



January 27, 2021

VIA EMAIL

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

VIA EMAIL

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawai'i State Capitol, Room 431
Honolulu, Hawai'i 96813

RE: Financial Audit of the Department of Land and Natural Resources

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements of the Department of Land and Natural Resources for the fiscal year ended June 30, 2019, was issued on December 21, 2020. The Office of the Auditor retained N&K CPAs, Inc. to perform the financial audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial audit report.

You may view the financial audit report and Auditor's Summary on our website at:

http://files.hawaii.gov/auditor/Reports/2019_Audit/DLNR2019.pdf; and

http://files.hawaii.gov/auditor/Reports/2019_Audit/DLNR_Summary_2019.pdf.

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

LHK:LYK:emo

Attachment

ec/attach (Auditor's Summary only): Senators

Representatives

Carol Taniguchi, Senate Chief Clerk

Brian Takeshita, House Chief Clerk

Auditor's Summary

Financial Audit of the Department of Land and Natural Resources

Financial Statements, Fiscal Year Ended June 30, 2019



PHOTO: DEPARTMENT OF LAND AND NATURAL RESOURCES

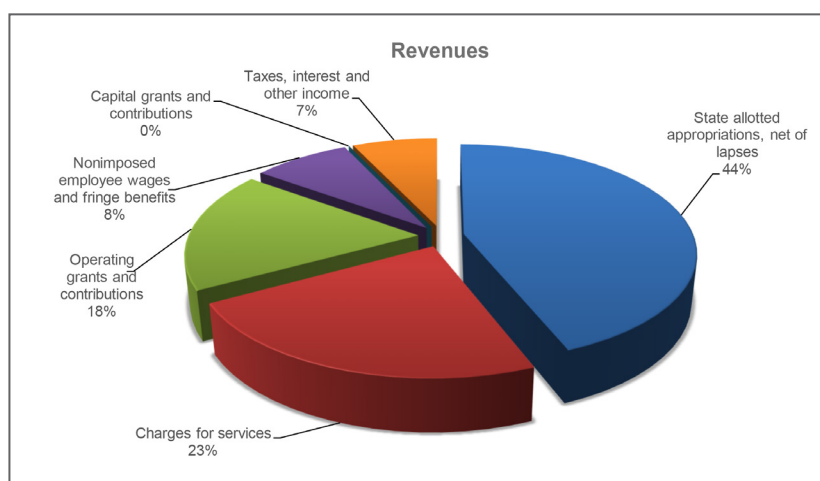
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Land and Natural Resources, as of and for the fiscal year ended June 30, 2019. The audit was conducted by N&K CPAs, Inc.

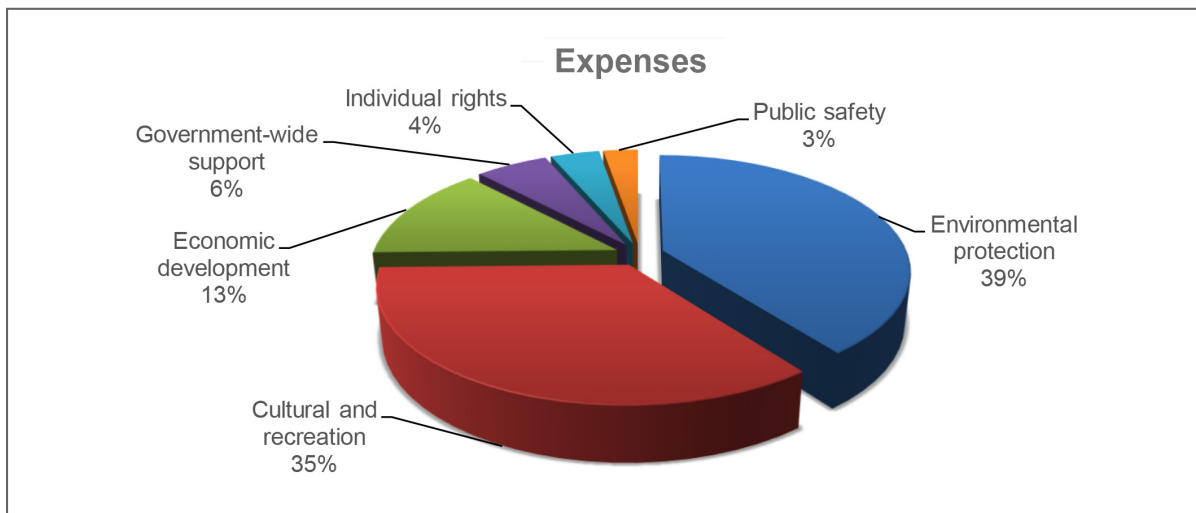
About the Department

The Department of Land and Natural Resources' (DLNR) mission is to enhance, protect, conserve, and manage Hawai'i's unique and limited natural, cultural and historic resources held in public trust for current and future generations of the people of Hawai'i. DLNR manages and administers the State's parks, historical sites, forests, forest reserves, fisheries, wildlife sanctuaries, game management areas, public hunting areas, and natural area reserves and is responsible for nearly 1.3 million acres of state lands, beaches, and coastal waters as well as 750 miles of coastline. DLNR is headed by the Board of Land and Natural Resources.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2019, DLNR reported total revenues of \$210.6 million, along with \$5 million in transfers from other state departments, and total expenses and transfers of \$201.4 million, resulting in an increase in net position of \$9.2 million. Revenues consisted of (1) \$93.7 million from State appropriations, net of lapses, (2) \$49.2 million from charges for services, (3) \$38.1 million from operating grants and contributions, (4) \$16.9 million from nonimposed employee fringe benefits, (5) \$300,000 from capital grants, and (6) \$12.4 million from taxes, interest, and other income.





Total expenses and transfers of \$201.4 million consisted of (1) \$73.5 million for environmental protection, (2) \$65.2 million for cultural and recreation, (3) \$24.6 million for economic development, (4) \$10.4 million for government-wide support, (5) \$7 million for individual rights, and (6) \$5 million for public safety. Total transfers out amounted to \$15.7 million.

As of June 30, 2019, total assets of \$831.4 million exceeded total liabilities of \$81.1 million by \$750.3 million. Total assets included cash of \$306.7 million, receivables of \$4.9 million, and land and net capital assets of \$519.8 million. Total liabilities included vouchers and accrued payables of \$28.6 million, amounts due to the State of \$11.7 million, general obligation bonds payable of \$34.6 million, and unearned revenues of \$6.2 million.

Auditors' Opinion

DLNR RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Findings

THE AUDITORS IDENTIFIED four material weaknesses in internal control over financial reporting that are required to be reported in accordance with *Government Auditing Standards*. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. The material weaknesses are described on pages 72-79 of the report. The department's corrective action plan can be found on pages 81-83.

There were no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2019_Audit/DLNR2019.pdf