

STATE OF HAWAII

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014



DOUGLAS MURDOCK
COMPTROLLER

Independent Audit Contracted and Administered by
Office of the State Auditor

State of Hawaii
Single Audit of Federal Financial Assistance Programs
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**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND OMB CIRCULAR A-133
COMPLIANCE REPORTS**



CERTIFIED PUBLIC ACCOUNTANTS

**Report of Independent Auditors on Internal Control Over
Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Auditor
State of Hawaii

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii (the State) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 31, 2014.

Our report includes a reference to other auditors who audited the financial statements of the Department of Transportation – Airports and Harbors Divisions, which are major enterprise funds; the Hawaii Employer-Union Health Benefits Trust Fund, the Water Pollution Control Revolving Fund and the Drinking Water Treatment Revolving Loan Fund, which are nonmajor enterprise funds; the Hawaii Employer-Union Health Benefits Trust Fund, an agency of the State; and the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation which are discretely presented component units, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding No. 2014-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding Nos. 2014-001 and 2014-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State's Response to Findings

The State's response to the findings identified in our audit is described in the accompanying corrective action plan. The State's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Accuity LLP". The signature is written in a cursive, flowing style.

Honolulu, Hawaii
December 31, 2014

**Report of Independent Auditors on Compliance for Each Major Program,
Internal Control Over Compliance, and the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

The Auditor
State of Hawaii

Report on Compliance for Each Major Federal Program

We have audited the State of Hawaii's Department of Accounting and General Services, Department of Agriculture, Department of Budget and Finance, Department of Business, Economic Development, and Tourism, Department of Commerce and Consumer Affairs, Department of Defense, Department of Human Resources Development, Department of Labor and Industrial Relations, Department of Land and Natural Resources, Department of Public Safety, Department of Taxation, and the Governor's Office (collectively, the State) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2014. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The State of Hawaii's basic financial statements include, among other departments and agencies, the operations of: Department of the Attorney General, Department of Education, Department of Hawaiian Home Lands, Department of Health, Department of Human Services, Department of Transportation, Drinking Water Treatment Revolving Loan Fund, Hawaii Community Development Authority, Hawaii Employer-Union Health Benefits Trust Fund, Hawaii Health Systems Corporation, Hawaii Housing Finance and Development Corporation, Hawaii Hurricane Relief Fund, Hawaii Public Housing Authority, Hawaii Tourism Authority, Judiciary, University of Hawaii, and the Water Pollution Control Revolving Fund. These entities expended \$3,339,346,927 in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2014. Our audit, described below, did not include the operations of the Department of the Attorney General, Department of Education, Department of Hawaiian Home Lands, Department of Health, Department of Human Services, Department of Transportation, Drinking Water Treatment Revolving Loan Fund, Hawaii Community Development Authority, Hawaii Employer-Union Health Benefits Trust Fund, Hawaii Health Systems Corporation, Hawaii Housing Finance and Development Corporation, Hawaii Hurricane Relief Fund, Hawaii Public Housing Authority, Hawaii Tourism Authority, Judiciary, University of Hawaii, and the Water Pollution Control Revolving Fund, because these units separately engaged auditors to perform audits in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Not-Profit Organizations*, or did not require an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on Major Federal Programs

As described in Finding Nos. 2014-005, 2014-011, 2014-016, 2014-022, and 2014-029 in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding:

Finding No.	CFDA No.	Program or Cluster Name	Compliance Requirement
2014-005	12.401	National Guard Military Operations and Maintenance Projects	Cash Management
2014-011 and 2014-016	Various	Research and Development Cluster	Cash Management
2014-022	97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	Cash Management
2014-029	97.067	Homeland Security Grant Program	Period of Availability

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Major Federal Programs section, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified above for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding Nos. 2014-004, 2014-006 through 2014-010, 2014-012 through 2014-015, 2014-017 through 2014-021, 2014-023 through 2014-028, and 2014-030. Our opinion on each major federal program is not modified with respect to these matters.

The State's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Nos. 2014-005, 2014-011, 2014-016, 2014-022, and 2014-029 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Nos. 2014-004, 2014-006 through 2014-010, 2014-012 through 2014-015, 2014-017 through 2014-021, 2014-023 through 2014-028, and 2014-030 to be significant deficiencies.

The State's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Hawaii's basic financial statements. We issued our report thereon dated December 31, 2014, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Department of Transportation – Airports and Harbors Divisions, the Hawaii Employer-Union Health Benefits Trust Fund, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. As described in Note 4 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Accuity LLP

Honolulu, Hawaii
March 27, 2015

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	Federal Expenditures	Amount Provided to Subrecipients
DEPARTMENT OF AGRICULTURE			
U.S. Department of Agriculture Direct Programs			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 713,657	\$ -
Voluntary Public Access and Habitat Incentive Program	10.093	23,355	-
Inspection Grading and Standardization	10.162	13,624	-
Market Protection and Promotion	10.163	11,099	-
Specialty Crop Block Grant Program – Farm Bill	10.170	435,808	-
Organic Certification Cost Share Programs	10.171	42,587	-
Senior Farmers Market Nutrition Program	10.576	455,565	445,142
Cooperative Forestry Assistance	10.664	624,143	365,176
Urban and Community Forestry Program	10.675	161,726	25,692
Forest Legacy Program	10.676	64,338	-
Forest Stewardship Program	10.678	462,786	5,250
Forest Health Protection	10.680	929,242	-
Soil and Water Conservation	10.902	20,469	-
Watershed Protection and Flood Prevention	10.904	184,153	-
Wildlife Habitat Incentive Program	10.914	38,850	-
Food Distribution Cluster			
Emergency Food Assistance Program (Administrative Costs)	10.568	156,670	111,183
Emergency Food Assistance Program (Food Commodities)	10.569	781,913	781,913
Total Food Distribution Cluster		938,583	893,096
Total U.S. Department of Agriculture Direct Programs		5,119,985	1,734,356
Pass-through from the State Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	128,900	-
Total U.S. Department of Agriculture		5,248,885	1,734,356
DEPARTMENT OF COMMERCE			
U.S. Department of Commerce Direct Programs			
National Oceanic and Atmosphere Administration – Management Support for Hawaiian Islands Humpback Whale, Joint Enforcement Agreement	11.000	201,362	-
Interjurisdictional Fisheries Act of 1986	11.407	37,316	-
Fishery Products Inspection and Certification	11.413	3,979	-
Coastal Zone Management Administration Awards	11.419	2,084,805	1,139,365
Marine Sanctuary Program	11.429	233,606	-
Pacific Fisheries Data Program	11.437	428,540	-
Habitat Conservation	11.463	13,683	-
Meteorologic and Hydrologic Modernization Development	11.467	567,281	-
Unallied Science Program	11.472	152,654	-
Coastal Services Center	11.473	130,659	116,093
Coral Reef Conservation Program	11.482	619,217	-
State and Local Implementation Grant Program	11.549	24,855	24,855
ARRA – State Broadband Data and Development Grant Program	ARRA 11.558	944,291	944,291
Manufacturing Extension Partnership	11.611	434,438	-
Economic Development Cluster			
Investments for Public Works and Economic Development Facilities	11.300	1,669,251	-
Economic Adjustment Assistance	11.307	152,003	70,000
Total Economic Development Cluster		1,821,254	70,000
Total U.S. Department of Commerce		7,697,940	2,294,604

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	Federal Expenditures	Amount Provided to Subrecipients
DEPARTMENT OF DEFENSE			
U.S. Department of Defense Direct Programs			
National Guard Military Operations and Maintenance Projects	12.401	22,336,503	-
National Guard ChalleNGe Program	12.404	5,245,073	-
Air Force Defense Research Sciences Program	12.800	4,150,244	-
Total U.S. Department of Defense		31,731,820	-
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
U.S. Department of Housing and Urban Development Direct Program			
Fair Housing Assistance Program – State and Local	14.401	14,033	-
Total U.S. Department of Housing and Urban Development		14,033	-
DEPARTMENT OF INTERIOR			
U.S. Department of Interior Direct Programs			
Coral Reef Studies	15.000	688	-
Fish and Wildlife Management Assistance	15.608	296,481	-
Coastal Wetlands Planning, Protection and Restoration Act	15.614	21,012	-
Cooperative Endangered Species Conservation Fund	15.615	2,704,393	220,756
Clean Vessel Act	15.616	54,602	-
North American Wetlands Conservation Fund	15.623	184,975	184,975
Coastal Program	15.630	100	-
State Wildlife Grants	15.634	954,252	-
Migratory Bird Monitoring, Assessment and Conservation	15.655	24,918	-
Endangered Species Conservation – Recovery Implementation Funds	15.657	91,274	-
Fish and Wildlife Coordination and Assistance Programs	15.664	8,298	-
Economic, Social, and Political Development of the Territories	15.875	143,731	-
Historic Preservation Fund Grants-In-Aid	15.904	993,660	50,000
Outdoor Recreation – Acquisition, Development and Planning	15.916	498,902	456,493
ARRA Save America's Treasures	ARRA 15.929	51,333	-
Natural Resource Stewardship	15.944	212,307	-
Total U.S. Department of Interior Direct Programs		6,240,926	912,224
Fish and Wildlife Cluster			
Sport Fish Restoration Program	15.605	3,336,738	-
Wildlife Restoration and Basic Hunter Education	15.611	2,282,599	-
Total Fish and Wildlife Cluster		5,619,337	-
Total U.S. Department of Interior		11,860,263	912,224
DEPARTMENT OF JUSTICE			
U.S. Department of Justice Direct Programs			
Marijuana Eradication	16.000	265,153	-
U.S. Drug Enforcement Agency	16.000	141,555	-
Services for Trafficking Victims	16.320	71,861	60,005
Crime Victim Compensation	16.576	297,084	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	28,634	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	91,879	-
Second Chance Act Prisoner Reentry Initiative	16.812	269,574	-
Total U.S. Department of Justice Direct Programs		1,165,740	60,005
Pass-through from the State Department of the Attorney General			
Residential Substance Abuse Treatment for State Prisoners	16.593	68,153	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	63,002	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	51,914	-
Pass-through from the Council of State Governments			
Edward Byrne Memorial Competitive Grant Program	16.751	159,800	-
Total U.S. Department of Justice Pass-through Programs		342,869	-
Total U.S. Department of Justice		1,508,609	60,005

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	Federal Expenditures	Amount Provided to Subrecipients
DEPARTMENT OF LABOR			
U.S. Department of Labor Direct Programs			
Labor Force Statistics	17.002	580,926	-
Compensation and Working Conditions	17.005	51,930	-
Unemployment Insurance	17.225	260,240,235	-
ARRA - Unemployment Insurance	ARRA 17.225	2,132,266	-
Senior Community Service Employment Program	17.235	1,779,159	1,682,071
Trade Adjustment Assistance	17.245	84,437	-
Workforce Investment Act Pilots, Demonstrations, and Research Projects	17.261	902,286	-
Work Opportunity Tax Credit Program	17.271	108,309	-
Temporary Labor Certification for Foreign Workers	17.273	56,544	-
Workforce Investment Act National Emergency Grants	17.277	138,057	135,000
Occupational Safety and Health - State Program	17.503	1,209,016	-
Consultation Agreements	17.504	259,101	-
Total U.S. Department of Labor Direct Programs		<u>267,542,266</u>	<u>1,817,071</u>
Employment Service Cluster			
Employment Service/Wagner-Peyser Funded Activities	17.207	3,045,485	-
Disabled Veterans' Outreach Program	17.801	248,631	-
Local Veterans' Employment Representative Program	17.804	308,306	-
Total Employment Service Cluster		<u>3,602,422</u>	<u>-</u>
Workforce Investment Act (WIA) Cluster			
WIA Adult Program	17.258	3,065,893	2,390,907
WIA Youth Activities	17.259	1,947,815	1,947,815
WIA Dislocated Worker Formula Grants	17.278	2,381,481	1,968,769
Total WIA Cluster		<u>7,395,189</u>	<u>6,307,491</u>
Pass-through from the Research Corporation of the University of Hawaii			
Trade Adjustment Assistance Community College and Career Training Grants	17.282	457,933	38,611
Total U.S. Department of Labor		<u>278,997,810</u>	<u>8,163,173</u>
DEPARTMENT OF TRANSPORTATION			
U.S. Department of Transportation Direct Programs			
Space Transportation Infrastructure Matching Grants	20.110	78,983	-
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	28	-
Recreational Trails Program	20.219	775,564	-
Total Highway Planning and Construction Cluster		<u>775,592</u>	<u>-</u>
Total U.S. Department of Transportation Direct Programs		<u>854,575</u>	<u>-</u>
Pass-through from the State Department of Transportation			
Federal Transit - Capital Investment Grants	20.500	3,415,948	-
Total U.S. Department of Transportation		<u>4,270,523</u>	<u>-</u>
DEPARTMENT OF THE TREASURY			
U.S. Department of Treasury Direct Program			
State Small Business Credit Initiative	21.000	992,185	955,000
Total U.S. Department of the Treasury		<u>992,185</u>	<u>955,000</u>
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
U.S. Equal Employment Opportunity Commission Direct Program			
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	31,731	-
Total U.S. Equal Employment Opportunity Commission		<u>31,731</u>	<u>-</u>

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	Federal Expenditures	Amount Provided to Subrecipients
GENERAL SERVICES ADMINISTRATION			
U.S. General Services Administration Direct Programs			
Donation of Federal Surplus Personal Property	39.003	806,198	-
Help America Vote Act 2002, Title I, Section 101	39.011	91,945	-
Total U.S. General Services Administration		898,143	-
NATIONAL ENDOWMENT FOR THE ARTS			
U.S. National Endowment for the Arts Direct Program			
Promotion of the Arts – Partnership Agreements	45.025	648,079	218,164
Total U.S. National Endowment for the Arts		648,079	218,164
SMALL BUSINESS ADMINISTRATION			
U.S. Small Business Administration Direct Program			
State Trade and Export Promotion Pilot Grant Program	59.061	225,957	8,000
Total U.S. Small Business Administration		225,957	8,000
DEPARTMENT OF VETERANS AFFAIRS			
U.S. Department of Veterans Affairs Direct Program			
State Cemetery Grants	64.203	57,229	-
Total U.S. Department of Veterans Affairs		57,229	-
ENVIRONMENTAL PROTECTION AGENCY			
U.S. Environmental Protection Agency Direct Programs			
Performance Partnership Grants	66.605	293,353	-
Pollution Prevention Grants Program	66.708	12,943	-
Total U.S. Environmental Protection Agency		306,296	-
DEPARTMENT OF ENERGY			
U.S. Department of Energy Direct Programs			
State Energy Program	81.041	107,989	-
ARRA – State Energy Program	ARRA 81.041	100,181	-
Weatherization Assistance for Low-Income Persons	81.042	121,170	119,685
ARRA – Weatherization Assistance for Low-Income Persons	ARRA 81.042	3,204	3,204
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	224,942	222,256
State Energy Program Special Projects	81.119	258,518	200,000
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	112,900	-
ARRA Energy Efficiency and Conservation Block Grant Program	ARRA 81.128	130,200	-
Total U.S. Department of Energy Direct Programs		1,059,104	545,145
Pass-through from the University of Hawaii			
Conservation Research and Development	81.086	2,166	-
Total U.S. Department of Energy		1,061,270	545,145
DEPARTMENT OF EDUCATION			
Pass-through from the State Department of Education			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A	260,668	-
Pass-through from the University of Hawaii			
Career and Technical Education – Basic Grants to States	84.048A	60,355	-
Total U.S. Department of Education		321,023	-

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	Federal Expenditures	Amount Provided to Subrecipients
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
U.S. Department of Health and Human Services Direct Programs			
Affordable Care Act Grants to States for Health Insurance Premium Review	93.511	331,927	-
State Planning and Establishment Grants for the Affordable Care Act's Exchanges	93.525	1,716	671
Refugee and Entrant Assistance – State Administered Programs	93.566	76,364	44,300
Community Services Block Grant	93.569	3,102,059	2,825,400
Head Start	93.600	116,643	-
Affordable Care Act – State Innovation Models Funding for Model Design and Model Testing Assistance	93.624	754,860	-
Total U.S. Department of Health and Human Services Direct Programs		<u>4,383,569</u>	<u>2,870,371</u>
Pass-through from the State Department of Human Services Temporary Assistance for Needy Families	93.558	261,038	134,243
Pass-through from Hawaii Health Connector State Planning and Establishment Grants for the Affordable Care Act's Exchanges	93.525	360,867	-
Total U.S. Department of Health and Human Services Pass-through Programs		<u>621,905</u>	<u>134,243</u>
Total U.S. Department of Health and Human Services		<u>5,005,474</u>	<u>3,004,614</u>
DEPARTMENT OF HOMELAND SECURITY			
U.S. Department of Homeland Security Direct Programs			
Boating Safety Financial Assistance	97.012	1,108,553	-
Community Assistance Program State Support Services Element	97.023	76,642	-
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	2,257,111	605,393
National Dam Safety Program	97.041	44,172	-
Emergency Management Performance Grants	97.042	3,530,773	531,920
Cooperating Technical Partners	97.045	161,724	-
Pre-Disaster Mitigation	97.047	80,336	-
Interoperable Emergency Communications	97.055	189,006	189,006
Port Security Grant Program	97.056	7,270,078	1,008,858
Homeland Security Grant Program	97.067	8,430,395	7,240,231
Buffer Zone Protection Program	97.078	399,147	399,147
Earthquake Consortium	97.082	27,454	-
Regional Catastrophic Preparedness Grant Program	97.111	916,988	916,988
Total U.S. Department of Homeland Security Direct Programs		<u>24,492,379</u>	<u>10,891,543</u>
Pass-through from the State Department of Transportation Port Security Grant Program	97.056	1,303,502	-
Total U.S. Department of Homeland Security		<u>25,795,881</u>	<u>10,891,543</u>
Total Expenditures of Federal Awards		<u>\$ 376,673,151</u>	<u>\$ 28,786,828</u>

(concluded)

See accompanying notes to the schedule of expenditures of federal awards.

