the recommendations themselves—that helps government work better at

less cost. Effective follow-up is essential to realizing the full benefits of audit work.

Determining progress

The rate of progress of a recommendation's implementation depends on the type of recommendation. While some fall fully within the purview of an audited agency and can be addressed relatively quickly, others may deal with complex problems and involve multiple

agencies, resulting in a longer implementation period. Therefore, ample time should be afforded to agencies implementing recommendations in order for a follow-up system to be useful and relevant.



Source: Office of the Auditor

With those observations in mind, we have determined a follow-up effort is most effective and relevant if conducted two to three years after publication of an initial audit report. Too short an interval between audit report and follow-up might not give agencies enough time to implement; too long might allow agencies to lose valuable personnel and institutional knowledge needed to conduct an adequate follow-up.

Identifying key recommendations

The extent of work done to verify implementation depends on the significance of individual recommendations. For instance, GAO notes that while all audit recommendations should be aggressively pursued, some are so significant that added steps are needed to implement them. The significance of a recommendation depends on its subject matter and the specific situation to which it applies. Significance can be addressed in terms of dollars; however, dollars are only one measure,

and not necessarily the most important one. For instance, recommendations to ensure safe operations often take precedence, since their implementation could prevent the loss of life, bodily injury, or environmental contamination.

Closing recommendations

In accordance with GAO guidelines, we consider recommendations “closed” for the following reasons:

- The recommendation was fully implemented;
- An alternative action was taken that achieved the intended results;
- Circumstances have so changed that the recommendation is no longer valid; or
- The recommendation was not implemented despite the use of all feasible strategies.

The following tables provide breakdowns of recommendations implemented each year.

2011 Follow-Up on Audit Recommendations Made in Reports Published in 2008

Report No.	Title	No. of Recs.	No. of Recs. Partially or Fully Implemented	% Implemented	Dept.
08-02	<i>Management Audit of the Department of Education's Hawaiian Studies Program</i>	23	18	78%	DOE
08-03	<i>Financial and Management Audit of the Moloka'i Irrigation System</i>	17	14	82%	DOA
08-08	<i>Financial Review of the Hawai'i Health Systems Corporation</i>	17	n/a	n/a	DOH

Capstone: Follow-Up of Audit Recommendations for Reports Published from 2008–2013

Report No.	Title	No. of Recs.	No. of Recs. Partially or Fully Implemented	% Implemented	Dept.
08-09	<i>Performance Audit on the State Administration's Actions Exempting Certain Harbor Improvements to Facilitate Large Capacity Ferry Vessels From the Requirements of the Hawai'i Environmental Impact Statements Law: Phase I</i>	12	7	58%	DOT
08-11	<i>Performance Audit on the State Administration's Actions Exempting Certain Harbor Improvements to Facilitate Large Capacity Ferry Vessels From the Requirements of the Hawai'i Environmental Impact Statements Law: Phase II</i>	8	4	50%	DOT
Total		77	43	56%	

2012 Follow-Up on Audit Recommendations Made in Reports Published in 2009

Report No.	Title	No. of Recs.	No. of Recs. Partially or Fully Implemented	% Implemented	Dept.
09-02	<i>Management and Financial Audit of Hawai'i Tourism Authority's Major Contracts</i>	10	10	100%	DOE
09-03	<i>Procurement Audit of Department of Education, Part 1</i>	9	9	100%	HTA
09-04	<i>Procurement Audit of Department of Education, Part 2</i>	23	23	100%	DOE
09-05	<i>Study on the Appropriate Accountability Structure of the Hawai'i Teacher Standards Board</i>	7	1	14%	HTSB

Report No.	Title	No. of Recs.	No. of Recs. Partially or Fully Implemented	% Implemented	Dept.
09-06	<i>Audit of the State of Hawai'i's Information Technology: Who's in Charge?</i>	34	22	65%	DAGS
09-07	<i>Investigation of Procurement Practices: DBEDT</i>	9	7	78%	DBEDT
Total		92	72	78%	

2013 Follow-Up on Audit Recommendations Made in Reports Published in 2010

Report No.	Title	No. of Recs.	No. of Recs. Partially or Fully Implemented	% Implemented	Dept.
10-01	<i>Investigation of Specific Issues of the Department of Business, Economic Development & Tourism</i>	11	6	55%	DBEDT
10-03	<i>Financial Examination of the Department of Budget and Finance</i>	27	24	89%	B&F
10-04	<i>Management Audit of the Aloha Tower Development Corporation</i>	5	3	60%	ATDC
10-05	<i>Program and Management Audit of the State's Purchasing Card Program</i>	7	0	0%	SPO
10-06	<i>Audit of the Department of Public Safety, Sheriff Division</i>	5	3	60%	PSD
10-10	<i>Management Audit of the Department of Public Safety's Contracting for Prison Beds and Services</i>	10	8	80%	PSD
10-11	<i>Management and Financial Audit of Department of Taxation's Contracts</i>	7	5	71%	DoTAX
Total		72	49	68%	

