



April 22, 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 and Compliance Audit of the Department of Education

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements and compliance of the Department of Education for the fiscal year ended June 30, 2020, was issued on March 25, 2021. The Office of the Auditor retained KKDLY LLC to perform the financial and compliance audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial and compliance audit report.

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

http://files.hawaii.gov/auditor/Reports/2020_Audit/DOE2020.pdf; and

http://files.hawaii.gov/auditor/Reports/2020_Audit/DOE_Summary_2020.pdf.

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

Very truly yours,

Leslie H. Kondo
State Auditor

LHK:LYK:emo

Attachment

cc/attach (Auditor's Summary only): Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

Auditor's Summary

Financial and Compliance Audit of the Department of Education

Financial Statements, Fiscal Year Ended June 30, 2020



PHOTO: OFFICE OF THE AUDITOR

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 Education, as of and for the fiscal year ended June 30, 2020, and to comply with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KKDLY LLC.

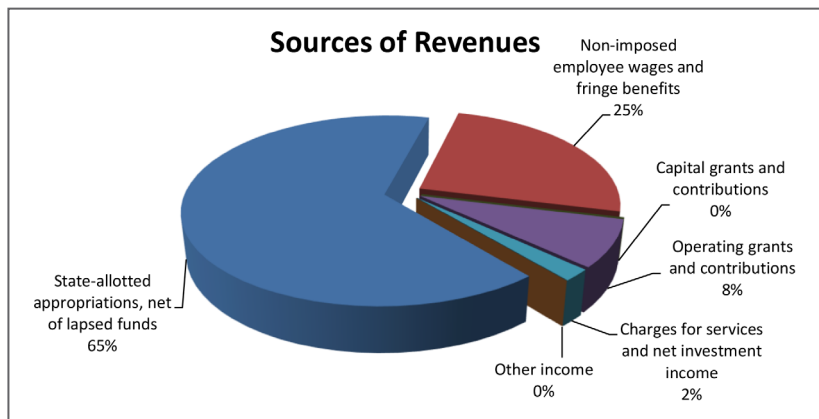
About the Department

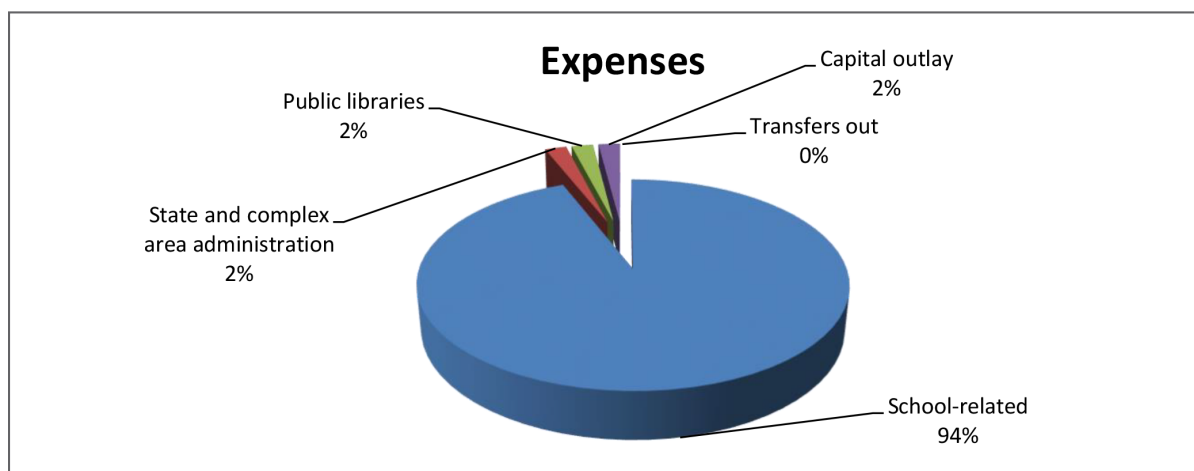
The Department of Education (DOE) administers the statewide system of public schools and public libraries. DOE is also responsible for administering state laws regarding regulation of private school operations through a program of inspection and licensing and the professional certification of all teachers for every academic and noncollege type of school. Federal grants received to support public school and public library programs are administered by DOE on a statewide basis.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2020, DOE reported total revenues of \$3.45 billion and total expenditures of \$3.26 billion, resulting in an increase in net position of \$188 million.

Total revenues of \$3.45 billion consisted of (1) \$2.27 billion in state-allotted appropriations, net of lapsed funds, (2) \$851 million in non-imposed employee wages and fringe benefits, (3) \$262 million in operating grants and contributions, (4) \$12 million in capital grants and contributions, and (5) \$58 million in charges for services.





Total expenses of \$3.26 billion consisted of (1) \$3.04 billion for school-related costs, (2) \$81 million for state and school complex area administration, (3) \$61 million for public libraries, (4) \$77 million for capital outlay, and (5) \$2 million for transfers out.

As of June 30, 2020, total assets exceeded total liabilities by \$2.89 billion. Of this amount, \$901 million is unrestricted and may be used to meet ongoing expenses and obligations. Total assets of \$3.46 billion were comprised of (1) cash of \$1.42 billion, (2) receivables of \$50 million, and (3) net capital assets of \$1.99 billion. Total liabilities of \$568 million were comprised of (1) vouchers and contracts payable of \$134 million, (2) accrued wages and employee benefits of \$182 million, (3) accrued compensated absences of \$78 million, (4) workers' compensation claims reserve of \$137 million, (5) amount due to the state general fund of \$5 million, and (6) notes payable of \$32 million.

Auditors' Opinion

DOE RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOE also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO MATERIAL WEAKNESSES in internal controls over financial reporting that were required to be reported under *Government Auditing Standards*. However, the auditors identified one significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The deficiency is described on pages 56-58 of the report.

THERE WERE NO FINDINGS that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*. However, the auditors identified three significant deficiencies in internal control over compliance. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. The deficiencies are described on pages 59-64 of the report.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2020_Audit/DOE2020.pdf