State of Hawaii

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

1. Reporting Entity

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the following State of Hawaii departments and agencies:

- Department of Accounting and General Services
- Department of Agriculture
- Department of Budget and Finance
- Department of Business, Economic Development and Tourism
- Department of Commerce and Consumer Affairs
- Department of Defense
- Department of Human Resources Development
- Department of Labor and Industrial Relations
- Department of Land and Natural Resources
- Department of Public Safety
- Department of Taxation
- Governor's Office

Certain other departments and agencies within the State of Hawaii obtained separate audits performed in accordance with OMB Circular A-133, and accordingly, separate A-133 submissions have been made (see Note 2).

2. Other State of Hawaii Departments and Agencies not Included in the Accompanying Schedule of Expenditures of Federal Awards

The following is a summary of State of Hawaii departments and agencies that obtain separate OMB Circular A-133 audits or do not receive federal grants and, therefore, do not obtain an OMB Circular A-133 audit. Awards listed in these audit reports are not included in the accompanying SEFA.

- Department of the Attorney General
- Department of Education
- Department of Hawaiian Home Lands
- Department of Health
- Department of Human Services
- Department of Transportation
- Drinking Water Treatment Revolving Loan Fund
- Hawaii Community Development Authority
- Hawaii Employer-Union Health Benefits Trust Fund
- Hawaii Health Systems Corporation
- Hawaii Housing Finance and Development Corporation
- Hawaii Hurricane Relief Fund
- Hawaii Public Housing Authority
- Hawaii Tourism Authority
- Judiciary
- University of Hawaii
- Water Pollution Control Revolving Fund

State of Hawaii
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

3. Basis of Accounting

The basic financial statements of the State of Hawaii have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

4. Basis of Presentation

The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Expenditures reported in the schedule are reported on the cash basis of accounting.

5. Nonmonetary Assistance

The SEFA contains values of a nonmonetary assistance program. As provided by program regulations, property received under the Donation of Federal Surplus Personal Property program (CFDA No. 39.003) is presented at the estimated fair value at the time of donation.

6. Unemployment Insurance

State unemployment tax revenues and government contributions are used to pay benefits under federally approved State unemployment law. Of the \$260,240,235 reported as expenditures for the Unemployment Insurance program (CFDA No. 17.225), \$242,382,515 represented expenditures of the State of Hawaii.

7. Relationship to Federal and State Financial Reports

The regulations and guidelines governing the preparation of federal and State financial reports vary by State and federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal and State financial reports do not necessarily agree with the amounts reported in the accompanying SEFA which is prepared as explained in Notes 3 and 4 above.

State of Hawaii
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

8. Research and Development Cluster Expenditures

The SEFA includes the following Research and Development amounts:

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Grantor/Pass-through Grantor/Program or Cluster Title		
U.S. Department of Agriculture Direct Programs		
Urban and Community Forestry Program	10.675	\$ 161,726
Forest Stewardship Program	10.678	462,786
Forest Health Protection	10.680	929,242
Total U.S. Department of Agriculture		<u>1,553,754</u>
U.S. Department of Commerce Direct Programs		
Coastal Zone Management Administration Awards	11.419	2,084,805
Coral Reef Conservation Program	11.482	619,217
Total U.S. Department of Commerce		<u>2,704,022</u>
U.S. Department of Defense Direct Program		
Air Force Defense Research Sciences Program	12.800	4,150,244
Total U.S. Department of Defense		<u>4,150,244</u>
U.S. Department of Interior Direct Programs		
Cooperative Endangered Species Conservation Fund	15.615	2,704,393
State Wildlife Grants	15.634	954,252
Endangered Species Conservation – Recovery Implementation Funds	15.657	91,274
Economic, Social, and Political Development of the Territories	15.875	143,731
Natural Resource Stewardship	15.944	212,307
Total U.S. Department of Interior		<u>4,105,957</u>
U.S. Department of Energy pass-through from University of Hawaii		
Conservation Research and Development	81.086	2,166
Total Research and Development Cluster		<u>\$ 12,516,143</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting

• Material weaknesses identified?

☒ yes ☐ no

• Significant deficiencies identified?

☒ yes ☐ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs

• Material weaknesses identified?

☒ yes ☐ no

• Significant deficiencies identified?

☒ yes ☐ none reported

Type of auditors' report issued on compliance for major programs

Qualified

An unmodified opinion was issued on the State of Hawaii's compliance with its major federal programs for the year ended June 30, 2014, except for the requirements regarding cash management that are applicable to CFDA No. 12.401, *National Guard Military Operations and Maintenance Projects*, CFDA No. 97.036, *Disaster Grants-Public Assistance (Presidentially Declared Disasters)*, and the Research and Development Cluster and period of availability applicable to CFDA No. 97.067, *Homeland Security Grant Program*, for which the opinion on compliance was qualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

☒ yes ☐ no

FINANCIAL STATEMENT FINDINGS

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section II – Financial Statement Findings

Finding No. 2014-001: Internal Control over Financial Reporting (Significant Deficiency)

State Department of Accounting and General Services

Condition

During the audit of the fiscal year 2014 financial statements, we identified multiple deficiencies that, when considered in the aggregate, indicated a significant deficiency in the State of Hawaii's (State) internal control over financial reporting.

The process used by the State Department of Accounting and General Services (DAGS) Accounting Division to consolidate required information from State departments and agencies to prepare the State's Comprehensive Annual Financial Report (CAFR) (e.g., preparing Governmental Funds financial statements on a modified accrual basis and the Government-Wide financial statements on an accrual basis) is inefficient, time consuming, and causes delays in statewide financial reporting.

Information necessary to prepare such accounting entries must be obtained from the State departments and agencies. In fiscal year 2014, DAGS requested formal reporting information packages to obtain the financial information from State departments but did not receive timely responses from some of the departments. Due in large part to these delays, the review of post-closing journal entries to convert the cash basis financial statements to the modified accrual basis was also not performed adequately to detect misstatements.

In addition, a number of issues were noted regarding the accounting for capital assets. We noted several instances where departments did not report complete information on construction projects in progress to DAGS, resulting in understatements of the reported capital asset balance as of June 30, 2014. We also noted several instances where DAGS-managed capital assets were not placed into service timely.

Criteria

Management is responsible for establishing and maintaining internal control over financial reporting, the objectives of which are to provide management with reasonable, but not absolute assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The DAGS Accounting Division is responsible for preparing the CAFR in accordance with GAAP.

Effect

Due to the untimely submission of information to DAGS, inadequate review of journal entries by the departments and DAGS, and issues in accounting for capital assets, there were 27 audit adjustments and reclassification entries recorded in the fiscal year 2014 financial statements.

There were also 16 other misstatement entries that were not corrected in the financial statements as they were deemed to be immaterial.

Cause

The deficiencies were due to inefficiencies in the financial statement preparation process, the lack of timely information from various departments, and the lack of adequate reviews of the information packages and capital asset schedules at the departments and at DAGS.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Recommendation

DAGS should continue to develop well-defined, systematic, efficient and orderly processes for financial reporting that include a comprehensive set of policies and procedures necessary to establish internal control over financial reporting. The process and its key attributes (e.g., overall timing, methodology, format, and frequency of analyses) should be formally documented, approved, communicated to other departments and agencies, and monitored on a regular basis.

Furthermore, individuals who perform reviews of journal entries at the departments should be adequately trained to review for proper source codes being used. Departments should also perform a thorough review of post-closing journal entries to ensure all items from various schedules are reflected in the post-closing journal entries and all journal entries properly reflect what is shown on the schedules.

Adherence to these policies and procedures will facilitate the processing of complete, accurate and timely financial information.

State of Hawaii

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Finding No. 2014-002: Accounting for Component Units and Proprietary Funds (Significant Deficiency)

State Department of Accounting and General Services

Condition

During fiscal year 2008, DAGS implemented a financial statement policy on reporting material component units (CU) and proprietary funds (PF), which requires only material CUs and PFs to be reported as discretely presented CUs and PFs in the CAFR. Materiality was determined based on certain quantitative criteria determined by DAGS. During the year ended June 30, 2013, DAGS revised its financial reporting policy to comply with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*.

Consequently, although DAGS determined that the Stadium Authority, Hawaii Strategic Development Corporation, High Technology Development Corporation (HITDC), Natural Energy Laboratory of Hawaii, and Agribusiness Development Corporation met the definition of discretely presented CUs as defined in GASB Statement No. 61, these CUs did not meet the materiality thresholds under the State's policy, and thus were not disclosed as discretely presented in the fiscal year 2014 CAFR. Instead, these entities were reported as blended component units within the State's governmental activities and the governmental funds to which they were administratively attached.

DAGS also determined that the Department of Labor and Industrial Relations – Disability Compensation Fund, the Department of Public Safety (DPS) – Correctional Industries Fund, the Accounting and General Services – State Parking Revolving Fund, and the Accounting and General Services – State Motor Pool Fund met the definition of PFs as defined in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. However, they did not meet the materiality threshold under the State's financial reporting policy. Therefore, these PFs were not reported as PFs in the fiscal year 2014 CAFR but were reported as part of the State's governmental activities and within the governmental funds to which they were administratively attached.

Criteria

CUs are legally separate organizations that the State must include as part of its financial reporting entity for fair presentation in conformity with GAAP. CUs have unique accounting and reporting requirements as established by GASB Statement No. 61. The GASB accounting standards provide defined criteria for determining whether a particular legally separate entity is a discretely presented CU of the State.

Similarly, enterprise funds that meet the definition of proprietary funds established by GASB Statement No. 34 should be reported within the PFs' financial statements and the business-type activities in the government-wide financial statements.

State of Hawaii

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Effect

In accordance with the State's policy, the CUs and PFs noted above were incorrectly included in the governmental activities and respective governmental funds in the State's CAFR, rather than as discretely presented CUs or PFs, despite meeting the discretely presented CU and PF criteria under GAAP.

A summary of account balances and funds that were incorrectly classified by State management as governmental activities in the government-wide and governmental funds financial statements is presented below (amounts expressed in millions):

	<u>Assets</u>	<u>Revenues</u>	<u>Expenditures</u>
Discretely presented component units			
Stadium Authority	\$ 83.5	\$ 7.7	\$ 13.8
Hawaii Strategic Development Corporation	15.3	12.2	8.3
High Technology Development Corporation	12.3	7.1	8.0
Natural Energy Laboratory of Hawaii	18.4	5.2	9.1
Agribusiness Development Corporation	28.0	2.6	12.3
Nonmajor proprietary funds			
Accounting and General Services –			
State Parking Revolving Fund	\$ 18.2	\$ 4.0	\$ 3.3
Accounting and General Services –			
State Motor Pool Fund	4.6	2.5	2.3
Department of Public Safety –			
Correctional Industries Fund	1.4	4.5	4.5
Department of Labor and Industrial Relations –			
Disability Compensation Fund	13.5	13.7	15.5

Cause

In determining which CUs and PFs should be presented as discretely presented CUs and nonmajor PFs in the CAFR, management did not follow the guidelines described in GASB Statements No. 61 and 34, respectively. DAGS also determined that some of the potential CUs and PFs are unable to close their accounting records and to complete audits in a timely manner, such that audited financial statements would not be available for the preparation of the CAFR. Therefore, application of GASB Statements No. 61 and 34 would require time and resources to complete and would likely further delay the completion of the CAFR.

Recommendation

DAGS should consider changing the CAFR accounting and reporting policy to conform to the provisions of GASB Statements No. 61 and 34.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding No. 2014-003: IT General Control Deficiencies (Material Weakness)

Condition

Information technology (IT) is a strategic element of the State's operations. Because of the high volume of transactions at the State, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit of the State for the year ended June 30, 2014, we performed an IT general controls review of selected State departments' systems, including the following systems operated by the Information and Communication Services Division (ICSD), Department of Taxation (DoTAX), and Department of Accounting and General Services (DAGS):

ICSD	DoTAX	DAGS
FAMIS	ITPS	FAMIS
Payroll	eFile (as it relates to data received from Hawaii Information Consortium)	Payroll
CWWS		CWWS
Recon		Recon
Data Entry		Statewide Inventory System
Statewide Inventory System		
UI BPS		
UI Tax		
QWRS		

Our review resulted in IT control deficiencies in the areas of logical, physical security and change management as follows:

Logical security

ICSD

- Users with the ability to create or modify a user account on the mainframe were also authorized requestors (e.g., approvers) in the Online User Access Request system and have the ability to authorize access.
- One of 27 FAMIS user access requests tested was not authorized by the DAGS Systems Accounting Branch Chief.
- Developers and ICSD Systems Support personnel have access to the Payroll online application causing a segregation of duties issue.
- Department of Labor and Industrial Relations employees have "Update" access to the Payroll libraries which is not commensurate with their job responsibilities.
- Two ICSD employees have "Update" access to the CWWS/Recon libraries which is not commensurate with their job responsibilities.

State of Hawaii

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

- Developers have access to the security administration function in the mainframe for the FAMIS, Payroll, CWWS, Recon, UI BPS, UI Tax and QWRS applications causing a segregation of duties issue.
- A Resource Access Control Facility (RACF) account assigned to a user with group security administrator rights remained active for six months after the employee was terminated.
- Certain password settings have limited security features enabled and do not comply with the current ICSD Information System Access Policy.
- An annual user access review to confirm mainframe application users have appropriate access rights based on job function and user listings are free of terminated users was not performed.
- No evidence that RACF daily logs were monitored for 39 of 41 days tested.
- Information security policies and standards were not periodically reviewed and updated.

DoTAX

- User access rights on the ITPS were not reviewed on at least an annual basis.
- Weak password security.

DAGS

- Numerous FAMIS users whose job function does not include security administration had the ability to modify permissions assigned to users in their own department.

Physical security (ICSD)

- An annual user access review to confirm physical access was assigned based on job function was not performed.

