



STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

December 22, 2011

COMPTROLLER'S MEMORANDUM NO. 2011-34

TO: Heads of Departments and Agencies

FROM: Jan S. Gouveia, Acting Comptroller

A handwritten signature in black ink, appearing to read "Jan S. Gouveia".

SUBJECT: State of Hawaii Single Audit Report

The purpose of this memorandum is to establish a statewide policy regarding the preparation of the Schedule of Expenditures of Federal Awards (SEFA) by State departments and agencies that are included in the State's Single Audit Report.

I. POLICY

Beginning with fiscal year 2010, State departments and agencies (Departments) that are included in the State's Single Audit Report are subject to the following policies.

- A. The preparation of the Departments' SEFA is subject to the requirements of the Federal Office of Management and Budget, Circular A-133.
- B. All Departments included in the State's SEFA will be treated as one reporting entity and known as the "SEFA Entity".
- C. All Departments listed on the Grant Notification or similar documents as the recipient will be known as the "Original Receiving Entity".
- D. Federal expenditures or transfers from one Department to another Department within the SEFA Entity shall be reported on the Original Receiving Entity's SEFA as Federal Expenditures. The receiving Department within the SEFA Entity shall not report the federal expenditures or transfers on its SEFA.
- E. Federal expenditures or transfers from one Department to another Department within the SEFA Entity shall not be reported on the Original Receiving Entity's SEFA as Amount Provided to Subrecipient.

- F. Federal expenditures or transfers from a Department within the SEFA Entity to a Department outside the SEFA Entity shall be reported by the Original Receiving Entity's SEFA as Federal Expenditures. It shall also report the Federal expenditures or transfers as Amount Provided to Subrecipient.
- G. Federal expenditures or transfers from a Department outside the SEFA Entity to a Department within the SEFA Entity shall be reported by the Department within the SEFA Entity as a Pass-through Federal Expenditures.
- H. The Agency's SEFA shall be prepared on a cash basis.
- I. Agencies within the SEFA Entity must not duplicate expenditures within and across fiscal years.

II. RATIONALE

Previously, State departments and agencies prepared separate Single Audit reports with separate SEFAs. To provide uniformity in reporting presentation, the State needs to establish reporting guidelines for State departments and agencies regarding the preparation of one State SEFA.

III. DEFINITIONS

State – State of Hawaii.

DAGS – Department of Accounting and General Services.

Single Audit - In the United States, the Single Audit, also known as the OMB A-133 audit, is a rigorous, organization-wide audit or examination of an entity that expends \$500,000.00 or more of Federal assistance (commonly known as Federal funds, Federal grants, or Federal awards) received for its operations. Usually performed annually, the Single Audit's objective is to provide assurance to the federal government as to the management and use of such funds by recipients such as states, cities, universities, and non-profit organizations. The audit is typically performed by an independent certified public accountant and encompasses both financial and compliance components. The Single Audits must be submitted to the Federal Audit Clearinghouse along with a data collection form, Form SF-SAC.

IV. SCOPE

This policy applies to all State Executive Branch departments of the Hawaii State Government that are included in the State's Single Audit Report.

V. BACKGROUND

With state governments receiving greater amounts of federal financial assistance, the federal government needed to monitor that federal funds are spent correctly. As a result, the federal government passed the Single Audit Act of 1984. The Single Audit Act requires state governments to have a financial and compliance audit conducted by an independent auditor of the federal expenditures made during a fiscal year. The State had a choice either to have the audit cover the entire state government's operations or the audit may cover only each department or agency which received, expended or otherwise administered federal financial assistance during the fiscal year. In 1985, the Hawaii State government elected to conduct Single Audits at the department level. This practice continued up until FY2008-2009. Comptroller's Memorandum No. 2009-17 changed the State's policy regarding the State's Single Audit that effective for the FY2009-2010 and thereafter, the State's Single Audit would cover the entire state government's operations. State departments and agencies that requested to continue preparing departmental Single Audit reports were allowed to by the State Comptroller.

VI. GENERAL PROVISIONS

A. MONITORING AND ENFORCEMENT

The State Comptroller shall ensure the departments' compliance with this policy and procedures through inquiries, reviews, investigations, and audits.

B. STATE COMPTROLLER'S EXCEPTION

If the policy or procedures result in undue hardship for a department or agency, the State Comptroller may, upon written request of the head of the department or agency, grant an exception to the policy or procedure. Each exception granted shall be by written memorandum.

C. AMENDMENTS AND REVISIONS OF THIS POLICY

The State Comptroller reserves the right to amend or revise this policy from time to time, as the need arises.

VII. RESPONSIBILITIES

A. ACCOUNTING DIVISION, DAGS

The Accounting Division shall be responsible to develop procedures regarding the department's assistance in preparing the State's Single Audit report.

B. HEADS OF DEPARTMENTS AND AGENCIES

The heads of departments and agencies or designees shall be responsible to ensure that the Single Audit information submitted to DAGS is accurate, complete, and on time.

VIII. PROCEDURES

A. ACCOUNTING DIVISION, DAGS

The Accounting Division shall be responsible to:

1. Develop procedures to prepare the State's Single Audit Report;
2. Provide training to instruct State departments and agencies to prepare Single Audit information in accordance with DAGS' policy and procedures;
3. Monitor and enforce compliance with this policy.

B. HEADS OF DEPARTMENTS AND AGENCIES

The heads of departments and agencies or designees shall be responsible to:

1. Ensure preparation of Single Audit information timely and in accordance with DAGS' policies and procedures.
2. Require cooperation of department staff to implement the policy and procedures.
3. Support training programs so that employees responsible for the implementation of the policy and procedures are knowledgeable and responsible.
4. Periodically assess the implementation of the policy and procedures to determine that they are working as intended and achieving desired results.

IX. AUTHORITIES AND REFERENCES

State Comptroller's Memorandum No. 2009-17
Single Audit Act of 1984 (Public Law 98-502)
OMB Circular A-133

X. EFFECTIVE DATE

This statewide accounting policy and procedures are effective July 1, 2009 and thereafter.



JAN S. GOUVEIA
Acting Comptroller