Capstone: Follow-Up of Audit Recommendations for Reports Published from 2008–2013

2014 Follow-Up on Audit Recommendations Made in Reports Published in 2011

Report No.	Title	No. of Recs.	No. of Recs. Partially or Fully Implemented	% Implemented	Dept.
11-01	<i>Management Audit of the Hawai'i Public Housing Authority</i>	12	11	92%	HPHA
11-03	<i>Performance Audit of the Hawai'i Public Charter School System</i>	n/a	n/a	n/a	DOE
Total		12	11	92%	

2015 Follow-Up on Audit Recommendations Made in Reports Published in 2012

Report No.	Title	No. of Recs.	No. of Recs. Partially or Fully Implemented	% Implemented	Dept.
12-02	<i>Investigation of the Stadium Authority's Swap Meet Operations</i>	10	10	100%	SA
12-03	<i>Management Audit of the Natural Energy Laboratory of Hawai'i</i>	28	23	82%	NELHA
12-04	<i>Study of the Transfer of Non-General Funds to the General Fund</i>	1	1	100%	AG
12-05	<i>Audit of the Department of Taxation's Administrative Oversight of High-Technology Business Investment and Research Tax Credits</i>	5	0	0%	DoTAX
12-07	<i>Management Audit of the Department of Education's School Bus Transportation Services</i>	20	17	85%	DOE
Total		64	51	80%	

2016 Follow-Up on Audit Recommendations Made in Reports Published in 2013

Report No.	Title	No. of Recs.	No. of Recs. Partially or Fully Implemented	% Implemented	Dept.
13-01	<i>Management Audit of the Department of Agriculture's Measurement Standards Branch</i>	7	0	0%	MSB
13-02	<i>Audit of the Department of Hawaiian Home Lands' Homestead Services Division</i>	20	15	75%	DHHL
13-04	<i>Procurement Examination of the Department of Transportation</i>	14	13	93%	DOT
13-06	<i>Audit of the Kaho'olawe Rehabilitation Trust Fund</i>	2	0	0%	KIRC
13-09	<i>Audit of Major Contracts and Agreements of the Hawai'i Tourism Authority</i>	14	14	100%	HTA
Total		57	42	74%	

A black and white photograph of a large, multi-story classical building with a curved facade and many windows. A blue semi-transparent banner is overlaid on the upper portion of the image. A large tree is visible on the right side of the building.

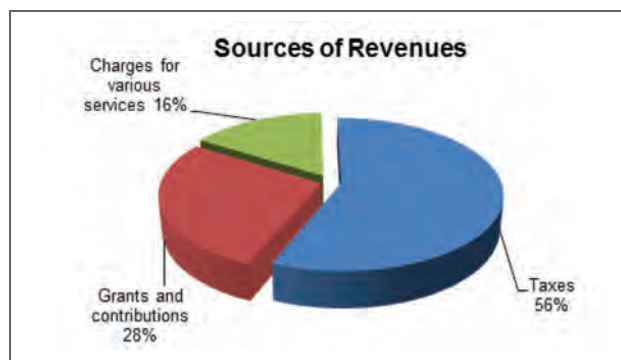
Summary of 2015 Financial Audits

Summary of 2015 Financial Audits

To attest to the fairness of agencies' financial statements, the Office of the Auditor examines the adequacy of their financial records and accounting and internal controls, and determines the legality and propriety of expenditures. In 2016, we administered 26 financial statement audit contracts, including the State's Comprehensive Annual Financial Report and Single Audit Report.

State of Hawai'i Comprehensive Annual Financial Report—June 30, 2015

For the fiscal year ended June 30, 2015, total revenues were \$10.8 billion and total expenses were \$10.6 billion, resulting in an increase in net assets of \$200 million. Approximately 56 percent of the State's total revenues came from taxes of \$6.1 billion, 28 percent from grants and contributions of \$3 billion, and 16 percent from charges for various goods and services of \$1.7 billion.



Total tax revenues of \$6.1 billion consisted of general excise taxes of \$3 billion or 49 percent, net income taxes of \$2.1 billion or 35 percent, and other taxes of \$1 billion or 16 percent.

The largest expenses were for welfare at \$3.2 billion or 30 percent, lower education at \$2.7 billion or 25 percent, health at \$900 million or 8 percent, higher education at \$700 million or 8 percent, and general government at \$600 million or 6 percent.