Change management

ICSD

- Developers have the ability to implement changes directly into the production environment for the mainframe applications listed above, and those responsible for implementing changes into production are not confirming that changes are tested and authorized.
- No evidence that vendor-released mainframe modifications were tested and approved prior to implementation into the production environment.
- No evidence that mainframe security patches and software releases were evaluated to determine if the patch or release was needed, the decision to implement the change was documented and approved, or approved changes were applied as scheduled.

DoTAX

- Developers have access to the production environment in the ITPS.

DAGS

- Developers have access to the production environment in the Statewide Inventory System.

Collectively, the number and related nature of the IT control deficiencies resulted in an overall material weakness.

State of Hawaii

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Criteria

When IT is used to initiate, record, process and report on transactions included in the financial statements, the systems and related processes should include internal controls to prevent or detect potential misstatements.

Effect

Internal controls in the areas of logical and physical security and change management address the following risks:

Logical and physical security

Unauthorized access to financial systems could result in the loss of data, unauthorized or nonexistent transactions being made or transactions being inaccurately recorded.

Change management

Unauthorized or untested changes promoted to the production environment could cause the financial systems to either process data differently than intended or unexpectedly compromise the integrity of the data maintained.

Cause

The State's IT policies and procedures do not include internal control procedures addressing the risks discussed above or such controls are not consistently followed.

Recommendation

We recommend that ICSD, DoTAX, and DAGS perform the following:

Logical security

ICSD

- Reevaluate current processes and rights to implement proper segregation of duties.
- Ensure FAMIS user access request changes routed to the DAGS Systems Accounting Branch Chief are authorized.
- Modify or remove user access rights that cause segregation of duties issues or cause users to have access rights that are not commensurate with their job responsibilities.
- Ensure user access for terminated users is removed on a timely basis.
- Improve system password security parameters.
- Coordinate and perform a user access review with the DAGS Accounting Division on at least an annual basis.
- Develop a procedure to retain evidence that RACF daily logs are monitored and inappropriate activity was researched and resolved.
- Evaluate information security policies and standards on at least an annual basis and incorporate necessary updates.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

DoTAX

- Perform a user access review of the ITPS on at least an annual basis.
- Ensure user access rights are commensurate with job responsibilities.
- Remove users who do not require access to the ITPS.
- Improve system password security parameters.

DAGS

- Modify FAMIS operator IDs with security administration capabilities to prevent unauthorized departmental FAMIS users from accessing the security administration screen.

Physical security (ICSD)

- Perform a user access review over physical access to sensitive equipment on at least an annual basis.

Change management

ICSD

- Reevaluate current processes and implement proper segregation of duty internal controls.
- Develop a procedure to retain evidence that vendor released modifications were tested and approved prior to implementation into the production environment.
- Develop a procedure to retain evidence that mainframe security patches and software releases were evaluated to determine if the patch or release was needed, the decision to implement the change was documented and approved, or approved changes were applied as scheduled.

DoTAX

- Remove developers' access to the ITPS production environment.

DAGS

- Remove developers' access to the Statewide Inventory System production environment.

**FEDERAL AWARD FINDINGS
AND QUESTIONED COSTS**

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section III – Federal Award Findings and Questioned Costs

Finding No. 2014-004: Schedule of Expenditures of Federal Awards (SEFA)
(Significant Deficiency)

Condition

The State's current accounting process does not track federal funds individually within the general ledger system. Instead, one appropriation account is often created and assigned to the respective department and many federal grants expended by the department are grouped within the one appropriation account. For a department that receives and expends multiple federal awards, it must prepare and maintain separate accounting records outside of FAMIS, the State's accounting system, to be able to segregate the cash balances, receipts and expenditures by each grant that it receives. These separate accounting records are maintained by multiple accountants in the larger departments and are not combined and reconciled into FAMIS periodically.

Criteria

The Office of Management and Budget (OMB) issued OMB Circular A-133, which requires non-federal entities that expend \$500,000 or more in federal awards in a year to have a Single Audit conducted on its federal award programs and SEFA.

OMB Circular A-133 established responsibilities for auditees, including:

- Identify all federal awards received and expended and the federal programs under which they were received.
- Maintain internal control over federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.
- Prepare appropriate financial statements, including the SEFA.

Effect

Due to the deficiencies in internal control over SEFA preparation noted, material misstatements occurred in the SEFA that were not detected by management's internal controls, and were subsequently identified and corrected as part of our auditing procedures.

- Federal expenditures for CFDA No. 39.003, Donation of Federal Surplus Personal Property, were overstated by \$2,598,355.
- The following amounts reported as provided to subrecipients for these programs were understated:

CFDA No.	Program Name	Amount
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	\$605,393
97.042	Emergency Management Performance Grants	531,920
97.055	Interoperable Emergency Communications	189,006
97.056	Port Security Grant Program	1,008,858
97.067	Homeland Security Grant Program	7,240,231
97.111	Regional Catastrophic Preparedness Grant Program	916,988

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Cause

A thorough review of each department's reconciliation of its separate accounting records that track federal expenditures to FAMIS was not performed by someone knowledgeable to ensure that the expenditure amounts were accurate. Although formal reporting instructions were created by DAGS to establish internal control over preparing the SEFA and sent to other departments for the year ended June 30, 2014, certain departments failed to follow the instructions and process established by DAGS.

Recommendation

We recommend DAGS enforce its established process for preparing the SEFA. We also recommend DAGS provide training to the other departments to ensure proper information is provided by the departments for DAGS to accurately prepare the State's SEFA.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-005:	Cash Management (Material Weakness)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Defense	
CFDA Number and Title:	12.401 – National Guard Military Operations and Maintenance (O&M) Projects	
Award Number and Award Year:	W912J6-10-2-1000 2010 to 2014	

Condition

During our audit, we tested 45 disbursements of federal advances and identified 26 instances totaling approximately \$3,328,000 in which the number of days elapsed between the receipt of the federal cash advance and the State department's disbursement of federal funds received exceeded 45 days and ranged from 49 to 339 days. While the expenditures were allowable costs under the grant, it does not appear the State department disbursed these federal advances as soon as administratively feasible.

Criteria

U.S. Department of the Treasury Regulations 31 CFR Section 205.33 requires the State to minimize the time between the receipt of federal funds from the federal government and the State's disbursement of the funds for federal program purposes. Therefore, the timing and amount of funds being requested and received must be as close as administratively feasible to the State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. National Guard Regulations 5-1, *National Guard Grants and Cooperative Agreements* (NGR 5-1) Chapter 11-5: Advance Payment Method, requires grantees to minimize the time elapsing between the transfer of funds from the federal government and its disbursement to no more than 45 days.

Effect

The delay in disbursing advances of federal funding prevents the use of those funds for more urgent purposes by the federal government. This could also result in the State losing future federal funding or the granting agency requiring funding on a reimbursement basis.

Cause

The delays resulted from the State department's drawdown of award funds for all unpaid obligations at the end of each cooperative agreement's funding period, based upon department personnel's understanding of discussions with the United States Property and Fiscal Office (USPFO) personnel. However, there is no written documentation of the USPFO's approval to draw down all unliquidated obligations.

Recommendation

We recommend the State department obtain adequate documentation supporting exceptions to established requirements. The State department should also work with DAGS and the Department of Budget and Finance (B&F) to improve the design and implementation of cash management processes to minimize the time lag between the receipt and disbursement of federal funds in accordance with 31 CFR Section 205.33 and NGR 5-1 Chapter 11-5.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-006:	Davis-Bacon Act (Significant Deficiency)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Defense	
CFDA Number and Title:	12.401 – National Guard Military O&M Projects	
Award Number and Award Year:	W912J6-10-2-1000 2010 to 2014	

Condition

We noted that several construction contracts subject to the Davis-Bacon Act failed to comply with the requirement that the contract state the payment of prevailing wages is required. In our sample of eight contracts, four of the contracts did not include the prevailing wage requirement.

Criteria

29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction states that non-federal entities shall include in contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act, including a provision that the payment of prevailing wages as determined by the U.S. Department of Labor is required.

Effect

Without the inclusion of the prevailing wage rate clause, contractors and subcontractors may be unaware that the payment of prevailing wages is required for the project and may result in noncompliance with prevailing wage requirements.

Cause

The State department's contracting personnel misunderstood the contract requirements under the Davis-Bacon Act that prevailing wage requirements must be included in the contract. However, department personnel documented discussions with contractors on the prevailing wage requirements in the contract folder.

Recommendation

The State department should adopt a policy consistent with the requirements of the Davis-Bacon Act to include the prevailing wage rate provision in all contracts and implement controls to ensure the policy is followed throughout the department.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-007:	Suspension and Debarment (Significant Deficiency)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Defense	
CFDA Number and Title:	12.401 – National Guard Military O&M Projects	
Award Number and Award Year:	W912J6-10-2-1000 2010 to 2014	

Condition

We noted during our procurement testing that there was no record in the contract folder indicating that a suspension and debarment check was performed using the System for Awards Management (SAM) website for one of our three samples tested during fiscal year 2014. We verified that the vendor was not suspended or debarred in the Excluded Parties List System (EPLS).

Criteria

2 CFR Section 180.300, OMB Guidelines to Agencies on Government-wide Debarment and Suspension requires a non-federal entity to verify that the entity with which it is entering into a contract is not suspended or debarred or otherwise excluded from participating in the transaction. The verification may be accomplished by (1) checking the EPLS maintained by the General Services Administration and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Effect

Without performing a verification as noted in the above criteria, there is a possibility the contractor is suspended or debarred from receiving federal funds.

Cause

There was a lack of monitoring by the department to ensure that necessary checks were performed for vendors to the newly procured contract.

Recommendation

The State department should ensure that responsible individuals have the proper knowledge of the State's policies and procedures for procurement of contracts, including requirements to ensure that vendors for federally funded contracts are checked against the federal EPLS on the SAM website, certification, or contract provision to ensure the contractor is not suspended or debarred from receiving federal funds.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-008:	Reporting (Significant Deficiency)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Defense	
CFDA Number and Title:	12.404 – National Guard ChalleNGe Program	
Award Number and Award Year:	W912J6-14-2-4001 2014	

Condition

During our audit, we examined the Quarterly Budget Summary Report for fiscal year 2014 funds. All four reports we tested were submitted one to two days subsequent to the reporting deadline.

Criteria

Master Youth Program Cooperative Agreement Section 402(3) states that recipients are required to submit Quarterly Budget Reports to the National Guard Bureau (NGB) not later than 30 days after the end of each quarter.

Effect

Untimely reporting resulted in noncompliance with grant requirements and reduces the information available for the National Guard to monitor the State's program.

Cause

Untimely submission of quarterly financial reporting was due to internal processing delays as the report information is compiled by multiple program personnel. As such, the information necessary to complete the quarterly financial report was not received on a timely basis.

Recommendation

We recommend that the program comply with its own policies and procedures to ensure that the information necessary to complete the final reports is received on a timely basis to allow for the timely preparation and submission of required reports.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-009:	Matching (Significant Deficiency)	\$ <u>1,744</u>
State Agency:	Department of Defense	
Federal Agency:	Department of Defense	
CFDA Number and Title:	12.404 – National Guard ChalleNGe Program	
Award Number and Award Year:	W912J6-14-2-4001 2014	

Condition

The Department of Defense initially pays for all program expenditures with federal funds. At the end of each month, the accountant manually allocates the State match for each expenditure by reviewing the monthly expenditures report. During our audit, we identified one expenditure out of 15 tested for which the match was not allocated.

Criteria

Per U.S. House of Representatives Committee Report 111-288, the National Guard Youth ChalleNGe Program has a matching requirement whereby the NGB share of program expenditures is 75 percent with a state match of 25 percent of the program's total costs.

Effect

We noted one out of 15 instances where the State matching portion was not allocated which resulted in the State department receiving additional funds of \$1,744.

Cause

As the monthly match is manually calculated based on individual expenditures, program personnel failed to include one expenditure in the monthly match report.

Recommendation

We recommend that the State department should establish controls to ensure the accuracy and completeness of the State's match and improve the review process over the monthly expenditures report.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-010:	Reporting (Significant Deficiency)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Defense	
CFDA Number and Title:	12.404 – National Guard ChalleNGe Program	
Award Number and Award Year:	W912J6-14-2-4001 2014	

Condition

The ChalleNGe Operational and Resource Assessment (COR-A) performance reports are required to be submitted on a biennial basis. The Challenge Operational and Resource Effectiveness Group (CORE), a NGB contractor, prepares and reviews the COR-A reports, which include findings from the CORE's assessment. The State department is required to include a corrective action plan (CAP) for the significant findings reported. Both the Hawaii Youth Challenge Academy and Kulani CAPs did not address all of the findings in the final COR-A reports for 2014.

Criteria

Master Youth Program Cooperative Agreement Section 1-2b(4) states, "Significant findings require a response by endorsement from the Program Director through the Adjutant General (TAG) within 30 days of receipt of the Operational Evaluation Report or Resource Management Review."

Effect

Failure to address all significant findings results in noncompliance with the federal program's requirements. Additionally, failure to comply with specific required actions may result in a withholding of federal funds until corrective action is taken.

Cause

The incomplete CAPs were due to premature submission of the CAPs based on draft COR-A reports received and a lack of review over the final COR-A reports, which included additional findings.

Recommendation

We recommend that the State department improve its review process over the CAPs for the COR-A reports. Additionally, the State department should ensure the final COR-A reports are received before CAPs are submitted.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-011:	Cash Management (Material Weakness)	\$ _____ -
State Agency:	Department of Business, Economic Development and Tourism (DBEDT) – HITDC	
Federal Agency:	Department of Defense	
CFDA Number and Title:	12.800 – Air Force Defense Research Sciences Program (Research and Development (R&D) Cluster)	
Award Number and Award Year:	FA8650-11-2-5605 2011 to 2015	

Condition

During our audit, we examined 20 advances and identified 14 instances totaling approximately \$1,274,000 in which the federal cash draws were received more than 15 days prior to disbursement. We noted that the time elapsed for those 14 instances ranged from 25 to 108 days. While the expenditures were allowable costs under the grant, it does not appear HITDC disbursed these federal advances as soon as administratively feasible.

Criteria

U.S. Department of the Treasury Regulations 31 CFR Section 205.33 requires the State to minimize the time between the receipt of federal funds from the federal government and the State's disbursement of the funds for federal program purposes. Therefore, the timing and amount of funds being requested and received must be as close as administratively feasible to the State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. Based on our testing, we determined 15 days to be a reasonable period of time to disburse cash after receipt from the federal government.

Effect

The delay in disbursing advances of federal funding prevents the use of those funds for more urgent purposes by the federal government. This could also result in the State losing future federal funding or the granting agency requiring funding on a reimbursement basis.

Cause

The delays were due to the State department attempting to estimate its cash needs for a month, resulting in over or under draws depending on the actual expenditures for the month. As draw downs are only performed monthly, any payments made at the end of the monthly draw down period could be close to 30 days after the federal funds were received. Additionally, program management noted that the Air Force must also approve payments, and that there are often delays in receiving its approval.

Recommendation

HITDC should design and implement internal controls over monitoring of cash management timeliness requirements and work with Air Force personnel to ensure timely disbursement of federal funds. HITDC should also work with DAGS and B&F to improve the design and implementation of cash management processes to minimize the time lag between the receipt and disbursement of federal funds.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-012:	Reporting (Significant Deficiency)	\$ _____ -
State Agency:	Department of Land and Natural Resources (DLNR)	
Federal Agency:	Department of Interior	
CFDA Number and Title:	15.611 – Wildlife Restoration and Basic Hunter Education (Fish and Wildlife Cluster)	
Award Number and Award Year:	F13AF00962 2013	

Condition

During our audit, we examined the interim performance report for the referenced award with a performance period end date of June 30, 2014. The due date for the report was extended to October 31, 2014. However, as of February 28, 2015, the report was not submitted.

Criteria

The federal award requires the interim performance report to be submitted within 90 days after the end date of the performance period for each award.

Effect

Failure to submit the reports timely prevents the granting agency from assessing the status and activities of the program.

