

STATE OF HAWAII

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



CURT T. OTAGURO
COMPTROLLER

Independent Audit Contracted and Administered by
Office of the State Auditor

State of Hawaii
Single Audit of Federal Financial Assistance Programs
Table of Contents
Year Ended June 30, 2021

Page(s)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
UNIFORM GUIDANCE COMPLIANCE REPORTS**

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*

Report of Independent Auditors on Compliance for Each Major Program,
Internal Control Over Compliance, and the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 9–13

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 14–16

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results 17–18

Section II – Financial Statement Findings 19–24

Section III – Federal Award Findings and Questioned Costs 25–35

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CORRECTIVE ACTION PLAN

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND UNIFORM
GUIDANCE COMPLIANCE REPORTS**



**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, 2021, 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 30, 2021.

Our report includes a reference to other auditors who audited the financial statements of the Department of Transportation – Airports Division, which is a major enterprise fund; 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; and the Hawaii Public Housing 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.

999 Bishop Street
Suite 1900
Honolulu, HI 96813

OFFICE 808.531.3400
FAX 808.531.3433
accuityllp.com





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 did identify certain deficiencies in internal controls 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 deficiency described in the accompanying schedule of findings and questioned costs as Finding No. 2021-001 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 Findings No. 2021-002 and 2021-003 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.

Accuity LLP

Honolulu, Hawaii
December 30, 2021



**Report of Independent Auditors on Compliance for Each Major Program,
Internal Control Over Compliance, and the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

The Auditor
State of Hawaii

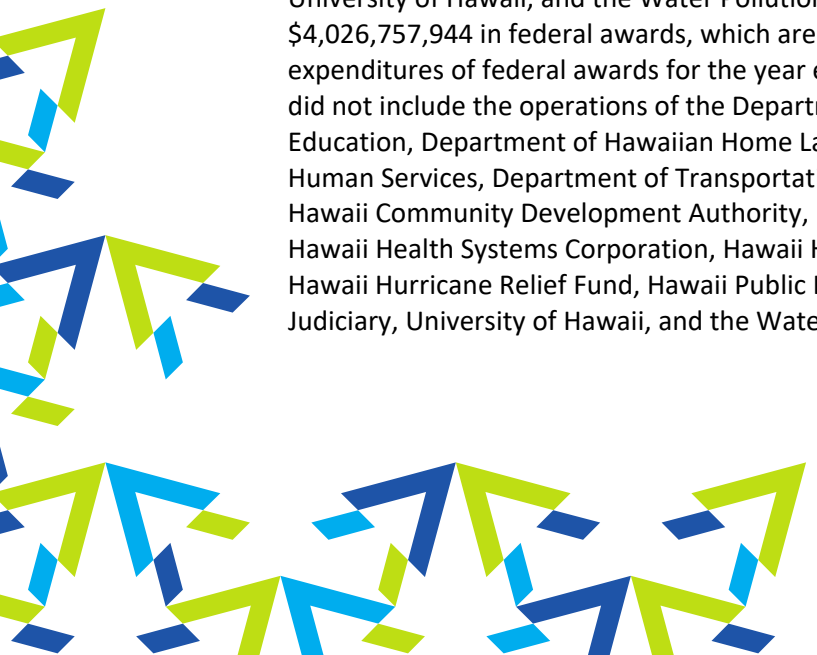
Report on Compliance for Each Major Federal Program


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) *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, 2021. 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 \$4,026,757,944 in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2021. 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, 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

999 Bishop Street
Suite 1900
Honolulu, HI 96813

OFFICE 808.531.3400
FAX 808.531.3433
accuityllp.com





units separately engaged auditors to perform audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or did not require an audit in accordance with the Uniform Guidance.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance 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 major federal programs. However, our audit does not provide a legal determination of the State’s compliance.

Basis for Qualified Opinion on Major Federal Program

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding Assistance Listing (AL) No. 17.225 and AL No. COVID-19 17.225, *Unemployment Insurance*, as described in Finding No. 2021-005 for special tests and provisions. 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 Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Major Federal Program 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, 2021.