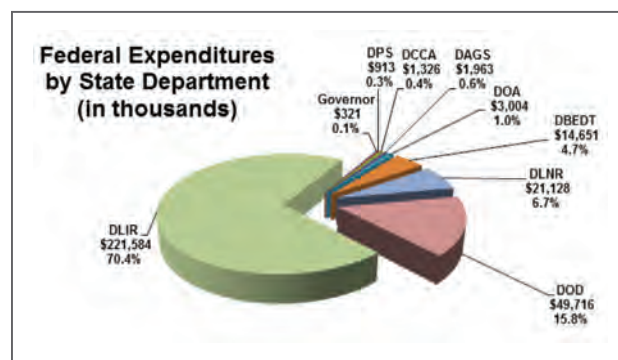
At June 30, 2015, the total assets of the State exceeded total liabilities, resulting in a net position of nearly \$900 million. Of this amount, \$4.6 billion was for the State's net investment in capital assets, \$2.7 billion was restricted by parties outside of the

State (such as citizens, public interest groups, or the judiciary) offset by a negative \$6.4 billion in unrestricted assets.

The State received an unmodified opinion from the auditors of Accuity LLP that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Single Audit of Federal Financial Assistance Programs of the State of Hawai'i—June 30, 2015

This report includes the total federal expenditures and findings related to only those departments that are included in the State of Hawai'i Single Audit of Federal Financial Assistance Programs for the fiscal year ended June 30, 2015. Federal expenditures totaled approximately \$314.6 million. The auditors of Accuity LLP identified one material weakness and two significant deficiencies in internal controls over financial reporting. They also expressed a qualified opinion on certain major programs and identified 7 material weaknesses and 17 significant deficiencies over compliance with major federal programs.



Department of Accounting and General Services, State Motor Pool Revolving Fund—June 30, 2015, Financial Statements

The fund reported total operating revenues of \$2.5 million and total operating expenses of \$3 million. Motor vehicle rentals represented 93 percent or \$2.3 million of the fund's total operating revenue and motor vehicle repairs represented the remaining 7 percent or \$200,000. Operating expenses were comprised of vehicle-related costs of \$2 million and personnel services of \$1 million. The fund received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The auditors of Egami & Ichikawa CPAs, Inc. reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department of Accounting and General Services, State Parking Revolving Fund—June 30, 2015, Financial Statements

The fund reported total operating revenues of \$3.7 million and total operating expenses of \$4.5 million, resulting in a net operating loss of \$800,000. Operating revenues consisted of parking assessments of \$2.5 million, parking meter collections of \$1 million, and traffic fines and other income of \$200,000. Operating expenses consisted of depreciation of \$1.2 million, personnel services of \$1.7 million, repairs and maintenance of \$700,000, and other expenses of \$900,000. The fund received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The auditors of Egami & Ichikawa CPAs, Inc. reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department of the Attorney General—June 30, 2015, Financial Statements

The department reported total revenues of \$76 million. Revenues include general revenues of \$36 million, consisting primarily of State general fund appropriations; program revenues consisting \$17 million in charges for services; and \$23 million in operating grants and contributions. The department reported \$78 million in total expenses. Expenses include \$47 million for general administrative and legal services, \$20 million for child support enforcement, \$5 million for crime prevention and justice assistance, and \$6 million for criminal history and State identification activities. Inflows and outflows of funds related to the department's Child Support Enforcement Agency (CSEA) program are accounted for separately in an agency fund. Normally, agency fund assets should be equal to agency fund liabilities, as the funds are held on behalf of others. However, the department continues to maintain a deficit balance of approximately \$2.5 million at June 30, 2015. The department received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The department also received an unmodified opinion on its compliance with major federal programs in accordance with OMB Circular A-133. The auditors of Akamine, Oyadomari & Kosaki, CPAs Inc. reported no material weaknesses in internal control over financial reporting. However, the auditors identified one significant deficiency in internal control over financial reporting, relating to a lack of adequate procedures to ensure that department funds were properly encumbered. Auditors reported no material weaknesses in internal control over compliance, but found that the deficit in the CSEA agency fund balance needed to be resolved.

Department of Education—June 30, 2015, Financial Statements

The department reported total revenues of \$2.76 billion, total expenditures of \$2.55 billion, resulting in an increase in net position of nearly \$206 million. Sources of revenues included \$1.94 billion in State general fund appropriations, \$490 million in

non-imposed employee wages and fringe benefits, \$260 million in operating grants and contributions, \$10 million in capital grants and contributions, and \$54 million in charges for services. Expenses consisted of \$2.39 billion for school-related costs, \$63 million for State and school complex area administration, \$37 million for public libraries, and \$58 million for capital outlay. The department received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The department received an unmodified opinion on its compliance with major federal programs in accordance with OMB Circular A-133. The auditors of N&K CPAs Inc. reported no material weaknesses in internal controls over financial reporting required to be reported under *Government Auditing Standards*. However, the auditors identified two significant deficiencies in internal controls over financial reporting, as well as a significant deficiency in internal controls over compliance.