Cause

We understand that the untimely submission of the interim performance report was due to staffing constraints at DLNR's Division of Forestry and Wildlife (DOFAW), as two positions that normally manage Wildlife Restoration (Game and Non-Game) were vacant. In addition, the Wildlife Program Manager position is currently filled on an interim basis by one of the Wildlife Biologists. Personnel in these three positions would normally prepare and submit the performance report.

Recommendation

We recommend that DLNR consider filling the vacant positions. DOFAW should also work with its subrecipients and comply with its own policies and procedures to ensure that the information necessary to complete the report is received timely to allow for timely submission by DOFAW.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-013:	Cash Management (Significant Deficiency)	\$ _____ -
State Agency:	DLNR	
Federal Agency:	Department of Interior	
CFDA Number and Title:	15.611 – Wildlife Restoration and Basic Hunter Education (Fish and Wildlife Cluster)	
Award Number and Award Year:	F11AF00146 2011 to 2013 F12AF01330 F12AF01331 F13AF00962 F13AF00963	

Condition

During our audit, we examined 10 advances for the Fish and Wildlife Cluster programs and identified three instances totaling approximately \$72,000 in which the federal cash draws were received more than 15 days prior to disbursement. We noted the time elapsed for those three instances ranged from 31 to 60 days. While the expenditures were allowable costs under the grant, it does not appear DLNR disbursed these federal advances as soon as administratively feasible.

Criteria

U.S. Department of the Treasury Regulations 31 CFR Section 205.33 requires the State to minimize the time between the receipt of federal funds from the federal government and the State's disbursement of the funds for federal program purposes. Therefore, the timing and amount of funds being requested and received must be as close as administratively feasible to the State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. Based on our testing, we determined 15 days to be a reasonable period of time to disburse cash after receipt from the federal government.

Effect

The delay in disbursing advances of federal funding prevents the use of those funds for more urgent purposes by the federal government. This could also result in the State losing future federal funding or the granting agency requiring funding on a reimbursement basis.

Cause

The delay in disbursing the funds was due to the lack of resources and internal controls to ensure that the federal funds were disbursed on a timely basis.

Recommendation

DOFAW should design and implement internal controls over monitoring of cash management timeliness requirements and work with DLNR fiscal personnel to ensure timely disbursement of federal funds. DLNR should also work with DAGS and B&F to improve the design and implementation of cash management processes to minimize the time lag between the receipt and disbursement of federal funds.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-014:	Equipment Management (Significant Deficiency)	\$ _____ -
State Agency:	DLNR	
Federal Agency:	Department of Interior	
CFDA Number and Title:	15.611 – Wildlife Restoration and Basic Hunter Education (Fish and Wildlife Cluster)	
Award Number and Award Year:	F12AF01330 2012 to 2013 F12AF01331 F13AF00951 F13AF00962	

Condition

We noted that two out of eight equipment purchases tested in fiscal year 2014 were not recorded to the State's Fixed Asset Inventory System (FAIS) amounting to approximately \$69,000. We also noted that four other purchases totaling approximately \$146,000 were recorded one to four quarters after the period allowed under the State's policy.

Criteria

The March 2014 OMB Circular A-133 Compliance Supplement Part 3 Section F states, "a State shall use, manage, and dispose of equipment acquired under a federal grant in accordance with State laws and procedures." In accordance with the State's Inventory System User Manual, "newly acquired property shall be recorded in FAIS in the quarter of the fiscal year the agency receives the property or when the agency assumes responsibility for maintaining the property."

Effect

Failure to maintain an accurate inventory of equipment may result in unknown differences between the accounting records and the actual inventory of equipment.

Cause

There may be a shortage of staff in the smaller branches of DLNR due to vacancies, which may affect proper monitoring over acquisitions and recording.

Recommendation

We recommend that the DLNR implement additional controls within their programs to ensure that DLNR personnel comply with the policies and procedures in the State Inventory System User Manual.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-015:	Reporting (Significant Deficiency)	\$ _____ -
State Agency:	DLNR	
Federal Agency:	Department of Interior	
CFDA Number and Title:	15.615 – Cooperative Endangered Species Conservation Fund (R&D Cluster)	
Award Number and Award Year:	F11AP00494 2011	

Condition

DLNR is subject to reporting requirements in accordance with the Federal Funding Accountability and Transparency Act (FFATA) for a subaward executed in March 2014. However, a FFATA report was not filed by the department during fiscal year 2014.

Criteria

FFATA requires recipients to report information in the FFATA Subaward Reporting System (fsrs.gov) on the first-tier subaward or subaward amendments that result in an obligation of \$25,000 or more in federal funds by the end of the month following the month in which the reportable action occurred.

Effect

Failure to submit reports reduces transparency on the use of federal funds by the State and causes the program to not be in compliance with grant requirements.

Cause

DOFAW personnel were not aware of the policy established by the DLNR Fiscal Office to notify the Fiscal Office of subawards that meet the FFATA reporting threshold.

Recommendation

We recommend that DOFAW management ensure division personnel are aware of established policies and procedures and inform the Fiscal Office of subawards that require reporting in fsrs.gov in a timely manner.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-016:	Cash Management (Material Weakness)	\$ _____ -
State Agency:	DLNR	
Federal Agency:	Department of Interior	
CFDA Number and Title:	15.615 – Cooperative Endangered Species Conservation Fund (R&D Cluster)	
Award Number and Award Year:	F13AF01068 2013 F13AF01069	

Condition

During our audit, we examined seven advances and identified four instances totaling approximately \$465,000 in which the federal cash draws were received more than 15 days prior to disbursement. We noted that the time elapsed for those four instances ranged from 20 to 101 days. While the expenditures were allowable costs under the grant, it does not appear DLNR disbursed these federal advances as soon as administratively feasible.

Criteria

U.S. Department of the Treasury Regulations 31 CFR Section 205.33 requires the State to minimize the time between the receipt of federal funds from the federal government and the State's disbursement of the funds for federal program purposes. Therefore, the timing and amount of funds being requested and received must be as close as administratively feasible to the State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. Based on our testing, we determined 15 days to be a reasonable period of time to disburse cash after receipt from the federal government.

Effect

The delay in disbursing advances of federal funding prevents the use of those funds for more urgent purposes by the federal government. This could also result in the State losing future federal funding or the granting agency requiring funding on a reimbursement basis.

Cause

The delay in disbursing the funds was due to the lack of resources at the department and internal controls to ensure that the federal funds were disbursed on a timely basis.

Recommendation

DOFAW should design and implement internal controls over monitoring of cash management timeliness requirements and work with DLNR fiscal personnel to ensure timely disbursement of federal funds. DLNR should also work with DAGS and B&F to improve the design and implementation of cash management processes to minimize the time lag between the receipt and disbursement of federal funds.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-017:	Subrecipient Monitoring (Significant Deficiency)	\$ _____ -
State Agency:	DLNR	
Federal Agency:	Department of Interior	
CFDA Number and Title:	15.904 – Historic Preservation Fund Grants-In-Aid	
Award Number and Award Year:	15-12-41918 2012	

Condition

For two subrecipients under this program that expended over \$500,000 in federal awards, the State Historic Preservation Division (SHPD) did not obtain the subrecipients' audit reports, as required under OMB Circular A-133.

Criteria

There are several subrecipient monitoring requirements for pass-through entities under OMB Circular A-133 including:

- Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements and the required audits are completed within nine months of the subrecipient's fiscal year end.
- Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit reports.
- Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Effect

SHPD may not be aware of subrecipient noncompliance reported in a subrecipient's Single Audit report.

Cause

Program management was not aware of their responsibility as the pass-through entity to obtain audit reports from its subrecipients.

Recommendation

We recommend that the SHPD management ensure that program personnel are familiar with all grant requirements, including compliance with OMB Circular A-133. Management should develop procedures to ensure SHPD's responsibilities as a pass-through entity are fulfilled, such as determination of subrecipient's requirements to obtain Single Audits, followed by obtaining and reviewing subrecipient Single Audit reports, issuing management decisions on any applicable audit findings, and following up with the subrecipient to ensure appropriate and timely corrective action on those findings.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-018:	Allowable Costs (Significant Deficiency)	\$ _____ -
State Agency:	DLNR	
Federal Agency:	Department of Interior	
CFDA Number and Title:	15.904 – Historic Preservation Fund Grants-In-Aid	
Award Number and Award Year:	P14AF00129 2014	

Condition

SHPD employees do not utilize timesheets to track hours worked. In addition, there are no formal reviews or supervisory procedures in place to ensure that employees are working on activities allowable under the Historic Preservation grants under CFDA No. 15.904.

Criteria

OMB Circular A-87 requires the following:

- Where employees work on a single federal award or cost objective, the entity is required to provide at least semi-annually certifications that employees worked solely on the assigned program. Certifications must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- Where employees work on multiple activities or cost objectives, the entity is required to provide a distribution of salaries or wages supported by personnel activity reports signed by a supervisory official that reflect the actual activities of each employee.

Effect

Failure to obtain certifications or other equivalent employee compensation support resulted in noncompliance with federal grant requirements. Without such support, it is unclear whether the employees worked solely on the federal program.

Cause

SHPD program management was unaware that payroll expenditures are required to be supported by certifications and supervisory review of the certifications or timesheets.

Recommendation

We recommend that the SHPD management ensure that program personnel are familiar with all grant requirements, including the requirements in OMB Circular A-87. Management should develop procedures to ensure payroll expenditures charged to federal awards are adequately supported.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-019:	Special Tests and Provisions (Significant Deficiency)	\$ _____ -
State Agency:	DLNR	
Federal Agency:	Department of Interior	
CFDA Number and Title:	15.904 – Historic Preservation Fund Grants-In-Aid	
Award Number and Award Year:	P14AF00129 2014	

Condition

In fiscal year 2014, there were 27 properties nominated to the National Register of Historic Places. We noted that SHPD did not consult with Native Hawaiian organizations in assessing the cultural significance of the nominated properties as required under the federal award.

Criteria

Pursuant to Section 101(d), subsection (6)(C) of the National Historic Preservation Act, the State must:

- (1) Consult with Native Hawaiian organizations in assessing the cultural significance of any property in determining whether to nominate such property to the National Register of Historic Places;
- (2) Consult with Native Hawaiian organizations in assessing the cultural significance of a preservation program or plan for such property; and
- (3) Enter into a memorandum of understanding or agreement with Native Hawaiian organizations for the assessment of the cultural significance of any property in determining whether to nominate such property to the National Register, and to carry out the cultural component of such preservation program or plan.

Effect

Failure to consult with Native Hawaiian organizations in determining whether to nominate a property to the National Register of Historic Places could lead to a preservation plan that does not adequately address the property's cultural significance.

Cause

SHPD management was unaware of the requirement to consult with Native Hawaiian organizations in determining whether to nominate a property to the National Register of Historic Places.

Recommendation

We recommend that program management ensure program personnel are aware of the federal program's requirements and design and implement controls to ensure SHPD complies with such requirements, including consulting with Native Hawaiian organizations on properties nominated to the National Register of Historic Places. We also recommend that SHPD management assign the responsibility to consult with Native Hawaiian organizations to knowledgeable and capable individuals.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-020:	Special Tests and Provisions (Significant Deficiency)	\$ _____ -
State Agency:	Department of Labor and Industrial Relations (DLIR)	
Federal Agency:	Department of Labor	
CFDA Number and Title:	17.225 – Unemployment Insurance	
Award Number and Award Year:	UI-25198-14-55-A-15 2014	

Condition

During our audit, we examined the Time Lapse Report for the year ended June 30, 2014 to determine whether DLIR met timeliness requirements for completing paid and denied claims (monetary, separation, and nonseparation based claims). We noted that the requirements were not met for the analysis of paid and denied monetary claims within 90 days and for all types of claims within 120 days.

Criteria

The U.S Department of Labor designed the Benefit Accuracy Measurement (BAM) system to provide a basis for determining the accuracy of program payments and denied claims in the Unemployment Insurance (UI) program. Under the system, representative samples of UI payments and disqualifying ineligibility determinations are drawn and examined to determine whether they were properly administered to claimants and whether these payments were accurately calculated, or were appropriately denied. Based on the errors identified and information gathered, each state must develop plans and implement corrective actions to ensure accurate administration of state laws, rules and procedures.

The BAM system requires the State to complete a minimum number of UI cases timely in order to maintain a current database. The minimum number of cases and the timeliness requirements for completing paid and denied claims are as follows:

Paid Claims

1. Minimum cases: 360 paid cases
2. Timeliness requirements: Complete 70% within 60 days, 95% within 90 days, and 98% within 120 days

Denied Claims

1. Minimum cases: 450 denied cases
2. Timeliness requirements: Complete 60% within 60 days, 85% within 90 days, and 98% within 120 days

Effect

Failure to complete the minimum number of analyses may cause DLIR BAM unit's database to contain outdated data, which could result in program personnel drawing erroneous conclusions.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Cause

The delays in the processing of claims were due to personnel shortages from vacant positions.

Recommendation

We recommend that program management design and implement additional controls to analyze the status of claims completion prior to period-ends.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-021:	Reporting (Significant Deficiency)	\$ _____ -
State Agency:	DLIR	
Federal Agency:	Department of Labor	
CFDA Number and Title:	17.258, 17.259, and 17.278 – WIA Cluster	
Award Number and Award Year:	AA-21391-11-55-A-15 2012 to 2014 AA-22931-12-55-A-15 AA-24088-13-55-A-15	

Condition

During our audit, we examined the FFATA reports for subawards executed for Program Years (PY) 2013, 2012 and 2011 WIA Cluster awards. All of the FFATA reports were submitted on November 22, 2013, which was beyond their respective reporting deadlines of August 31, 2013, 2012 and 2011 for subawards executed in July 2013, 2012 and 2011, respectively.

Criteria

FFATA requires recipients to report information in fsrs.gov on the first-tier subaward or subaward amendments that result in an obligation of \$25,000 or more in federal funds by the end of the month following the month in which the reportable action occurred.

Effect

Untimely reporting resulted in noncompliance with grant requirements and less transparency on the use of federal funds by the State.

Cause

The untimely submission of FFATA reports for PY 2013 funds was due to a misunderstanding in the reporting requirements by the department's employees. State WIA program personnel reported information on subawards and executive compensation based on when federal funds were received, rather than when subawards were executed with subrecipients. As the final receipt of federal funds occurred in October 2013, the subaward reporting was completed prior to the end of November 2013.

DLIR personnel stated that the untimely submission of FFATA reports for PYs 2011 and 2012 was due to their inability to submit the subaward information on fsrs.gov due to technical problems. However, we were unable to verify this as the department did not have any records of attempts to upload the subaward information or any communication with the federal awarding agency of its unsuccessful attempts to report the information.

Recommendation

We recommend that DLIR management establish procedures to ensure DLIR personnel understand FFATA reporting requirements to ensure compliance with those requirements. In the case of technical submission issues, DLIR personnel should maintain adequate records of the attempted submissions, including correspondence with the awarding agency on the resolution of the matter.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-022:	Cash Management (Material Weakness)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Homeland Security	
CFDA Number and Title:	97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)	
Award Number and Award Year:	FEMA-1575-DR-HI 2004, 2006 and 2011 FEMA-1640-DR-HI FEMA-1967-DR-HI	

Condition

During our audit, we examined six advances and identified three instances totaling approximately \$66,000 in which the time elapsed between the receipt of federal cash draws and related disbursements was more than 15 days. We noted that the time elapsed for those three instances ranged from 33 to 294 days. While the expenditures were allowable costs under the grant, it does not appear the State department disbursed these federal advances as soon as administratively feasible.

Criteria

U.S. Department of the Treasury Regulations 31 CFR Section 205.33 requires the State to minimize the time between the receipt of federal funds from the federal government and the State's disbursement of the funds for federal program purposes. Therefore, the timing and amount of funds being requested and received must be as close as administratively feasible to the State's actual cash outlay for program costs. Based on our testing, we determined 15 days to be a reasonable period to disburse cash after receipt from the federal government.

Effect

The delay in disbursing advances of federal funding prevents the use of those funds for more urgent purposes by the federal government. This could also result in the State losing future federal funding or the granting agency requiring drawdowns on a reimbursement basis.