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, 2021.



Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings No. 2021-004 and 2021-006 through 2021-010. 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 the Uniform Guidance, 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 have not been 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 Findings No. 2021-004 and 2021-005 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 Findings No. 2021-006 through 2021-010 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2021, 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 30, 2021, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Department of Transportation – Airports Division, 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 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 the Uniform Guidance 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 15, 2022

State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE			
U.S. Department of Agriculture Direct Programs			
Plant and Animal Disease, Pest Control and Animal Care	10.025	\$ 126,578	\$ -
Wildlife Services – Plant and Animal Disease, Pest Control, and Animal Care	10.028	3,589	-
Inspection Grading and Standardization	10.162	4,275	-
Market Protection and Promotion	10.163	9,600	-
Specialty Crop Block Grant Program – Farm Bill	10.170	459,123	-
Trade Mitigation Program Eligible Recipient Agency Operational Fund	10.178	2,081,405	2,081,405
Rural Business Development Grant	10.351	53,252	-
Senior Farmers Market Nutrition Program	10.576	447,154	435,676
Cooperative Forestry Assistance	10.664	1,040,463	-
Wood Utilization Assistance	10.674	112,084	-
Urban and Community Forestry Program	10.675	72,645	19,901
Forest Legacy Program	10.676	3,895,287	-
Forest Stewardship Program	10.678	189,965	-
Forest Health Protection	10.680	698,395	-
Food Distribution Cluster			
Commodity Supplemental Food Program	10.565	1,136,859	1,100,732
Emergency Food Assistance Program (Administrative Costs)	10.568	559,174	486,735
Emergency Food Assistance Program (Food Commodities)	10.569	4,037,606	4,037,606
Total Food Distribution Cluster		<u>5,733,639</u>	<u>5,625,073</u>
Total U.S. Department of Agriculture Direct Programs		14,927,454	8,162,055
Pass-through from the State Department of Education			
Child Nutrition Cluster			
School Breakfast Program (1420-C)	10.553	42,701	-
National School Lunch Program (1420-C)	10.555	67,829	-
Total Child Nutrition Cluster		<u>110,530</u>	-
Pass-through from the State Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster) (DHS-18-SNAP-5074)	10.561	386,185	-
Total U.S. Department of Agriculture Pass-through Programs		<u>496,715</u>	-
Total U.S. Department of Agriculture		<u>15,424,169</u>	<u>8,162,055</u>
U.S. DEPARTMENT OF COMMERCE			
U.S. Department of Commerce Direct Programs			
Interjurisdictional Fisheries Act of 1986	11.407	63,239	-
Fishery Products Inspection and Certification	11.413	4,210	-
Coastal Zone Management Administration Awards	11.419	2,330,384	1,446,278
Marine Sanctuary Program	11.429	154,148	-
Pacific Fisheries Data Program	11.437	350,656	-
Meteorologic and Hydrologic Modernization Development	11.467	566,806	532,722
Unallied Science Program	11.472	645,364	-
Coral Reef Conservation Program	11.482	626,298	-
State and Local Implementation Grant Program	11.549	329,713	-
Manufacturing Extension Partnership	11.611	1,096,441	-
Marine Debris Program	11.999	22,655	-
Economic Development Cluster			
Economic Adjustment Assistance	11.307	11,805	-
Total Economic Development Cluster		<u>11,805</u>	-
Total U.S. Department of Commerce		<u>6,201,719</u>	<u>1,979,000</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, 2021