Department of Hawaiian Home Lands— June 30, 2015, Financial Statements

The department's total revenues exceeded total expenditures (before transfers) by \$3.8 million. Total revenue was \$56.6 million (program revenue of \$45.8 million and State appropriations of \$10.8 million) before transfers, and expenses totaled \$52.8 million. The department also received a transfer of \$29.4 million as part of its annual settlement payment with the State of Hawai'i. The department received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The department also received an unmodified opinion on its compliance with major federal programs in accordance with OMB Circular A-133. The auditors of Accuity LLP reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance.

Department of Health— June 30, 2015, Financial Statements

The department reported total revenues of approximately \$745 million and total expenses of \$692 million, resulting in excess revenues of \$53 million before transfers. Revenues consisted of \$573 million from general revenues, \$141 million from operating grants and contributions, and \$31 million from service charges. Expenses consisted of \$265 million for health resources, \$309 million for behavioral health, \$76 million for environmental health, and \$42 million for general administration. The department received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The department received a qualified opinion on its compliance with major federal programs in accordance with OMB Circular A-133. The auditors of N&K CPAs Inc. reported two significant deficiencies and no material weaknesses in internal control over financial reporting that are required to be reported under *Government Auditing Standards*. There was one material weakness and four significant deficiencies in internal control over compliance.

Department of Health, Drinking Water Treatment Revolving Loan Fund— June 30, 2015, Financial Statements

For the fiscal year ended June 30, 2015, operating revenues totaled \$2.6 million and operating expenses totaled \$8.5 million, resulting in a net operating loss of \$5.9 million. The fund's total assets, including deferred outflows of resources, was \$165.4 million, which included \$55.9 million in current assets, \$108.3 million in loans receivable (net of current maturities), and approximately \$908,000 in capital assets (net of accumulated depreciation). The fund's total liabilities, including deferred inflows of resources and net position, was \$165.4 million. The auditors of N&K CPAs Inc. reported one significant deficiency in internal control over financial reporting. The auditors reported that the fund complied with all compliance requirements that could have a direct and material effect on its program.

Department of Health, Water Pollution Control Revolving Fund—June 30, 2015, Financial Statements

For the fiscal year ended June 30, 2015, operating revenues totaled \$3.2 million and operating expenses totaled \$8.3 million, resulting in a net operating loss of \$5.1 million. The fund's total assets, including deferred outflows of resources, was \$486.5 million, which included \$171.6 million in current assets, \$7.4 million in ARRA advances, \$307.2 million in loans receivable (net of current maturities), and approximately \$11,000 in capital assets (net of accumulated depreciation). The fund's total liabilities, including deferred inflows of resources and net position, was \$486.5 million. The auditors of N&K CPAs Inc. reported no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The auditors found that the fund complied with all compliance requirements that could have a direct and material effect on its program.

Department of Human Services—June 30, 2015, Financial Statements

The department reported total revenues of approximately \$3.3 billion and total expenses of approximately \$3.2 billion. Revenues consisted of \$1.2 billion of state revenues and \$2.1 billion in program revenues which consist of operating grants from the federal government. Revenues from these federal grants paid for 65.6 percent of the cost of the department's activities. Health care and general welfare assistance programs comprised 69.5 and 23.7 percent, respectively, of the total cost. The department received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The department received a qualified opinion from the auditors of KMH LLP on its compliance with requirements that could have a direct and material effect on the department's major federal programs, with the exception of the Children's Health Insurance Program, which received an unmodified opinion. The auditors reported 22 material weaknesses over compliance with major Federal programs, one significant deficiency relating to a lack of

monitoring procedures over the Medicaid Drug Rebate Program, and two other matters.

Department of Transportation, Administration Division—June 30, 2015, Financial Statements

The division reported total revenues of approximately \$25.3 million and total expenses of \$21.1 million, resulting in excess revenues of \$4.2 million. Revenues primarily consisted of \$17.3 million from assessments, \$6.9 million from federal grants, and \$1.1 million from other revenue sources. Expenses consisted of \$6.9 million for operating grants and \$14.2 million for administration. The division received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The division also received an unmodified opinion on its compliance with major federal programs in accordance with OMB Circular A-133. The auditors of CW Associates, A Hawai'i CPA Corp., reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance.

Department of Transportation, Airports Division—June 30, 2015, Financial Statements

The division reported total revenues of approximately \$460 million and total expenses of approximately \$369 million, resulting in income before capital contributions of \$91 million. Revenues consisted of \$149 million in concession fees, \$60 million in landing fees, \$113 million in rentals, \$103 million in facility charges, \$18 million in debt service support charges, \$1 million in federal operating grants, and \$16 million in interest income and other income. Expenses consisted of \$233 million for operations and maintenance, \$88 million in depreciation, \$18 million for administration, and \$30 million in interest and other expenses.