Cause

The delay in disbursing the funds was due to the lack of resources at the department and internal controls to ensure that the federal funds were disbursed on a timely basis.

Recommendation

The State department should design and implement internal controls over monitoring of cash management timeliness requirements and work with DAGS and B&F to ensure timely disbursement of federal funds.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-023:	Cash Management (Significant Deficiency)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Homeland Security	
CFDA Number and Title:	97.042 – Emergency Management Performance Grants	
Award Number and Award Year:	EMW-2011-EP-00072 2011 to 2012 EMW-2012-EP-00012	

Condition

During our audit, we examined 30 advances and identified six instances totaling approximately \$99,000 in which the time elapsed between the receipt of federal cash draws and related disbursements was more than 15 days. We noted that the time elapsed for those six instances ranged from 16 to 22 days. While the expenditures were allowable costs under the grant, it does not appear the State department disbursed these federal advances as soon as administratively feasible.

Criteria

U.S. Department of the Treasury Regulations 31 CFR Section 205.33 requires the State to minimize the time between the receipt of federal funds from the federal government and the State's disbursement of the funds for federal program purposes. Therefore, the timing and amount of funds being requested and received must be as close as administratively feasible to the State's actual cash outlay for program costs. Based on our testing, we determined 15 days to be a reasonable period to disburse cash after receipt from the federal government.

Effect

The delay in disbursing advances of federal funding prevents the use of those funds for more urgent purposes by the federal government. This could also result in the State losing future federal funding or the granting agency requiring drawdowns on a reimbursement basis.

Cause

The delay in disbursing the funds was due to the lack of resources at the department and internal controls to ensure that the federal funds were disbursed on a timely basis.

Recommendation

The State department should design and implement internal controls over monitoring of cash management timeliness requirements and work with DAGS and B&F to ensure timely disbursement of federal funds.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-024:	Reporting (Significant Deficiency)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Homeland Security	
CFDA Number and Title:	97.042 – Emergency Management Performance Grants	
Award Number and Award Year:	EMW-2012-EP-00012 2012 to 2013 EMW-2013-EP-00006	

Condition

During our audit, we tested Federal Financial Report Form SF-425 (FFR) and Quarterly Progress Reports for 5 quarters – three quarters for grant year 2012 and two quarters for grant year 2013.

The FFR for the quarter ended March 31, 2014 for grant year 2013 did not agree with the State department's accounting records. The federal share of obligations for the quarter of \$674,196 was inadvertently omitted during filing.

The FFR and the Quarterly Progress Reports filed for grant year 2012 for the quarter ended September 30, 2013 was filed on October 31, 2013, which was one day after the October 30, 2013 deadline. The FFR and the Quarterly Progress Reports filed, for both grant years 2012 and 2013, for the quarter ended December 31, 2013 were filed on February 3, 2014, which was four days after the January 30, 2014 deadline.

For the quarter ended December 31, 2013, the components of the Quarterly Progress Reports, which include the FFR, a performance narrative, an exercise data table, and the plan analysis table, related to the quarter ended December 31, 2012 were filed, rather than December 31, 2013 reports. The Quarterly Progress Report components for the period ended March 31, 2014 were not filed as of January 31, 2015.

Criteria

The FFR is required to be submitted online to the FEMA Payment and Reporting System (PARS) on a quarterly basis within 30 days following quarter end.

The Quarterly Progress Report components must be submitted online to the FEMA Non-Disaster Grant Management System (ND Grants) within 30 days following the quarter end.

Effect

The omission of the reporting item in the FFR and the filing of Quarterly Progress Report components for the improper period reduce the accuracy of the information reported and transparency of the program's performance. The late filings of the FFR and the failure to file the Quarterly Progress Reports hinder timely monitoring by the federal awarding agency.

State of Hawaii

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Cause

The omission and the untimely submission of the reports were due to issues in the design of the State department's reporting processes. Preparation procedures and online-filing procedures occur in separate offices, thereby causing a delay in filing and the need to re-enter reporting items. The copy of the FFR prepared by the State Civil Defense office properly reflected the obligated amount, as detailed in the department's accounting records; however the version submitted online by another office did not include the obligated amount. Furthermore, reports are filed online on reporting systems that are run on Eastern Time, resulting in a timing issue.

Filing reports for the improper period and the failure to file reports were due to the design of the online reporting system and the nature of the grant. Components of the Quarterly Progress Report must be uploaded via a reporting link provided by the system administrators of ND Grants, rather than the reporting option being readily and continually available. During an observation of the online reporting site, it was noted that a reporting link was not available for the period ended March 31, 2014 for the grant year 2013.

The program's grants are for project periods of two years with an effective date that is normally prior to the receipt of the award documents. The State was notified of the FY 2013 grant information in August 2013, but the start of the grant was October 1, 2012, which resulted in the need to report on several periods as soon as the award documents were received.

Recommendation

We recommend that the program's management implement procedures to ensure that the FFRs and Quarterly Progress Reports are submitted by the required deadlines, including considering any additional time required to submit the reports by having different offices prepare and submit the reports and that reporting deadlines are based on Eastern and not Hawaii Standard Time. Department personnel should also review all reports to ensure the submitted reports are accurate and maintain a record of unsuccessful report submissions, including communications regarding unsuccessful submission with the awarding agency.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-025:	Reporting (Significant Deficiency)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Homeland Security	
CFDA Number and Title:	97.042 – Emergency Management Performance Grants	
Award Number and Award Year:	EMW-2013-EP-00006 2013	

Condition

The Emergency Management Performance Grants program is subject to reporting requirements in accordance with FFATA for subawards executed in August 2013. However, a FFATA report was not filed by the department during the fiscal year 2014.

Criteria

FFATA requires recipients to report information in fsrs.gov on first-tier subaward or subaward amendments that result in an obligation of \$25,000 or more in federal funds by the end of the month following the month in which the reportable action occurred.

Effect

Failure to submit reports reduces transparency on the use of federal funds by the State and causes the program to be in noncompliance with grant requirements.

Cause

The State department has not established policies and procedures for FFATA reporting.

Recommendation

We recommend that the department's management establish policies and procedures to ensure compliance with FFATA reporting requirements. The department's management should also assign responsibility to complete and submit the FFATA reports to knowledgeable and capable individuals.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-026:	Cash Management (Significant Deficiency)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Homeland Security	
CFDA Number and Title:	97.056 – Port Security Grant Program	
Award Number and Award Year:	2008-GB-T8-K069 2008 to 2010 2009-PU-T9-K035 2010-PU-T0-K010	

Condition

During our audit, we examined 22 advances and identified six instances totaling approximately \$1,342,000 in which the federal advances were received more than 15 days prior to disbursement. We noted that the time elapsed for those six instances ranged from 16 to 21 days. While the expenditures were allowable costs under the grant, it does not appear the State department disbursed these federal advances as soon as administratively feasible.

Criteria

U.S. Department of the Treasury Regulations 31 CFR Section 205.33 requires the State to minimize the time between the receipt of federal funds from the federal government and the State's disbursement of the funds for federal program purposes. Therefore, the timing and amount of funds being requested and received must be as close as administratively feasible to the State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. Based on our testing, we determined 15 days to be a reasonable period to disburse cash after receipt from the federal government.

Effect

The delay in disbursing advances of federal funding prevents the use of those funds for more urgent purposes by the federal government. This could also result in the State losing future federal funding or the granting agency requiring funding on a reimbursement basis.

Cause

The delay in disbursing the funds was due to the lack of resources at the department and internal controls to ensure that the federal funds were disbursed on a timely basis.

Recommendation

The State department should design and implement internal controls over monitoring of cash management timeliness requirements and work with DAGS and B&F to ensure timely disbursement of federal funds.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-027:	Period of Availability (Significant Deficiency)	\$ <u>286,597</u>
State Agency:	Department of Defense	
Federal Agency:	Department of Homeland Security	
CFDA Number and Title:	97.056 – Port Security Grant Program	
Award Number and Award Year:	2008-GB-T8-K069 2008	

Condition

During our audit, we tested 22 transactions and noted two payments totaling \$286,597 that were disbursed more than 90 days after the end of the grant's project period. The funds were disbursed one day after the period of availability ended.

Criteria

In accordance with OMB Circular A-110 (2 CFR Section 215.71(b)), the program is required to liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.

Effect

The 2008 grant expenditures included \$286,597 in expenditures that should have been paid from subsequent grants or other funding sources (e.g., State funds).

Cause

The delay in disbursement was largely due to a vendor submitting late invoices related to a contract, and the program personnel not utilizing all obligated funds from the 2008 award.

Recommendation

We recommend that the department follow the policies and procedures established to comply with period of availability requirements.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-028:	Reporting (Significant Deficiency)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Homeland Security	
CFDA Number and Title:	97.056 – Port Security Grant Program	
Award Number and Award Year:	2008-GB-T8-K069 2008	

Condition

During our audit, we examined the final FFR and Performance Progress Report (SF-PPR) for the award noted above with a performance period end date of June 13, 2013. The reports were submitted on September 14, 2013 and September 13, 2013, respectively, which were after the September 11, 2013 deadline.

Criteria

The Port Security Grant Program requires the final FFR and the final SF-PPR report to be submitted within 90 days after the end date of the performance period for each award.

Effect

Failure to submit reports timely reduces transparency on the use of federal funds by the State and causes the State's program to be in noncompliance with grant requirements.

Cause

The untimely submission of the FFR report was due to disbursements to vendors that submitted invoices after the end of the grant project period. As this delayed the final accounting for grant expenditures, the information necessary to complete the final FFR and SF-PPR was not available timely.

Recommendation

We recommend that the department work with its subrecipients and comply with its own policies and procedures to ensure that the information necessary to complete final reports is received on a timely basis.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-029:	Period of Availability (Material Weakness)	\$ 505,241
State Agency:	Department of Defense	
Federal Agency:	Department of Homeland Security	
CFDA Number and Title:	97.067 – Homeland Security Grant Program	
Award Number and Award Year:	2010-SS-T0-0006 2010	

Condition

During our audit, we tested 40 expenditures and noted that three expenditures totaling \$505,241 were disbursed more than 90 days after the end of the project period of the grant. The funds were disbursed up to 22 days after the period of availability ended.

Criteria

In accordance with OMB Circular A-110 (2 CFR Section 215.71(b)), the program is required to liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.

Effect

The 2010 grant expenditures included \$505,241 in expenditures that should have been paid from subsequent grants or other funding sources (e.g., State funds).

Cause

The delay in disbursement was largely due to a vendor submitting late invoices related to a contract, and the program personnel not utilizing all obligated funds from the fiscal year 2010 award.

Recommendation

We recommend that the department follow the policies and procedures established to comply with period of availability requirements.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

		Questioned Cost
Finding No. 2014-030:	Reporting (Significant Deficiency)	\$ _____ -
State Agency:	Department of Defense	
Federal Agency:	Department of Homeland Security	
CFDA Number and Title:	97.067 – Homeland Security Grant Program	
Award Number and Award Year:	2010-SS-T0-0006 2010	

Condition

During our audit, we noted that required subaward reporting in accordance with FFATA for the Homeland Security Grant Program was not submitted during fiscal year 2014.

Criteria

FFATA requires recipients to report information in fsrs.gov on the first-tier subaward or subaward amendments that result in an obligation of \$25,000 or more in federal funds by the end of the month following the month in which the reportable action occurred.

Effect

Failure to submit reports reduces transparency on the use of federal funds by the State and causes the program to not be in compliance with grant requirements.

Cause

The failure to submit FFATA reports was caused by a lack of established policies and procedures over this requirement at the State department.

Recommendation

We recommend that the department's management establish policies and procedures to ensure compliance with FFATA reporting requirements. The department's management should also assign responsibility to complete and submit the FFATA reports to knowledgeable and capable individuals.

**SUMMARY SCHEDULE OF
PRIOR YEAR AUDIT FINDINGS**

State of Hawaii
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2014

Finding No.	Description	Department	Classification	Status		Current Year Finding No.
				Resolved	Unresolved	
2013-001	Internal Control Over Financial Reporting	DAGS	Significant Deficiency		X	2014-001
2013-002	Schedule of Expenditures of Federal Awards (SEFA)	DAGS	Significant Deficiency		X	2014-004
2013-003	Accounting for Component Units and Proprietary Funds	DAGS	Significant Deficiency		X	2014-002
2013-004	Accounting for Cash Receipts at the Department of Taxation	DoTAX	Significant Deficiency	X		
09-01	Improve Controls over Inmate Agency Accounts	DPS	Material Weakness		X	
09-02	Strengthen Controls over Compensated Leaves of Absence	DPS	Deficiency		X	
2013-005	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DLNR	Significant Deficiency	X		
2013-006	Untimely Submission of Reports	DLNR	Significant Deficiency	X		
2013-007	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DLNR	Significant Deficiency	X		
2013-008	Expenditures Paid Subsequent to Liquidation Period	DLNR	Significant Deficiency	X		
2013-009	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DBEDT	Significant Deficiency	X		
2013-010	Transparency Act Reports Not Filed	DBEDT	Significant Deficiency	X		

(continued)

State of Hawaii
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2014

Finding No.	Description	Department	Classification	Status		Current Year Finding No.
				Resolved	Unresolved	
2013-011	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DLNR	Significant Deficiency		X	
2013-012	Unrecorded Property Acquisitions	DLNR	Significant Deficiency		X	
2013-013	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	Department of Commerce and Consumer Affairs (DCCA)	Significant Deficiency	X		
2013-014	Payroll Certifications Not Completed	Department of Defense (DOD)	Significant Deficiency	X		
2013-015	No Treasury-State Agreement	DOD	Material Weakness	X		
2013-016	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DOD	Significant Deficiency		X	2014-005
2013-017	Incorrect Matching Percentage	DOD	Significant Deficiency	X		
2013-018	Lack of Evidence of Review of ARRA Reports	DOD	Significant Deficiency	X		
2013-019	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DOD	Significant Deficiency	X		
2013-020	Lack of Evidence of Eligibility Verification	DOD	Significant Deficiency	X		
2013-021	Expenditure Incurred Prior to Funding Period	DOD	Significant Deficiency	X		
2013-022	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DBEDT	Material Weakness		X	2014-011
2013-023	Untimely Recording of Property Acquisitions	DBEDT	Significant Deficiency	X		

(continued)

State of Hawaii
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2014

Finding No.	Description	Department	Classification	Status		Current Year Finding No.
				Resolved	Unresolved	
2013-024	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DBEDT	Significant Deficiency	X		
2013-025	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DLNR	Significant Deficiency	X		
2013-026	Unrecorded and Untimely Recorded Property Acquisitions	DLNR	Significant Deficiency		X	
2013-027	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DLNR	Significant Deficiency		X	
2013-028	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DLNR	Significant Deficiency		X	2014-013
2013-029	Unrecorded and Untimely Recorded Property Acquisitions	DLNR	Significant Deficiency		X	2014-014
2013-030	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DLNR	Significant Deficiency		X	2014-016
2013-031	Unrecorded and Untimely Recorded Property Acquisitions	DLNR	Significant Deficiency		X	
2013-032	Untimely Recorded Property Acquisitions	DLNR	Significant Deficiency		X	
2013-033	Untimely Submission of Report	DLNR	Significant Deficiency		X	
2013-034	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DLNR	Significant Deficiency		X	

(continued)

State of Hawaii
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2014

Finding No.	Description	Department	Classification	Status		Current Year Finding No.
				Resolved	Unresolved	
2013-035	No Treasury-State Agreement	DLIR	Material Weakness	X		
2013-036	Untimely Recording of Property Acquisitions and Dispositions	DLIR	Significant Deficiency	X		
2013-037	Untimely Submission of Reports	DLIR	Significant Deficiency	X		
2013-038	Timeliness of Unemployment Insurance Claim Reviews	DLIR	Significant Deficiency		X	2014-020
2013-039	Untimely Submission of Reports	DLIR	Significant Deficiency	X		
2013-040	Eligibility Files Not Updated	DAGS	Significant Deficiency	X		
2013-041	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DBEDT	Significant Deficiency	X		
2013-042	Untimely Recording of Property Acquisitions	DBEDT	Significant Deficiency	X		
2013-043	Posting of Contract Award Notification	DBEDT	Significant Deficiency	X		
2013-044	Review of Federal Cash Draws	DBEDT	Material Weakness	X		
2013-045	Federal Reporting Accuracy	DBEDT	Significant Deficiency	X		
2013-046	OMB Circular A-133 Audit Report Not Received from Subrecipient	DBEDT	Significant Deficiency	X		
2013-047	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DCCA	Material Weakness	X		
2013-048	Untimely Submission of Transparency Act Reports	DLIR	Significant Deficiency	X		