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF DEFENSE			
U.S. Department of Defense Direct Programs			
Collaborative Research and Development	12.114	1,654,698	-
National Guard Military Operations and Maintenance Projects	12.401	17,392,751	-
National Guard ChalleNGe Program	12.404	3,958,072	-
Economic Adjustment Assistance for State Governments	12.617	171,299	-
Total U.S. Department of Defense		23,176,820	-
U.S. 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	99,425	-
Total U.S. Department of Housing and Urban Development		99,425	-
U.S. DEPARTMENT OF THE INTERIOR			
U.S. Department of the Interior Direct Programs			
Fish and Wildlife Management Assistance	15.608	55,358	-
Coastal Wetlands Planning, Protection and Restoration	15.614	3,257	-
Cooperative Endangered Species Conservation Fund	15.615	4,163,027	-
North American Wetlands Conservation Fund	15.623	7,042	-
Partners for Fish and Wildlife	15.631	3,739	-
State Wildlife Grants	15.634	1,123,152	-
Endangered Species Conservation – Recovery Implementation Funds	15.657	338,551	-
Candidate Species Conservation	15.660	2,199	-
Adaptive Science	15.670	17,225	-
Economic, Social and Political Development of the Territories	15.875	271,940	-
Historic Preservation Fund Grants-In-Aid	15.904	876,889	-
Outdoor Recreation – Acquisition, Development and Planning	15.916	1,090,678	-
Natural Resource Stewardship	15.944	34,211	-
Fish and Wildlife Cluster			
Sport Fish Restoration	15.605	2,453,989	-
Wildlife Restoration and Basic Hunter Education	15.611	3,949,153	-
Total Fish and Wildlife Cluster		6,403,142	-
Total U.S. Department of the Interior		14,390,410	-
U.S. DEPARTMENT OF JUSTICE			
U.S. Department of Justice Direct Programs			
Crime Victim Compensation	16.576	74,450	-
Stop School Violence	16.839	150,432	-
Equitable Sharing Program	16.922	3,046	-
Total U.S. Department of Justice Direct Programs		227,928	-
Pass-through from the State Department of the Attorney General			
Coronavirus Emergency Supplemental Funding Program (20-VD-01, 20-VD-02, 20-VD-03)	16.034	829,066	-
Crime Victim Assistance (18-V2-05, 19-V2-05 and 19-V2-10)	16.575	243,638	-
Residential Substance Abuse Treatment for State Prisoners (18-12-01, 19-XT-01)	16.593	92,329	-
Edward Byrne Memorial Justice Assistance Grant Program (18-DJ-05)	16.738	16,795	-
Paul Coverdell Forensic Sciences Improvement Grant Program (18-CD-05)	16.742	7,745	-
Total U.S. Department of Justice Pass-through Programs		1,189,573	-
Total U.S. Department of Justice		1,417,501	-

(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, 2021

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF LABOR			
U.S. Department of Labor Direct Programs			
Labor Force Statistics	17.002	681,663	-
Compensation and Working Conditions	17.005	68,381	-
Unemployment Insurance	17.225	25,356,667	-
COVID-19 – Unemployment Insurance	COVID-19 – 17.225	3,889,885,810	-
Total Unemployment Insurance		<u>3,915,242,477</u>	-
Senior Community Service Employment Program	17.235	1,635,829	-
Trade Adjustment Assistance	17.245	466,289	-
H-1B Job Training Grants	17.268	265,763	-
Work Opportunity Tax Credit Program	17.271	13,022	-
Temporary Labor Certification for Foreign Workers	17.273	42,303	-
WIOA National Dislocated Workers Grants / WIA National Emergency Grants	17.277	163,674	-
WIA / WIOA Dislocated Worker National Reserve			
Technical Assistance and Training	17.281	11,515	-
Apprenticeship USA Grants	17.285	613,244	-
Occupational Safety and Health – State Program	17.503	1,305,374	-
Consultation Agreements	17.504	541,048	-
Employment Service Cluster			
Employment Service / Wagner-Peyser Funded Activities	17.207	2,789,161	-
Disabled Veterans’ Outreach Program	17.801	389,024	-
Local Veterans’ Employment Representative Program	17.804	142,662	-
Total Employment Service Cluster		<u>3,320,847</u>	-
WIOA Cluster			
WIOA Adult Program	17.258	2,170,704	1,818,195
WIOA Youth Activities	17.259	1,904,724	1,726,342
WIOA Dislocated Worker Formula Grants	17.278	1,821,088	1,118,055
Total WIOA Cluster		<u>5,896,516</u>	<u>4,662,592</u>
Total U.S. Department of Labor		<u>3,930,267,945</u>	<u>4,662,592</u>
U.S. DEPARTMENT OF TRANSPORTATION			
U.S. Department of Transportation Direct Program			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	736,385	-
Pass-through from the State Department of Transportation			
Federal Transit Administration			
Federal Transit – Capital Investment Grants (Federal Transit Cluster) (HI-03-0038-00)	20.500	1,875,164	-
Total U.S. Department of Transportation		<u>2,611,549</u>	-
U.S. DEPARTMENT OF THE TREASURY			
U.S. Department of Treasury Direct Program			
COVID-19 – Coronavirus Relief Fund	COVID-19 – 21.019	767,863,827	203,306,096
COVID-19 – Emergency Rental Assistance Program	COVID-19 – 21.023	25,000,000	25,000,000
Total U.S. Department of the Treasury		<u>792,863,827</u>	<u>228,306,096</u>
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
U.S. Equal Employment Opportunity Commission Direct Program			
Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	30.002	137,972	-
Total U.S. Equal Employment Opportunity Commission		<u>137,972</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, 2021