The division received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The division also received an unmodified opinion on its compliance with major federal programs in accordance with OMB Circular A-133. The auditors of KPMG LLC reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance.

Department of Transportation, Harbors Division—June 30, 2015, Financial Statements

Department of Transportation (DOT)—Harbors reported total revenues of approximately \$124.7 million and total expenses of \$87 million. Total revenues consisted of \$98.4 million in services, \$23.4 million in rentals, \$1.4 million in other revenues, and \$1.5 million in interest income. The division also received capital contributions of nearly \$300,000 from federal grants restricted for capital asset acquisition and facility development. As a result, DOT—Harbors' net position increased by \$38 million for the fiscal year ended June 30, 2015. The division received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The auditors of KKDLY LLC reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department of Transportation, Highways Division—June 30, 2015, Financial Statements

Department of Transportation (DOT)—Highways reported total revenues of \$503 million, expenses of \$453 million, and transfers of \$4 million to other State departments for the payment of debt

service on general obligation bonds and for capital improvement projects, resulting in an increase in net position of \$46 million. Revenues consisted of \$215 million in taxes, \$232 million in grants and contributions primarily from the Federal Highway Administration, \$54 million in charges for services, and \$2 million in investment income and other. Expenses consisted of \$157 million for operations and maintenance, \$196 million in depreciation, \$81 million for administration and other, and \$19 million in interest. The division received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The division received an unmodified opinion on its compliance with major federal programs in accordance with OMB Circular A-133. The auditors of KKDLY LLC reported two significant deficiencies in internal control over compliance. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hawai'i Community Development Authority—June 30, 2015, Financial Statements

The authority's total revenues exceeded total expenses by \$10 million. Total revenues were \$19.6 million, and expenses totaled \$9.6 million. Revenues consisted of leasing and management of \$2.4 million, community redevelopment of \$7.5 million, investment earnings of \$100,000, and State appropriations net of lapses of \$9.6 million. The authority received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The auditors of Ohata Chun Yuen LLP reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hawai'i Employer-Union Health Benefits Trust Fund—June 30, 2015, Financial Statements

The Employer-Union Health Benefits Trust Fund (EUTF) has three types of funds: an enterprise fund, an agency fund, and an Other Post-Employment Benefits (OPEB) trust fund. Enterprise Fund: For the fiscal year ended June 30, 2015, operating revenues totaled \$109.8 million and operating expenses totaled \$95.4 million, resulting in net operating income of \$14.4 million. Enterprise Fund operating revenues included \$73.3 million related to premium revenue self-insurance and \$36.5 million in experience refunds. Agency Fund: As of June 30, 2015, the EUTF's Agency Fund held \$244.8 million in assets, which included \$146.1 million in cash and investments, \$90.5 million in receivables, and \$8.2 million in deposits with insurance carriers. Agency Fund liabilities totaled \$244.8 million, of which \$212.6 million was held on behalf of employers for retiree benefits. OPEB Trust Fund: For the fiscal year ended June 30, 2015, total additions were \$217.5 million, of which \$199.8 million were from employer contributions and \$17.7 million were from investment earnings. As of June 30, 2015, the EUTF's OPEB Trust Fund net position balance totaled \$843.5 million. The EUTF received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The auditors of KKDLY LLC reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hawai'i Housing Finance and Development Corporation—June 30, 2015, Financial Statements

The corporation reported total program revenues of \$84 million and total program expenses of \$47 million. The corporation reported total assets in excess of \$1 billion and total liabilities of \$386 million. Total assets included cash of \$268 million, investments of \$86 million, notes and loans receivable of \$504 million, capital assets of

\$91 million, and other assets of \$66 million. Total liabilities included revenue bonds payable of \$300 million, unearned income of \$22 million, estimated future costs of development of \$38 million, and other liabilities of \$26 million. The corporation received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The corporation also received an unmodified opinion on its compliance with major federal programs in accordance with OMB Circular A-133. The auditors of Accuity LLP reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance.

Hawai'i Public Housing Authority—June 30, 2015, Financial Statements

The authority reported total revenues of \$151 million and total expenses of \$142 million, resulting in a change in net position of \$9 million. Sources of revenues included \$20 million in charges for services, \$80 million in operating grants and contributions, \$11 million in capital grants and contributions, and \$1 million in other revenues. The authority also reported \$25 million in State appropriations, net of lapsed funds, and \$14 million in contributions from Capital Projects and General Funds. Expenses consisted of \$72 million for the rental housing assistance program, \$54 million for the rental assistance program, \$10 million for the housing development program, and \$6 million for other costs. The authority received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The authority received a qualified opinion on its compliance with requirements that could have a direct and material effect on the authority's major federal programs. The auditors of KMH LLP reported no material weaknesses in internal controls over financial reporting required to be reported under *Government Auditing Standards*. They did

report one significant deficiency and one material weakness in internal controls over compliance.