(continued)

State of Hawaii
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2014

Finding No.	Description	Department	Classification	Status		Current Year Finding No.
				Resolved	Unresolved	
2013-049	Timing Not Minimized Between the Receipt and Disbursement of Federal Funds	DOD	Significant Deficiency		X	2014-023
2013-050	Reimbursement Requests	DOD	Material Weakness	X		
2013-051	Reconciliation of Federal Cash Draws	DOD	Significant Deficiency	X		
2013-052	Transparency Act Reports Not Filed	DOD	Significant Deficiency		X	
2013-053	Reimbursement Requests	DOD	Material Weakness	X		
2013-054	Unrecorded and Untagged Property Acquisitions	DOD	Significant Deficiency	X		
2013-055	Untimely Submission of Transparency Act Reports	DOD	Significant Deficiency		X	2014-030
2013-056	Untimely Submission of Reports	DOD	Significant Deficiency	X		
2013-057	Federal Reporting Accuracy	DOD	Significant Deficiency	X		
2012-25	Acquisitions Not Recorded in FAIS	DPS	Significant Deficiency		X	
2012-44	On-Site Reviews	DLIR	Significant Deficiency	X		
2012-48	Acquisition Not Recorded in FAIS	DBEDT	Significant Deficiency	X		
2012-49	Federal Reporting Accuracy	DBEDT	Significant Deficiency	X		

(concluded)

State of Hawaii

Summary Schedule of Prior Year Audit Findings

Year Ended June 30, 2014

Corrective Actions Taken for Unresolved Findings

Finding No. 2013-001: Internal Control Over Financial Reporting

In fiscal year 2014, DAGS requested formal reporting information packages from State departments but did not receive timely responses from some departments. As a current year finding (Finding No. 2014-001) is reported, Finding No. 2013-001 will not be carried forward.

Finding No. 2013-002: Schedule of Expenditures of Federal Awards

Formal reporting instructions were created by DAGS and sent to other departments and agencies for the year ended June 30, 2014. As a current year finding (Finding No. 2014-004) is reported, Finding No. 2013-002 will not be carried forward.

Finding No. 2013-003: Accounting for Component Units and Proprietary Funds

No corrective action was taken in fiscal year 2014. As a current year finding (Finding No. 2014-002) is reported, Finding No. 2013-003 will not be carried forward.

Finding No. 09-01: Improve Controls over Inmate Agency Accounts

No corrective action was taken in fiscal year 2014. Implementation of the corrective action plan is anticipated to be completed in December 2017.

Finding No. 09-02: Strengthen Controls over Compensated Leaves of Absence

No corrective action was taken in fiscal year 2014. Implementation of the corrective action plan is anticipated to be completed in December 2019. However, as this was not classified as a material weakness or significant deficiency, Finding No. 09-02 will not be carried forward.

Finding No. 2013-011: Timing Not Minimized Between the Receipt and Disbursement of Federal Funds

DLNR is in the process of implementing corrective actions, including agency reminders to minimize the time lag between the receipt and disbursement of federal funds, evaluation of current methodology, additional employee training on cash management requirements, and ongoing monitoring. Implementation of the corrective action is anticipated to be completed in June 2015.

Finding No. 2013-012: Unrecorded Property Acquisitions

DLNR is establishing a monitoring process to ensure equipment transactions are recorded timely. Implementation of the corrective action is anticipated to be completed in June 2015.

Finding No. 2013-016: Timing Not Minimized Between the Receipt and Disbursement of Federal Funds

A cash management procedure has been written by the department to strengthen internal controls regarding the drawdown of federal funds. Payment schedules are being used by staff accountants to ensure funds are disbursed within 30 days of drawing down the funds. Supervisors and department managers are monitoring the drawdown process in order to confirm compliance with applicable federal regulations regarding cash management. As a current year finding (Finding No. 2014-005) is reported, Finding No. 2013-016 will not be carried forward.

Finding No. 2013-022: Timing Not Minimized Between the Receipt and Disbursement of Federal Funds

The program has switched from quarterly to monthly cash advances. In addition, there has been ongoing modification to the methodology used in projecting the anticipated cash needs for invoices from contractors. As a current year finding (Finding No. 2014-011) is reported, Finding No. 2013-022 will not be carried forward.

Finding No. 2013-026: Unrecorded and Untimely Recorded Property Acquisitions

DLNR is establishing a monitoring process to ensure equipment transactions are recorded timely. Implementation of the corrective action is anticipated to be completed in June 2015.

State of Hawaii

Summary Schedule of Prior Year Audit Findings

Year Ended June 30, 2014

Finding No. 2013-027: Timing Not Minimized Between the Receipt and Disbursement of Federal Funds
DLNR is in the process of implementing corrective actions, including agency reminders to minimize the time lag between the receipt and disbursement of federal funds, evaluation of current methodology, additional employee training on cash management requirements, and ongoing monitoring. Implementation of the corrective action is anticipated to be completed in June 2015.

Finding No. 2013-028: Timing Not Minimized Between the Receipt and Disbursement of Federal Funds
DLNR is in the process of implementing corrective actions, including agency reminders to minimize the time lag between the receipt and disbursement of federal funds, evaluation of current methodology, additional employee training on cash management requirements, and ongoing monitoring. As a current year finding (Finding No. 2014-013) is reported, Finding No. 2013-028 will not be carried forward.

Finding No. 2013-029: Unrecorded and Untimely Recorded Property Acquisitions
DLNR is in the process of implementing corrective actions, including agency reminders to timely and accurately record equipment purchases to FAIS, employee training on procurement and payment processing, and ongoing monitoring. As a current year finding (Finding No. 2014-014) is reported, Finding No. 2013-029 will not be carried forward.

Finding No. 2013-030: Timing Not Minimized Between the Receipt and Disbursement of Federal Funds
DLNR is in the process of implementing corrective actions, including agency reminders to minimize the time lag between the receipt and disbursement of federal funds, evaluation of current methodology, additional employee training on cash management requirements, and ongoing monitoring. As a current year finding (Finding No. 2014-016) is reported, Finding No. 2013-030 will not be carried forward.

Finding No. 2013-031: Unrecorded and Untimely Recorded Property Acquisitions
DLNR is establishing a monitoring process to ensure equipment transactions are recorded timely. Implementation of the corrective action is anticipated to be completed in June 2015.

Finding No. 2013-032: Unrecorded and Untimely Recorded Property Acquisitions
DLNR is establishing a monitoring process to ensure equipment transactions are recorded timely. Implementation of the corrective action is anticipated to be completed in June 2015.

Finding No. 2013-033: Untimely Submission of Report
DLNR is establishing a monitoring process to ensure reports are submitted timely. Implementation of the corrective action is anticipated to be completed in June 2015.

Finding No. 2013-034: Timing Not Minimized Between the Receipt and Disbursement of Federal Funds
DLNR is in the process of implementing corrective actions, including agency reminders to minimize the time lag between the receipt and disbursement of federal funds, evaluation of current methodology, additional employee training on cash management requirements, and ongoing monitoring. Implementation of the corrective action is expected to be completed in June 2015.

Finding No. 2013-038: Timeliness of Unemployment Insurance Claim Reviews
DLIR has been working towards full compliance with review requirements. For fiscal year 2014, DLIR met the review requirements, except for paid and denied monetary claims within 90 days and all types of claims within 120 days. As a current year finding (Finding No. 2014-020) is reported, Finding No. 2013-038 will not be carried forward.

State of Hawaii
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2014

Finding No. 2013-049: Timing Not Minimized Between the Receipt and Disbursement of Federal Funds
Individuals, supervisors and administrators responsible for drawing down federal funds have been provided with additional training to comply with the appropriate timeline for fund disbursements. Additionally, a tracking system has been implemented by department accountants to help prevent the time between receipt and disbursement from exceeding 30 days. As a current year finding (Finding No. 2014-023) is reported, Finding No. 2013-049 will not be carried forward.

Finding No. 2013-052: Transparency Act Reports Not Filed
Those responsible for filing the Transparency Act reports have secured access to the federal website necessary for Transparency Act reporting.

Finding No. 2013-055: Untimely Submission of Transparency Act Reports
Those responsible for filing the Transparency Act reports have secured access to the federal website necessary for Transparency Act reporting. As a current year finding (Finding No. 2014-030) is reported, Finding No. 2013-055 will not be carried forward.

Finding No. 2012-25: Acquisitions Not Recorded in FAIS
DPS is establishing monitoring procedures over reconciliations between equipment purchases and FAIS. Implementation of the corrective action is expected to be completed in March 2015.

CORRECTIVE ACTION PLAN

DAVID Y. IGE
GOVERNOR



DOUGLAS MURDOCK
Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

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

March 27, 2015

ACC 15 U0013

Accuity LLP
999 Bishop Street, Suite 1900
Honolulu, Hawaii 96813

Gentlemen:

Thank you for the opportunity to provide comments on the Schedule of Findings and Questioned Costs issued in connection with the Single Audit of Federal Financial Assistance Programs for the fiscal year ended June 30, 2014. We have also attached our comments on the status of prior audit findings.

We commend Accuity LLP's staff for the cooperative and professional manner in which they conducted themselves during this audit.

If you have any questions, please call Mr. Wayne M. Horie, Accounting System Administrator, Accounting Division at 586-0600.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Murdock", written over a horizontal line.

DOUGLAS MURDOCK
Comptroller

Attachments

STATE OF HAWAII

CORRECTIVE ACTION PLAN JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

2014-001 – Internal Control over Financial Reporting (Significant Deficiency) (Page 17)

Corrective Action Plan

Concur. The Department of Accounting and General Services (DAGS) will continue to develop a well-defined, systematic, efficient, and orderly process for financial reporting that will include a comprehensive set of policies and procedures necessary to establish internal control over financial reporting. The process will be formally documented, approved, communicated to other departments and agencies, and monitored on a regular basis.

DAGS will review audit entries for use of improper source codes and work with individuals who perform reviews of journal entries at the identified departments on specific issues relating to proper use of source codes. Departments will be reminded to perform a thorough review of post-closing journal entries to ensure all items from various schedules are reflected in the post-closing journal entries and all the journal entries properly reflect what is shown on the schedules.

While DAGS will continue to improve efficiencies within the current system, significant efficiencies are not anticipated to be achieved until implementation of a new financial system. A new financial system will improve internal controls and facilitate a more efficient financial reporting process, allowing more time for review and analysis of financial results.

Person Responsible	Wayne Horie, Administrator DAGS Accounting Division
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Anticipated Completion Date	June 30, 2017
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2014-002 – Accounting for Component Units and Proprietary Funds (Page 19) **(Significant Deficiency)**

Corrective Action Plan

Concur. DAGS will review the State's policy annually regarding the reporting of discretely presented Component Units and nonmajor Proprietary Funds as compared with Government Accounting Standards Board Statement Nos. 34 and 61.

Person Responsible	Wayne Horie, Administrator DAGS Accounting Division
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Anticipated Completion Date	June 30, 2015
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STATE OF HAWAII

CORRECTIVE ACTION PLAN

JUNE 30, 2014

2014-003 – IT General Control Deficiencies (Material Weakness)

(Page 21)

Corrective Action Plan

Concur. The Information and Communication Services Division (ICSD), the Department of Tax (DoTax), and the Department of Accounting and General Services (DAGS) address their respective IT control deficiencies in the areas of logical security, physical security, and change management as follows:

Logical security

ICSD

- **Finding:** Users with the ability to create or modify a user account on the mainframe were also authorized requestors (e.g., approvers) in the Online User Access Request system and have the ability to authorize access.
Response: The department will reevaluate and establish proper responsibilities to address segregation of duties between the ability to authorize the creation of a new RACF ID and the ability to modify their access rights.
- **Finding:** One of 27 FAMIS user access requests tested was not authorized by the DAGS Systems Accounting Branch Chief.
Response: A request to add users to FAMIS or change user's access in FAMIS will be routed to and approved by the DAGS System Accounting Branch Chief.
- **Finding:** Developers and ICSD Systems Support personnel have access to the Payroll online application causing a segregation of duties issue.
Response: ICSD will remove user access rights that cause a segregation of duties issue.
- **Finding:** Department of Labor and Industrial Relations employees have "Update" access to the Payroll libraries which is not commensurate with their job responsibilities.
Response: ICSD will remove user access rights that cause users to have access rights that are not commensurate with their job responsibilities.
- **Finding:** Two ICSD employees have "Update" access to the CWWS/Recon libraries which is not commensurate with their job responsibilities.
Response: ICSD will remove user access rights that cause users to have access rights that are not commensurate with their job responsibilities.

STATE OF HAWAII

CORRECTIVE ACTION PLAN

JUNE 30, 2014

- **Finding:** Developers have access to the security administration function in the mainframe for the FAMIS, Payroll, CWSWS, Recon, UI BPS, UI Tax and QWRS applications causing a segregation of duties issue.
Response: Developers will no longer be authorized to modify staff access rights in their security group. The Systems Services Branch will perform this function through requests initiated by an authorized manager using the Online User Access Request system. Departmental operator IDs with security administration capabilities will be changed to prevent unauthorized departmental FAMIS users from accessing the departmental security administration screen.
- **Finding:** A Resource Access Control Facility (RACF) account assigned to a user with group security administrator rights remained active for six months after the employee was terminated.
Response: A memo will be issued to remind ICSD supervisors to follow established procedures to remove user access for terminated employees on a timely basis.
- **Finding:** Certain password settings have limited security features enabled and do not comply with the current ICSD Information System Access Policy.
Response: Certain password parameters have been modified to increase complexity. Other password parameters will be changed to the extent possible, based on system parameter limitations.
- **Finding:** An annual user access review to confirm mainframe application users have appropriate access rights based on job function and user listings are free of terminated users was not performed.
Response: ICSD will coordinate with DAGS Accounting Division in performing annual user access reviews. Departments will be responsible for ensuring their employees have appropriate user access rights based on job function, and that inactive and terminated users are properly removed. On an annual basis, ICSD will provide a list of users for the departments to review, with changes submitted through the Online User Access Request system.
- **Finding:** No evidence that RACF daily logs were monitored for 39 of 41 days tested.
Response: ICSD will enforce established procedures to ensure evidence is retained for future audit purposes.
- **Finding:** Information security policies and standards were not periodically reviewed and updated.
Response: The information security policies and standards will be evaluated and updated on an annual basis, once vacant positions have been filled.

DoTax

STATE OF HAWAII

CORRECTIVE ACTION PLAN

JUNE 30, 2014

- **Finding:** User access rights on the ITPS were not reviewed on at least an annual basis.
Response: ITPS user access rights will be reviewed on an annual basis. Reviews will ensure user access rights are commensurate with job responsibilities and users not requiring ITPS access are de-provisioned in a timely manner.
- **Finding:** Weak password security.
Response: Password security functionality is limited for this mature application which has been in production use for 12+ years. The Tax System Modernization Program (TSM), which is scheduled to start implementation within the next year, will address improved password security parameters.

DAGS Systems Accounting

- **Finding:** Numerous FAMIS users whose job function does not include security administration had the ability to modify permissions assigned to users in their own department.
Response: DAGS will modify FAMIS operator IDs with security administration capabilities to prevent unauthorized departmental FAMIS users from accessing the security administration screen.

Physical Security

ICSD

- **Finding:** An annual user access review to confirm physical access was assigned based on job function was not performed.
Response: ICSD will establish procedures to ensure user access reviews are conducted annually and the reviews are documented.

