

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
ANNUAL REPORT ON GOALS, OBJECTIVES AND POLICIES

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Program ID/Title: AGS-104/Internal Post-Audit

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I. Goal

To achieve compliance with State laws by the State's Executive departments, agencies and other entities on accounting procedures and internal control systems and other audit requirements of State laws through financial and compliance audits performed by external auditors and the Audit Division.

II. Objectives and Policies

- A. #1 – To ensure that the State's Executive departments and agencies maintain the accounting and internal control systems and that the systems function effectively as designed and; as applicable to certain State departments and other entities based on State laws, to ensure that such State departments and other entities comply with the accounting and internal control policies and procedures and related State laws applicable to such State departments and other entities.
- B. #2 –To schedule an adequate audit cycle to ensure that every department in the executive branch will be audited at least once every six years.
- C. #3 - To establish verification procedures to comply with the verification section of Act 001 2017 First Special Session relating to government (Act). As deemed necessary, assist the Comptroller in developing rules exempt from the requirements of Hawaii Revised Statutes (HRS) 91 for complying with the verification requirements of the Act. Develop the certification statement and related supporting documents to comply with the certification requirements of the Act.

III. Action Plan and Timetable

- A. Objective/Policy #1 – To ensure that the State's Executive departments and agencies maintain the accounting and internal control systems and that the systems function effectively as designed and; as applicable to certain State

departments and other entities based on State laws, to ensure that such State departments and other entities comply with the accounting and internal control policies and procedures and related State laws applicable to such State departments and other entities.

1. Required Actions.

- a. Define the target group.
- b. Establish for the fiscal year a plan for the review of audits of financial statements conducted by external auditors and for the financial and compliance audits to be performed by the Audit Division.
- c. Report the results of the review of the audited financial statements of departments and agencies conducted by external auditors and the audits conducted by the Audit Division.

2. Past Year Accomplishments.

- a. The target group was defined.
- b. Reviews of 11 audits of departments performed by external auditors were completed during the fiscal year. The Audit Division completed reviews of the audited financial statements and related reports of such audits. Additional information is provided in c. and d. below.
- c. 12 of 18 departments covered by the 11 audits identified noncompliance with the accounting system or internal controls including noncompliance with Federal award program compliance requirements. The departments and agencies have responded to these findings and have or are in the process of implementing corrective actions.
- d. 63 total audit findings were reported for the fiscal year. The average number of findings of 6 for each department represented an increase of 27% from the previous year.
- e. 12 audits were completed by the Audit Division during the fiscal year. Additional information is provided in f. and g. below.
- f. 10 of the 12 departments and entities covered by the 12 audits identified noncompliance with the departments' and other entities' accounting system or internal control policies and procedures.

- g. 189 audit findings were reported for the fiscal year. The average number of findings of 16 for each entity audited represented an increase of 2% from the previous year. Responses to these findings were received indicating that corrective actions were implemented or were in the process of implementation.
- 3. One Year
 - a. Define the target group.
 - b. Monitor the progress of the plan for the review of audited financial statements performed by external auditors and for the audits to be performed by the Audit Division.
 - c. Review the completed audit reports as to noncompliance with established accounting procedures and internal controls and that written policies and procedures are functioning as designed.
 - d. Report the results of the review of the audits of financial statements of departments and agencies conducted by external auditors and the financial and compliance audits conducted by the Audit Division.
 - e. Conduct follow-up inquiries, as necessary, on the results of the audits.
- 4. Two Years – Continue the implementation timetable of the first year.
- 5. Five Years – Continue the implementation timetable of the prior years.
- B. Objective/Policy #2 –To schedule an adequate audit cycle to ensure that every department in the executive branch will be audited at least once every six years.
 - 1. Required actions.
 - a. Define the target group.
 - b. Monitor and review the audited financial statements of executive departments and agencies performed by external auditors.
 - c. Establish a plan for the audits to be performed by the Audit Division.
 - d. Report the results of the monitoring and audits.

2. Past Year Accomplishments.

- a. The target group to be audited was defined.
- b. Planned for the review of 21 financial and compliance audits to be performed by external auditors and 19 financial and compliance audits to be performed by the Audit Division were established.
- c. 11 audit reports of audits of departments conducted by external auditors were reviewed by the Audit Division and 12 audits were completed by the Audit Division during the fiscal year.
- d. Conducted follow-up inquiries, as necessary, on the audit findings identified by external auditors and the Audit Division.

3. One Year

- a. Define the target group to be audited.
- b. Establish a plan for the review of audits conducted by external auditors and audits to be conducted by the Audit Division.
- c. Review audit reports of planned audits performed by external auditors and perform audits by the Audit Division.
- d. Determine if the average number of years between audits for the target group is 6 years or less.
- e. Conduct follow-up inquiries as to scheduled audits not completed on time.

4. Two Years – Continue the implementation timetable of the first year.

5. Five Years – Continue the implementation timetable of the prior years.

- C. Objective/Policy #3 – To establish verification procedures to comply with the verification section of Act 001, 2017 First Special Session (Act 1) relating to government. As deemed necessary, assist the Comptroller in developing rules exempt from the requirements of Hawaii Revised Statutes (HRS) 91 to comply with the verification requirements of the Act. Develop the certification statement and related supporting documents to comply with the certification requirements of the Act.

1. Required Actions

- a. Define the target group.
- b. Develop an understanding of the accounting and expenditure processes and procedures of the Honolulu Authority for Rapid Transportation (HART).
- c. Develop a general and detailed verification plan and related procedures for complying with the verification section of the Act.
- d. Develop the certification statement and related supporting documents to comply with the certification requirements of the Act.
- e. Perform the verification procedures and report the results in the certification statement.

2. Past Year Accomplishments

- a. The target group has been identified.
- b. An understanding of the accounting and expenditure processes and procedures of HART was achieved when the Audit Division commenced the verification process in January 2018.
- c. Detailed verification procedures were developed when the Audit Division commenced its fieldwork in January 2018.
- d. The certification statement and related supporting schedules were developed when the Audit Division commenced fieldwork in January 2018.
- e. Verification procedures were performed for the calendar year 1st and 2nd quarters of 2018. Certification statements and supporting schedules for the calendar year 1st and 2nd quarters 2018 were issued by the Comptroller in April and July 2018, respectively.

3. One Year

- a. Define the target group.
- b. Develop an understanding of the accounting and expenditure processes and procedures of the rapid transportation authority.
- c. Develop a general and detailed verification plan and related procedures for complying with the verification section of the Act.

- d. Develop the certification statement and related supporting documents to comply with the certification requirements of the Act.
 - e. Perform the verification procedures and report the results in the certification statement.
- 4. Two Years – Continue the implementation timetable of the first year.
- 5. Five Years – Continue the implementation timetable of the prior years.

IV. Performance Measures

- A. Act 001, 2017 First Special Session - Program will establish standard measures of performance based on the number of verifications and related certification statements issued for each fiscal year. Certification statements will be issued on a quarterly basis commencing with the calendar year 1st quarter 2018. Performance standards will be developed as the Audit Division gains more knowledge and experience with the issuance of certification statements.
- B. Program Standard Measure – Program standard will be the completion of reviews of audited financial statements performed by external auditors of departments and agencies with follow-up, if necessary, by the Audit Division and the completion of planned audits performed by the Audit Divisions.
- C. Cost Effective Measure – Cost to conduct the audits by the program will be monitored to ensure that they are reasonable and fair and do not exceed budgeted costs and comparable audit fees.