Hawai'i Tourism Authority— June 30, 2015, Financial Statements

The authority reported total revenues of approximately \$121.8 million, along with \$200,000 in transfers from other state departments, and total expenses of approximately \$106.2 million. Revenues consisted primarily of \$115 million from the Transient Accommodations Tax and \$6.4 million from charges for services. Interest earnings totaled \$300,000 and the authority experienced a \$100,000 net increase in the fair value of investments. The authority received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The auditors of KPMG LLP reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

O'ahu Metropolitan Planning Organization—June 30, 2015, Financial Statements

O'ahu Metropolitan Planning Organization (OMPO) reported total revenues of approximately \$2.2 million and total expenses of \$2.2 million, resulting in no change in net position. Revenues consisted of \$1.76 million from federal grants and \$440,000 from State and City contributions. Expenses included \$675,000 for transportation forecasting and long-range planning, \$640,000 for short-range transportation system and demand management planning, \$82,000 for transportation monitoring and analysis, and \$805,000 for program coordination and administration. OMPO received an unmodified opinion from the auditors of Gilford Sato & Associates, CPAs, Inc. that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. OMPO received a qualified opinion on its compliance with major federal

programs in accordance with OMB Circular A-133. There were seven significant deficiencies in internal control over financial reporting that are required to be reported under *Government Auditing Standards*, and one material weakness in internal control over compliance.

Stadium Authority—June 30, 2015, Financial Statements

The authority reported total operating revenues of \$7.2 million and total operating expenses of \$12.4 million, resulting in an operating loss of \$5.2 million. Operating revenues primarily consisted of \$4.7 million from facility rental charges and \$1 million from food and beverage concessionaire commissions. Other operating revenues included \$700,000 in parking fees and \$800,000 in advertising and other revenues. The authority's operating loss was offset by \$6.9 million in capital contributions, which represents the portion of Aloha Stadium capital improvement costs that were paid by the State of Hawai'i.

The authority received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The auditors of KKDLY LLC reported no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Employees' Retirement System of the State of Hawai'i—June 30, 2014, Financial Statements

The Employees' Retirement System (ERS) reported total additions of approximately \$3.03 billion. Additions consisted primarily of \$2.18 billion from investing activities and \$859 million from contributions. Total deductions of \$1.14 billion consisted of \$1.12 billion for benefit payments, \$13 million for administrative expenses, and \$8 million for refund of member contributions. As of June 30, 2014, assets totaled \$15.92 billion and liabilities totaled \$1.72 billion, leaving a net

position balance of \$14.2 billion. Total assets included cash of \$46 million, investments of \$15.67 billion, receivables of \$189 million, and net capital assets of \$10 million. ERS received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The auditors of KPMG LLC. reported no material weaknesses in internal controls over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Employees' Retirement System of the State of Hawai'i—June 30, 2015, Financial Statements

ERS reported total additions of approximately \$1.5 billion. Additions consisted primarily of \$941 million from contributions and \$557 million from investing activities. Total deductions of approximately \$1.2 billion consisted of \$1.17 billion for benefit payments, \$14 million for administrative expenses, and \$11 million for refund of member contributions. As of June 30, 2015, assets totaled \$16.26 billion and liabilities totaled \$1.75 billion, leaving a net position balance of \$14.51 billion. Total assets included investments of \$15.94 billion, receivables of \$214 million, cash of \$99 million, and net capital assets of \$8 million. ERS received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The auditors of KPMG LLC. reported no material weaknesses in internal controls over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hawai'i Convention Center—December 31, 2014, Special-Purpose Financial Audit and Financial Statements

The center reported total operating revenues of approximately \$12.9 million and total operating expenses of approximately \$17.9 million, which resulted in an operating loss of \$5 million.

Revenues consisted primarily of \$8.9 million from food and beverage, \$2 million from rental income, \$1.9 million from events, and \$100,000 from other operating revenues. The center also received \$5.7 million in net contributions from the Hawai'i Tourism Authority. Expenses consisted of \$6.3 million for payroll, \$4.2 million for building-related expenses, \$3.7 million for cost of goods sold, and \$3.7 million for other costs. The Hawai'i Convention Center received an unmodified opinion from the auditors of KPMG LLP that the financial statements were presented fairly, in all material respects, in accordance with the management agreement between the Hawai'i Tourism Authority and AEG, which is a basis of accounting other than U.S. generally accepted accounting principles.