Change Management

ICSD

- **Finding:** Developers have the ability to implement changes directly into the production environment for mainframe applications listed above, and those responsible for implementing changes into production are not confirming that changes are tested and authorized.
Response: Due to staff shortages, developers have been given access to certain mainframe applications' production environments. Until a long-term solution can be found, interim processes will be implemented and continually evaluated. ICSD will strengthen procedures to address segregation of duties issues related to moving load modules to the production environment. Also, developers will be given read only access rights to production datasets and libraries. Additional control activities will be required if alter access is needed.

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- **Finding:** No evidence that vendor-released mainframe modifications were tested and approved prior to implementation into the production environment.
Response: Proper testing and approvals were performed on vendor released modifications prior to moving to production, but not documented. ICSD will develop procedures to ensure that modifications are tested and approved prior to implementation and documentation is retained.
- **Finding:** No evidence that mainframe security patches and software releases were evaluated to determine if the patch or release was needed, the decision to implement that change was documented and approved, or approved changes were applied as scheduled.
Response: Proper evaluations were performed on vendor released software modifications and security patches prior to moving to production, but not documented. ICSD will develop procedures to ensure that mainframe security patches and software releases are evaluated and approved prior to moving to production and documentation is retained.

DoTax

- **Finding:** Developers have access to the production environment in the ITPS.
Response: DoTax will strengthen existing procedures for developers' access to the ITPS production environment until the TSM program is rolled out in the next year.

DAGS Systems and Procedures Office

- **Finding:** Developers have access to the production environment in the Statewide Inventory System.
Response: DAGS will follow the emergency procedures that ICSD is developing to allow temporary access for the developers to the production environment of the Statewide Inventory System.

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CORRECTIVE ACTION PLAN JUNE 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-004 – Schedule of Expenditures of Federal Awards (Significant Deficiency)

(Page 25)

Corrective Action Plan

Concur. DAGS' management has developed a well-defined process for Federal financial reporting that includes a comprehensive set of policies and procedures necessary to establish internal control over preparing the SEFA. DAGS will remind the departments to follow these established policies and procedures when preparing the SEFA.

Person Responsible Wayne Horie, Administrator
DAGS Accounting Division

Anticipated Completion Date June 30, 2015

2014-005 – Cash Management (Material Weakness) State Department of Defense

(Page 27)

CFDA No. 12.401: National Guard Military Operations and Maintenance (O & M) Projects
Direct Award from U.S. Department of Defense (Award W912J6-10-2-1000)

Corrective Action Plan

Concur. The State DOD's agency will be reminded to use the most effective prescribed method of drawing down Federal funds to minimize the time between the drawdown of Federal funds from the Federal government and the agency's disbursement of the funds for Federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to the agency's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

The agency will strengthen its internal controls regarding its cash management process. The agency will evaluate its method of drawing down Federal funds. The types of payments (e.g. vendor invoices, contracts, reimbursements and payroll) will be identified. A time table will be established based on the frequency of these different payment types. On a monthly basis, payments will be placed into a payment schedule. The frequency of the drawdowns will be based on this payment schedule. The agency will monitor the payments made with regard to the drawdowns to ensure that the drawdown is made as close as administratively feasible to the agency's actual cash outlay.

Each individual, supervisor, and administrator responsible for the agency's Federal grant payments will receive additional training in the cash management requirements. Written

CORRECTIVE ACTION PLAN

JUNE 30, 2014

Person Responsible Thomas T. Moriyasu, Business Management Officer
Administrative Services Office

2014-006 – Davis Bacon Act (Significant Deficiency) (Page 28)
State Department of Defense

Concur. The State DOD's agency will be reminded that construction contracts subject to the Davis Bacon Act are required to include a provision that the payment of prevailing wages as determined by the U.S. Department of Labor is required.

Person Responsible Thomas T. Moriyasu, Business Management Officer
Administrative Services Office

2014-007 – Suspension and Debarment (Significant Deficiency) (Page 29)
State Department of Defense

Corrective Action Plan

STATE OF HAWAII

CORRECTIVE ACTION PLAN

JUNE 30, 2014

Concur. The State DOD's agency will be reminded to document verification that any contractor performing work for a State agency utilizing Federal funds is not on the Excluded Parties List System (EPLS) maintained by the General Services Administration.

The agency will strengthen its internal controls regarding debarment and suspension verification. Personnel responsible for contracts will be reminded that they must check the Excluded Party List website, collect a certification from the entity, or add a clause or condition to the covered transaction with the entity. The debarment and suspension verification will be reviewed by the individual's supervisor before the contract is awarded. The agency will monitor the contract award process to ensure compliance with Federal requirements.

Person Responsible Thomas T. Moriyasu, Business Management Officer
Administrative Services Office

Anticipated Completion Date June 30, 2015

2014-008 – Reporting (Significant Deficiency) **State Department of Defense**

(Page 30)

CFDA No. 12.404: National Guard ChalleNGe Program
Direct award from U.S. Department of Defense (Award W912J6-14-2-4001)

Corrective Action Plan

Concur. The State DOD's agency will be reminded to submit the Quarterly Budget Summary Report to the National Guard Bureau no later than 30 days after the end of each quarter in accordance with the Mastery Youth Program Cooperative Agreement Section 402(3).

The agency will develop a tracking system of required reports to remind the preparers of the report due dates and the reviewers as to the reports to be monitored for timeliness of their preparation and submission. Once implemented the tracking system will be maintained and updated by an individual of the agency. The tracking system shall be reviewed by the individual's supervisor on a monthly basis.

The agency will strengthen its internal controls regarding its Federal grant reporting process. The agency's individuals, supervisors, and administrator responsible to prepare, review, and monitor Federal reports will receive additional training in the preparation and submitting of the reports. Written instructions on preparing and submitting the reports will be available as a reference. The Federal reports will be reviewed by the individual's supervisor before the report is submitted. The agency's administrator will monitor the report preparation, review and submitting process to ensure that the Federal reports are complete, accurate, and submitted by the required due date.

Person Responsible Juan Williams, Director

STATE OF HAWAII

CORRECTIVE ACTION PLAN JUNE 30, 2014

Youth Challenge Academy

Anticipated Completion Date June 30, 2015

2014-009 – Matching (Significant Deficiency) **State Department of Defense**

(Page 31)

CFDA No. 12.404: National Guard ChalleNGe Program
Direct award from U.S. Department of Defense (Award W912J6-14-2-4001)

Corrective Action Plan

Concur. The State DOD's agency will be reminded to use the correct matching percentage of 25% State share per House Committee Report 111-288.

The agency will strengthen its internal control over matching as part of the agency's reimbursement of the National Guard Bureau for the Youth Challenge Academy. The agency will provide training to its individuals, supervisors, and administrator responsible for determining the matching percentage used in the reimbursement of Federal funds. Written instructions will be available as a reference. Each request for Federal funds will be reviewed by the individual's supervisor to ensure that the proper matching project number is used. The agency's administrator will monitor the overall request for Federal funds process to ensure compliance with the Federal requirements.

Person Responsible Juan Williams, Director
Youth Challenge Academy

Anticipated Completion Date June 30, 2015

2014-010 – Reporting (Significant Deficiency) **State Department of Defense**

(Page 32)

CFDA No. 12.404: National Guard ChalleNGe Program
Direct award from U.S. Department of Defense (Award W912J6-14-2-4001)

Corrective Action Plan

Concur. The State DOD's agency will be reminded to wait until all audit findings are received before submitting a corrective action plan. The agency will ensure that the final ChalleNGe Operational and Resource Assessment (COR-A) report is received before responding to the findings. These steps will ensure that all findings are addressed and corrected by the department in a timely manner.

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CORRECTIVE ACTION PLAN JUNE 30, 2014

Additionally, the DOD will ensure that all contact information for State and Federal personnel is updated so that audit findings are communicated in a timely manner and the 30 day response time is not jeopardized by contact information being out of date.

Person Responsible: Juan Williams, Director
Youth Challenge Academy

Anticipated Completion Date: June 30, 2015

2014-011 – Cash Management (Material Weakness)

(Page 33)

State Department of Business, Economic Development and Tourism

CFDA No. 12.800: Air Force Defense Research Sciences Program (R&D Cluster)
Direct Award from the U.S. Department of Defense (Award FA8650-11-2-5605)

Corrective Action Plan

Concur. The State DBEDT's agency will be reminded to use the most effective prescribed method of drawing down Federal funds to minimize the time between the drawdown of Federal funds from the Federal government and the agency's disbursement of the funds for Federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to the agency's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

The agency will evaluate its method of drawing down Federal funds. The types of payments (e.g. vendor invoices, contracts, reimbursements and payroll) will be identified. A time table will be established based on the frequency of these different payment types. On a monthly basis, payments will be placed into a payment schedule. The frequency of the drawdowns will be based on this payment schedule. The agency will monitor the payments made with regard to the drawdowns to ensure that the drawdown is made as close as administratively feasible to the agency's actual cash outlay.

Each individual, supervisor, and administrator responsible for the agency's Federal grant payments will be trained in the cash management requirements. Written instructions will be available as a reference. The drawdown/payment process will be reviewed by the individual's supervisor on a periodic basis. The agency's administrator will monitor the overall cash management activities to ensure compliance with the Federal requirements.

Person Responsible Stanley Osserman Jr., Manager
HCATT

Anticipated Completion Date June 30, 2015

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2014-012 – Reporting (Significant Deficiency)

(Page 34)

State Department of Land and Natural Resources

CFDA No. 15.611: Wildlife Restoration and Basic Hunter Education (Fish & Wildlife Cluster)
Direct Award from the U.S. Department of Interior (Award F13AF00962)

Corrective Action Plan

Concur. The State DLNR's agency will be reminded that the interim performance report shall be submitted by the required due date.

The agency will develop a tracking system of required reports to remind the preparers of the report due dates and the reviewers as to the reports to be monitored for timeliness of their preparation and submission. Once implemented, the tracking system will be maintained and updated by an individual of the agency. The tracking system shall be reviewed by the individual's supervisor on a monthly basis.

The agency will strengthen its internal controls regarding its Federal grant reporting process. The agency's individuals, supervisors, and administrator responsible to prepare, review, and monitor Federal reports will receive additional training in the preparation and submitting of the reports. Written instructions on preparing and submitting the reports will be available as a reference. The Federal reports will be reviewed by the individual's supervisor before the report is submitted. The agency's administrator will monitor the report preparation, review and submitting process to ensure that the Federal reports are complete, accurate, and submitted by the required due date.

Person Responsible	Lisa Hadway, Administrator Division of Forestry and Wildlife
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Anticipated Completion Date	June 30, 2015
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2014-013 – Cash Management (Significant Deficiency)

(Page 35)

State Department of Land and Natural Resources

CFDA No. 15.611: Wildlife Restoration and Basic Hunter Education (Fish & Wildlife Cluster)
Direct Award from the U.S. Department of Interior (Award F11AF00146, F12AF01330,
F12AF01331, F13AF00963, F13AF00962)

Corrective Action Plan

Concur. The State DLNR's agency will be reminded to use the most effective prescribed method of drawing down Federal funds to minimize the time between the drawdown of Federal funds from the Federal government and the agency's disbursement of the funds for Federal

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program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to the agency's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

The agency will evaluate its method of drawing down Federal funds. The types of payments (e.g. vendor invoices, contracts, reimbursements and payroll) will be identified. A time table will be established based on the frequency of these different payment types. On a monthly basis, payments will be placed into a payment schedule. The frequency of the drawdowns will be based on this payment schedule. The agency will monitor the payments made with regard to the drawdowns to ensure that the drawdown is made as close as administratively feasible to the agency's actual cash outlay.

Each individual, supervisor, and administrator responsible for the agency's Federal grant payments will receive additional training in the cash management requirements. Written instructions will be available as a reference. The drawdown/payment process will be reviewed by the individual's supervisor on a periodic basis. The agency's administrator will monitor the overall cash management activities to ensure compliance with the Federal requirements.

Person Responsible Lisa Hadway, Administrator
Division of Forestry and Wildlife

Anticipated Completion Date June 30, 2015

2014-014 – Equipment Management (Significant Deficiency) **State Department of Land and Natural Resources**

(Page 36)

CFDA No. 15.611: Wildlife Restoration and Basic Hunter Education (Fish & Wildlife Cluster)
Direct Program from the U.S. Department of Interior (Award F12AF01330, F12AF01331,
F13AF00951 and F13AF00962)

Corrective Action Plan

Concur. The State DLNR's agency will be reminded that equipment purchases will be recorded to the State's Fixed Asset Inventory System (FAIS) in the calendar quarter that the equipment was received. The finding noted will be corrected and the fixed asset recorded to the FAIS.

The State's FAIS instruction manual has defined policies and procedures regarding the recording of equipment and real property management. State agencies are required to prepare and submit a State Form 17a for equipment purchases at the same time the equipment purchases are paid.

The State agency will strengthen its internal control over compliance with regard to recording equipment purchases to the State's FAIS. The agency will provide training to its individuals,

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supervisors, and administrator responsible for its procurement and payment process. Written instructions will be available as a reference. The procurement, payment, and State Form 17a process will be reviewed by the individual's supervisor for each equipment purchase. The agency's administrator will monitor the overall procurement and payment process to ensure compliance with the Federal requirements.

Person Responsible Lisa Hadway, Administrator
Division of Forestry and Wildlife

Anticipated Completion Date June 30, 2015

2014-015 – Reporting (Significant Deficiency) **State Department of Land and Natural Resources**

(Page 37)

CFDA No. 15.615: Cooperative Endangered Species Conservation Fund (R & D Cluster)
Direct Program from the U.S. Department of Interior (Award F11AP00494)

Corrective Action Plan

Concur. The State DLNR's agency will be reminded that the Federal Funding Accountability and Transparency Act (FFATA) subaward report for the Cooperative Endangered Species Conservation Fund Grant is subject to the FFATA requirement and should be submitted timely.

The agency will develop a tracking system of the required reports to remind the preparers of the report due dates and the reviewers as to the reports to be monitored for timeliness of their preparation and submission. Once implemented the tracking system will be maintained and updated by staff of the agency. The tracking system shall be reviewed by the Program's Director on a periodic basis.

The agency will strengthen its internal controls regarding its Federal reporting process. The responsibility to prepare, review and submit the FFATA reports has been identified and assigned. Additional training will be provided as needed. Written instructions will be available as a reference. The Federal reports will be reviewed by the preparer's supervisor before the report is submitted. The agency's administrator will monitor the overall Federal reporting process to ensure compliance with the FFATA.

Person Responsible Lisa Hadway, Administrator
Division of Forestry and Wildlife

Anticipated Completion Date June 30, 2015

2014-016 – Cash Management (Material Weakness)

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State Department of Land and Natural Resources

CFDA No. 15.615: Cooperative Endangered Species Conservation Fund (R & D Cluster)
Direct Award from the U.S. Department of Interior (Award F13AF01069 and F13AF01068)

Corrective Action Plan

Concur. The State DLNR's agency will be reminded to use the most effective prescribed method of drawing down Federal funds to minimize the time between the drawdown of Federal funds from the Federal government and the agency's disbursement of the funds for Federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to the agency's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

The agency will evaluate its method of drawing down Federal funds. The types of payments (e.g. vendor invoices, contracts, reimbursements and payroll) will be identified. A time table will be established based on the frequency of these different payment types. On a monthly basis, payments will be placed into a payment schedule. The frequency of the drawdowns will be based on this payment schedule. The agency will monitor the payments made with regard to the drawdowns to ensure that the drawdown is made as close as administratively feasible to the agency's actual cash outlay.

Each individual, supervisor, and administrator responsible for the agency's Federal grant payments will receive additional training in the cash management requirements. Written instructions will be available as a reference. The drawdown/payment process will be reviewed by the individual's supervisor on a periodic basis. The agency's administrator will monitor the overall cash management activities to ensure compliance with the Federal requirements.