Hawai'i Convention Center—December 31, 2015, Special-Purpose Financial Audit and Financial Statements

The center reported total operating revenues of approximately \$14.3 million and total operating expenses of approximately \$18 million, which resulted in an operating loss of \$3.7 million. Revenues consisted primarily of \$9.7 million from food and beverage, \$2.3 million from events, \$2.2 million from rental income, and \$100,000 from other operating revenues. The center also received \$5.3 million in net contributions from the Hawai'i Tourism Authority. Expenses consisted of \$6.6 million for payroll, \$4.3 million for building-related expenses, \$3.7 million for cost of goods sold, and \$3.4 million for other costs. The Hawai'i Convention Center received an unmodified opinion from the auditors of KPMG, LLP that the financial statements were presented fairly, in all material respects, in accordance with the management agreement between the Hawai'i Tourism Authority and AEG, which is a basis of accounting other than U.S. generally accepted accounting principles.

Office of the Auditor Appropriations and Expenditures on a Budgetary Basis for the Fiscal Year Ended June 30, 2016

Appropriations

Act 1, SLH 2015 (operations)	\$2,797,349
Act 1, SLH 2015 (special studies)	150,000
Act 1, SLH 2015 (Audit Revolving Fund)	2,800,000
Act 66, SLH 2015 (Public Employment Cost Items)	96,894
Act 143, SLH 2015 (State-County Functions Working Group)	165,000
	<hr/>
	\$6,009,243

Expenditures

Staff salaries	\$2,119,480
Contractual services (operational)	109,644
Other expenses	150,528
Special studies	—
Contractual services (Audit Revolving Fund)	2,800,000
State-County Functions Working Group	155,930
	<hr/>
	\$5,335,582

Excess of Appropriation over Expenditures

Act 1, SLH 2015 (operations)	\$514,591
Act 1, SLH 2015 (special studies)	150,000
Act 1, SLH 2015 (Audit Revolving Fund)	—
Act 134, SLH 2015 (State-County Functions Working Group)	9,070
	<hr/>
	\$673,661



Appendix

PEER REVIEW

STATE OF HAWAII

OFFICE OF THE AUDITOR



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

William T. Pound
Executive Director

7700 East First Place
Denver, Colorado 80230
(303) 364-7700

444 North Capitol Street, N.W., Suite 515
Washington, D.C. 20001
(202) 624-5400

www.ncsl.org

June 2016



The National Conference of State Legislatures is the bipartisan organization that serves the legislators and staffs of the nation's 50 states, its commonwealths and territories.

NCSL provides research, technical assistance and opportunities for policymakers to exchange ideas on the most pressing state issues and is an effective and respected advocate for the interests of the states in the American federal system.

NCSL has three objectives:

- To improve the quality and effectiveness of state legislatures.
- To promote policy innovation and communication among state legislatures.
- To ensure state legislatures a strong, cohesive voice in the federal system.

The Conference operates from offices in Denver, Colorado, and Washington, D.C.

©2016 by the National Conference of State Legislatures. All rights reserved.

INTRODUCTION

Peer Review Purpose

The Hawaii Office of the Auditor follows *Government Auditing Standards* (i.e., the Yellow Book, or GAGAS) for performance audits. These standards require the office to undergo a peer review every three years. The office recognizes the importance of a peer review for ensuring the quality of its legislative audit work.

The purpose of a peer review is to identify whether the Hawaii Office of the Auditor's system of quality control provides reasonable assurance of compliance with *Government Auditing Standards* and professional best practices as determined by peer reviewers with respect to performance audit engagements. The office contracts with private accounting firms to complete its financial auditing activities.

NCSL/NLPES Peer Review Methodology

The Hawaii Office of the Auditor contracted with the National Conference of State Legislatures (NCSL) to perform its 2016 peer review to assess the office's system of quality control and overall quality of reports in a sample of performance audits completed during the period from 2013 to 2016 (see Appendix A). The National Legislative Program Evaluation Society (NLPES) Peer Review Committee and the NCSL staff liaison to NLPES organized a peer review team consisting of three experienced and respected program evaluators from Colorado, Virginia and Washington (see Appendix B).

As noted above, the Hawaii Office of the Auditor adheres to *Government Auditing Standards* (i.e., the Yellow Book or GAGAS) published by the Comptroller General of the United States. This peer review compared the office's policies and performance to Yellow Book requirements and the knowledge base of peers from similar offices. The review provided a collective assessment of the office's quality assurance and review processes, how those quality processes were used to develop the office's performance audits, and the qualifications and independence of staff.

Specifically, the peer review team sought to determine whether the sample of reports reviewed, as well as the processes that underlie the reports, met the following criteria:

- 1) Work is professional, independent, and objectively designed and executed.
- 2) Evidence is competent and reliable.
- 3) Conclusions are supported.
- 4) Products are fair and balanced.
- 5) Staff is competent to perform work required.

An onsite visit held June 20-24, 2016. A meeting of the peer review team and entire staff was held. During the meeting, everyone introduced themselves and provided short descriptions of their backgrounds, including education and relevant work experience.

The peer review team reviewed documentation relating to the function of the Hawaii Office of the Auditor, its audit-related policies and procedures, and four performance audits. The audits were selected by members of the peer review team from a list of audits released between 2013 and 2016 (Appendix A). Each peer review team member took lead responsibility for review of one or two performance audits. This included reviewing the performance audits in depth, reviewing the supporting working papers and interviewing current staff who worked on the performance audit.

Because the office contracts all of its financial auditing activities to private accounting firms, the office requested that the peer review team also provide observations on its policies, procedures and processes for monitoring financial audit contracts.

To evaluate staff competence, continuing professional education (CPE) records were reviewed to determine whether staff receive 80 hours of training every two years.

The team discussed its preliminary conclusions with the state auditor. The team also met with the state auditor, deputy auditor, general counsel and other key staff to further discuss conclusions. In addition, the peer review team presented its preliminary findings to the entire staff.

Appendix A lists the performance audits reviewed by the peer review team. Appendix B describes the qualifications of the peer review team members. Appendix C provides a general profile of program evaluation offices.

COMPLIANCE WITH YELLOW BOOK STANDARDS AND BEST PRACTICES

Section 3.101 of *Government Auditing Standards, 2011 Revision* (i.e., the Yellow Book, or GAGAS) by the Comptroller General of the United States allows the peer-reviewed agency to receive one of three possible ratings—pass, pass with deficiencies or fail.

In the peer review team’s opinion, the Hawaii Office of the Auditor has a quality control system that is suitably designed and followed, providing reasonable assurance that the office is performing and reporting performance audit engagements in conformity with applicable *Government Auditing Standards* for the period reviewed. Based on its professional judgment, the peer review team gives a rating of “pass” to the Hawaii Office of the Auditor.

The peer review team found many positive aspects of the Hawaii Office of the Auditor’s work including:

- The office places high priority on independence. Constitutional and statutory authority provide considerable assurance that the office can function independently. The office has statutory access to documents, records and people within other branches of government; broad audit authority; and the ability to self-initiate audits.
- The office guards its work carefully, maintaining necessary confidentiality.
- The Office of the Auditor has documented its system of quality control and assurance through its *Manual of Guides* and other means. The office’s *Manual of Guides* is well-constructed and well-written.
- The office invests a lot of effort and time in robust planning.
- The office generates a lot of products for a small agency. Reports are written clearly, using plain language. The office has implemented a robust follow-up process on

previously issued audit recommendations, adding value by validating agency claims and developing new audit plans.

- The office has a good documentation and indexing system. The office uses an electronic working paper tool, created within its SharePoint system. The use of indexing within working papers facilitates review and, because of its electronic nature, is an efficient way to determine the support for various facts and conclusions. Audit work papers demonstrated evidence that a good level of supervision and review occurs regularly.
- Staff care about their work and want to make a difference. The diverse backgrounds and skill sets of the staff are beneficial to the office. The office offers good cross-training opportunities by rotating staff responsibilities. Procedures also are in place to help ensure that auditors meet CPE requirements and to document CPE hours.

During its review, the peer review team offered additional technical and procedural suggestions for management of the Hawaii Office of the Auditor to consider. The suggestions were not criticisms of the office; rather, they were provided as opportunities to further refine its practice of the audit profession and do not affect the peer review team's overall judgment of the office or its compliance with *Government Auditing Standards*.

APPENDIX A. PERFORMANCE AUDITS REVIEWED

Audit of the Department of Transportation's Energy Performance Contracts: Improved Oversight Is Needed to Ensure Savings, Report No. 15-18, December 2015.

Audit of the Department of Human Services' KOLEA System: \$155 Million KOLEA Project Does Not Achieve All ACA Goals, Report No. 15-20, December 2015.

Credits Continue to Tax the State: Follow-Up on Recommendations Made in Report No. 12-05, Audit of the Department of Taxation's Administrative Oversight of High-Technology Business Investment and Research Activities Tax Credits, Report No. 15-11, September 2015.

Still Not Measuring Up: Follow-Up on Recommendations Made in Report No. 13-01, Management Audit of the Department of Agriculture's Measurement Standards Branch, Report No. 16-06, May 2016.



OFFICE OF THE AUDITOR STATE OF HAWAII

Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

The Auditor's position was established to 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.

Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

Our Mission

To improve government through independent and objective analyses.

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.

Our Work

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

Additionally, we perform procurement audits, sunrise analyses and sunset evaluations of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, revolving and trust funds, and special studies requested by the Legislature.

We report our findings and make recommendations to the Governor and the Legislature to help them make informed decisions.

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



OFFICE OF THE AUDITOR
STATE OF HAWAI'I

Kekūanāʻō'a Building
465 S. King St., Room 500
Honolulu, Hawai'i 96813

Phone: (808) 587-0800
Fax: (808) 587-0830

E-mail: LAO.auditors@hawaii.gov
Website: <http://auditor.hawaii.gov>