Person Responsible Lisa Hadway, Administrator
Division of Forestry and Wildlife

Anticipated Completion Date June 30, 2015

2014-017 – Subrecipient Monitoring (Significant Deficiency)
State Department of Land and Natural Resources

(Page 39)

CFDA No. 15.904: Historic Preservation Fund Grants-In-Aid
Direct Award from the U.S. Department of Interior (Awards 15-12-41918)

Corrective Action Plan

Concur. The State DLNR's agency will be reminded to conduct its subrecipient monitoring responsibilities for subrecipient grants.

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For future subrecipient grants, the agency will include in its subrecipient agreements the: (1) Federal award information; (2) grant compliance requirements; (3) subrecipient activities will be monitored; (4) subrecipient findings will be resolved; (5) impact of subrecipient noncompliance will be evaluated; and (6) for subrecipient grants with annual expenditures in excess of \$500,000, a single audit will be requested in compliance with OMB Circular A-133.

Person Responsible Alan Downer, Administrator
Historic Preservation Division

2014-018 – Allowable Costs (Significant Deficiency)
State Department of Land and Natural Resources

CFDA No. 15.904: Historic Preservation Fund Grants-In-Aid
Direct Award from the U.S. Department of Interior (Awards P14AF00129)

Concur. The State DLNR's agency will be reminded that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.

CORRECTIVE ACTION PLAN

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Person Responsible Alan Downer, Administrator
Historic Preservation Division

2014-019 – Special Tests and Provisions (Significant Deficiency) (Page 41)
State Department of Land and Natural Resources

Concur. The State DLNR'S agency will develop and implement written procedures ensuring that Native Hawaiian Organizations are provided opportunities to comment on National Register of Historic Places nominations consistent with the requirement of the National Historic Preservation Act. The written procedures will be available for staff reference. The agency's administrator will monitor implementation to ensure application of the process

Anticipated Completion Date May 30, 2015

2014-020 – Special Tests and Provisions (Significant Deficiency) (Page 42)
State Department of Labor and Industrial Relations

Concur. The State DLIR' agency will be reminded that it needs to complete a minimum number of Unemployment Insurance (UI) cases timely in order to provide the basis for assessing the accuracy of UI payments and to ensure accurate administration of State law, rules, and

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JUNE 30, 2014

procedures. Policies and procedures in conducting investigations will be revised in order to meet the agency's minimum number of UI cases.

A review of the process was undertaken and it was determined that it was taking investigators longer to complete cases, which added to the existing backlog of cases. In order to reduce direct case time, changes were made in Benefit Accuracy Measurement (BAM) methodology beginning April 2014 based on the guidelines found in UI-PL-28-13, BAM Investigative Coding Guidance. Other changes made include reducing the number of in-person interviews conducted at local offices to decrease the travel time for the investigators and limiting the scope of weekly earnings verification for partial and part-total claimants from all weeks paid on a claim to only the key week payment. In order to monitor the performance and expected improvements, time lapse reports will be reviewed weekly with staff. Regularly scheduled meetings will be held with the investigators to encourage ideas on how to improve efficiency in conducting case investigations. The supervisor will monitor progress of investigators to ensure that they meet individual deadlines for their cases.

Person Responsible	Anne Eustaquio, Program Development Officer Unemployment Insurance Division
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Anticipated Completion Date	June 30, 2015
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2014-021 – Reporting (Significant Deficiency)

(Page 44)

State Department of Labor and Industrial Relations

CFDA No. 17.258 and 17.259 and 17.278: Workforce Investment Act Cluster
Direct Award from the U.S. Department of Labor (Awards AA-24088-13-55-A-15, AA22931-12-55-A-15 and AA-21391-11-55-A-15)

Corrective Action Plan

Concur. The State DLIR's agency will be reminded that the Federal Funding Accountability and Transparency Act (FFATA) subaward report for the Workforce Investment Act Grants are subject to the FFATA requirement and should be submitted timely.

The agency will develop a tracking system of the required reports to remind the preparers of the report due dates and the reviewers as to the reports to be monitored for timeliness of their preparation and submission. Once implemented the tracking system will be maintained and updated by staff of the agency. The tracking system shall be reviewed by the Program's Director on a periodic basis.

The agency will strengthen its internal controls regarding its Federal reporting process. The responsibility to prepare, review and submit the FFATA reports has been identified and assigned. Additional training will be provided as needed. Written instructions will be available

STATE OF HAWAII

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as a reference. The Federal reports will be reviewed by the preparer's supervisor before the report is submitted. The agency's administrator will monitor the overall Federal reporting process to ensure compliance with the FFATA.

Person Responsible Norman Ahu, Business Management Officer
DLIR

Anticipated Completion Date June 30, 2015

2014-022 – Cash Management (Material Weakness) **State Department of Defense**

(Page 45)

CFDA No. 97.036: Disaster Grants-Public Assistance (Presidentially Declared Disasters)
Direct Award from the U.S. Department of Homeland Security (Award FEMA-1967-DR-HI,
FEMA-1640-DR-HI, FEMA-1575-DR-HI)

Corrective Action Plan

Concur. The State DOD's agency will be reminded to use the most effective prescribed method of drawing down Federal funds to minimize the time between the drawdown of Federal funds from the Federal government and the agency's disbursement of the funds for Federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to the agency's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

The agency will evaluate its method of drawing down Federal funds. The types of payments (e.g. vendor invoices, contracts, reimbursements and payroll) will be identified. A time table will be established based on the frequency of these different payment types. On a monthly basis, payments will be placed into a payment schedule. The frequency of the drawdowns will be based on this payment schedule. The agency will monitor the payments made with regard to the drawdowns to ensure that the drawdown is made as close as administratively feasible to the agency's actual cash outlay.

Each individual, supervisor, and administrator responsible for the agency's Federal grant payments will receive additional training in the cash management requirements. Written instructions will be available as a reference. The drawdown/payment process will be reviewed by the individual's supervisor on a periodic basis. The agency's administrator will monitor the overall cash management activities to ensure compliance with the Federal requirements.

Person Responsible Thomas T. Moriyasu, Business Management Officer
Administrative Services Office

Anticipated Completion Date June 30, 2015

STATE OF HAWAII

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2014-023 – Cash Management (Significant Deficiency)

(Page 46)

State Department of Defense

CFDA No. 97.042: Emergency Management Performance Grants

Direct Award from the U.S. Department of Homeland Security (Award EMW-2011-EP-00072 and EMW-2012-EP-00012)

Corrective Action Plan

Concur. The State DOD's agency will be reminded to use the most effective prescribed method of drawing down Federal funds to minimize the time between the drawdown of Federal funds from the Federal government and the agency's disbursement of the funds for Federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to the agency's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

The agency will evaluate its method of drawing down Federal funds. The types of payments (e.g. vendor invoices, contracts, reimbursements and payroll) will be identified. A time table will be established based on the frequency of these different payment types. On a monthly basis, payments will be placed into a payment schedule. The frequency of the drawdowns will be based on this payment schedule. The agency will monitor the payments made with regard to the drawdowns to ensure that the drawdown is made as close as administratively feasible to the agency's actual cash outlay.

Each individual, supervisor, and administrator responsible for the agency's Federal grant payments will receive additional training in the cash management requirements. Written instructions will be available as a reference. The drawdown/payment process will be reviewed by the individual's supervisor on a periodic basis. The agency's administrator will monitor the overall cash management activities to ensure compliance with the Federal requirements.

Person Responsible	Thomas T. Moriyasu, Business Management Officer Administrative Services Office
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Anticipated Completion Date	June 30, 2015
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2014-024 – Reporting (Significant Deficiency)

(Page 47)

State Department of Defense

CFDA No. 97.042: Emergency Management Performance Grants

Direct Award from the U.S. Department of Homeland Security (Award EMW-2012-EP-00012 and EMW-2013-EP-00006)

STATE OF HAWAII

CORRECTIVE ACTION PLAN

JUNE 30, 2014

Corrective Action Plan

Concur. The State DOD's agency will be reminded to submit the Federal Financial Reports (SF-425, "FFR") and Quarterly Progress Reports to the Federal Emergency Management Agency (FEMA) within 30 days following the quarter end.

The agency will strengthen its internal controls regarding its Federal reporting process. The agency's individuals, supervisors, and administrator responsible to prepare, review, and monitor Federal reports will receive additional training in the preparation and submitting of the reports. Written instructions on preparing and submitting the reports will be available as a reference. The Federal reports will be reviewed by the individual's supervisor and compared to the State's general ledger before the report is submitted. The agency's administrator will monitor the report preparation, review and submitting process to ensure that the Federal reports are complete, accurate, and submitted by the required due date.

Person Responsible Thomas T. Moriyasu, Business Management Officer
Administrative Services Office

Anticipated Completion Date June 30, 2015

2014-025 – Reporting (Significant Deficiency) **State Department of Defense**

(Page 49)

CFDA No. 97.042: Emergency Management Performance Grants
Direct Award from the U.S. Department of Homeland Security (Award EMW-2013-EP-00006)

Corrective Action Plan

Concur. The State DOD's agency will be reminded that the Federal Funding Accountability and Transparency Act (FFATA) requires recipients to file a FFATA sub-award report by the end of the month following the month in which the recipient awards any sub-grant greater than or equal to \$25,000. The DOD agency's grant is subject to the FFATA requirements. The agency did not appropriately report its sub-awards as required by FFATA requirements.

The agency will develop a tracking system of required reports to remind the preparers as to the report due dates and the reviewers as to the reports to be monitored for timeliness of their preparation and submission. Once implemented the tracking system will be maintained and updated by an individual of the agency. The tracking system shall be reviewed by the individual's supervisor on a monthly basis.

The agency will strengthen its internal controls regarding its Federal grant reporting process. The agency's individuals, supervisors, and administrator responsible to prepare, review, and monitor Federal reports will receive additional training in the preparation and submitting of the

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JUNE 30, 2014

reports. Written instructions on preparing and submitting the reports will be available as a reference. The Federal reports will be reviewed by the individual's supervisor before the report is submitted. The agency's administrator will monitor the overall Federal reporting process to ensure compliance with the FFATA.

Person Responsible Thomas T. Moriyasu, Business Management Officer
Administrative Services Office

Anticipated Completion Date June 30, 2015

2014-026 – Cash Management (Significant Deficiency) **State Department of Defense**

(Page 50)

CFDA No. 97.056: Port Security Grant Program
Direct Award from the U.S. Department of Homeland Security (Award 2008-GB-T8-K069, 2009-PU-T9-K035 and 2010-PU-T0-K010)

Corrective Action Plan

Concur. The State DOD's agency will be reminded to use the most effective prescribed method of drawing down Federal funds to minimize the time between the drawdown of Federal funds from the Federal government and the agency's disbursement of the funds for Federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to the agency's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

The agency will evaluate its method of drawing down Federal funds. The types of payments (e.g. vendor invoices, contracts, reimbursements and payroll) will be identified. A time table will be established based on the frequency of these different payment types. On a monthly basis, payments will be placed into a payment schedule. The frequency of the drawdowns will be based on this payment schedule. The agency will monitor the payments made with regard to the drawdowns to ensure that the drawdown is made as close as administratively feasible to the agency's actual cash outlay.

Each individual, supervisor, and administrator responsible for the agency's Federal grant payments will be trained in the cash management requirements. Written instructions will be available as a reference. The drawdown/payment process will be reviewed by the individual's supervisor on a periodic basis. The agency's administrator will monitor the overall cash management activities to ensure compliance with the Federal requirements.

Person Responsible Thomas T. Moriyasu, Business Management Officer
Administrative Services Office

STATE OF HAWAII

CORRECTIVE ACTION PLAN JUNE 30, 2014

Anticipated Completion Date June 30, 2015

2014-027 – Period of Availability (Significant Deficiency) **State Department of Defense**

(Page 51)

CFDA No. 97.056: Port Security Grant Program
Direct Award from the U.S. Department of Homeland Security (Award 2008-GB-T8-K069)

Corrective Action Plan

Concur. The State DOD's agency will be reminded that Federal awards may specify a time period during which the agency may use the Federal funds. Where a funding period is specified, the agency may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

The agency will strengthen its internal controls regarding its payment of expenditures within the period of availability. The agency's individuals, supervisors, and administrator responsible for the program's expenditure payment process will receive additional training. Written instructions will be available as a reference. The program's purchases will be reviewed by the individual's supervisor before it is submitted for payment. The agency's administrator will monitor the overall purchases and payment process to ensure compliance with the Federal requirements.

Person Responsible Thomas T. Moriyasu, Business Management Officer
Administrative Services Office

Anticipated Completion Date June 30, 2015

2014-028 – Reporting (Significant Deficiency) **State Department of Defense**

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CFDA No. 97.056: Port Security Grant Program
Direct Award from the U.S. Department of Homeland Security (Award 2008-GB-T8-K069)

Corrective Action Plan

Concur. The State DOD's agency will be reminded that Federal reports SF-425 and SF-PPR shall be submitted by the required due date.

The agency will develop a tracking system of required reports to remind the preparers of the report due dates and the reviewers as to the reports to be monitored for timeliness of their preparation and submission. Once implemented the tracking system will be maintained and

STATE OF HAWAII

CORRECTIVE ACTION PLAN

JUNE 30, 2014

updated by an individual of the agency. The tracking system shall be reviewed by the individual's supervisor on a monthly basis.

The agency will strengthen its internal controls regarding its Federal reporting process. The agency's individuals, supervisors, and administrator responsible to prepare, review, and monitor Federal reports will be trained in the preparation and submitting of the reports. Written instructions on preparing and submitting the reports will be available as a reference. The Federal reports will be reviewed by the individual's supervisor before the report is submitted. The agency's administrator will monitor the report preparation, review and submitting process to ensure that the Federal reports are complete, accurate, and submitted by the required due date.

Person Responsible Thomas T. Moriyasu, Business Management Officer
Administrative Services Office

Anticipated Completion Date June 30, 2015

2014-029 – Period of Availability (Material Weakness)

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State Department of Defense

CFDA No. 97.067: Homeland Security Grant Program

Direct Award from the U.S. Department of Homeland Security (Award 2010-SS-T0-0006)

Corrective Action Plan

Concur. The State DOD's agency will be reminded that Federal awards may specify a time period during which the agency may use the Federal funds. Where a funding period is specified, the agency may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

The agency will strengthen its internal controls regarding its payment of expenditures within the period of availability. The agency's individuals, supervisors, and administrator responsible for the program's expenditure payment process will receive additional training. Written instructions will be available as a reference. The program's purchases will be reviewed by the individual's supervisor before it is submitted for payment. The agency's administrator will monitor the overall purchases and payment process to ensure compliance with the Federal requirements.

Person Responsible Thomas T. Moriyasu, Business Management Officer
Administrative Services Office

Anticipated Completion Date June 30, 2015

2014-030 – Reporting (Significant Deficiency)

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STATE OF HAWAII

CORRECTIVE ACTION PLAN JUNE 30, 2014

State Department of Defense

CFDA No. 97.067: Homeland Security Grant Program

Direct Award from the U.S. Department of Homeland Security (Award 2010-SS-T0-0006)

Corrective Action Plan

Concur. The State DOD's agency will be reminded that the Federal Funding Accountability and Transparency Act (FFATA) subaward report for the Homeland Security Grants are subject to the FFATA requirement and should be submitted timely.

The agency will develop a tracking system of the required reports to remind the preparers of the report due dates and the reviewers as to the reports to be monitored for timeliness of their preparation and submission. Once implemented the tracking system will be maintained and updated by staff of the agency. The tracking system shall be reviewed by the Program's Director on a periodic basis.

The agency will strengthen its internal controls regarding its Federal reporting process. The responsibility to prepare, review and submit the FFATA reports has been identified and assigned. Additional training will be provided as needed. Written instructions will be available as a reference. The Federal reports will be reviewed by the preparer's supervisor before the report is submitted. The agency's administrator will monitor the overall Federal reporting process to ensure compliance with the FFATA.

Person Responsible	Thomas T. Moriyasu, Business Management Officer Administrative Services Office
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Anticipated Completion Date	June 30, 2015
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