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. GENERAL SERVICES ADMINISTRATION			
U.S. General Services Administration Direct Program			
Donation of Federal Surplus Personal Property	39.003	1,450,612	-
Total U.S. General Services Administration		1,450,612	-
U.S. NATIONAL ENDOWMENT FOR THE ARTS			
U.S. National Endowment for the Arts Direct Program			
Promotion of the Arts – Partnership Agreements	45.025	1,113,015	686,027
Total U.S. National Endowment for the Arts		1,113,015	686,027
U.S. SMALL BUSINESS ADMINISTRATION			
U.S. Small Business Administration Direct Program			
Federal and State Technology Partnership Program	59.058	136,570	-
State Trade Expansion	59.061	243,346	-
Total U.S. Small Business Administration		379,916	-
U.S. DEPARTMENT OF VETERANS AFFAIRS			
U.S. Department of Veterans Affairs Direct Program			
Veterans Cemetery Grants Program	64.203	796,018	-
Total U.S. Department of Veterans Affairs		796,018	-
U.S. ENVIRONMENTAL PROTECTION AGENCY			
U.S. Environmental Protection Agency Direct Programs			
Regional Wetland Program Development Grants	66.461	70,958	-
Performance Partnership Grants	66.605	381,924	-
Total U.S. Environmental Protection Agency Direct Programs		452,882	-
Pass-through from U.S. Endowment for Forestry and Community			
Healthy Watersheds Consortium Grant Program (E18-38)	66.441	34,927	-
Pass-through from the State Department of Health			
Nonpoint Source Implementation Grant (DOH319)	66.460	182,951	-
Capitalization Grant for Drinking Water State Revolving Funds (Drinking Water State Revolving Fund Cluster) (99986519)	66.468	51,410	-
Total U.S. Environmental Protection Agency Pass-through Programs		269,288	-
Total U.S. Environmental Protection Agency		722,170	-
U.S. DEPARTMENT OF ENERGY			
U.S. Department of Energy Direct Programs			
State Energy Program	81.041	117,240	-
Weatherization Assistance for Low-Income Persons	81.042	230,404	212,431
Renewable Energy Research and Development	81.087	725,173	-
State Energy Program Special Projects	81.119	22,542	22,542
Total U.S. Department of Energy		1,095,359	234,973
U.S. DEPARTMENT OF EDUCATION			
U.S. Department of Education Direct Program			
Education Stabilization Fund	84.425	1,650,000	1,650,000
Total U.S. Department of Education Direct Program		1,650,000	1,650,000
Pass-through from the State Department of Education			
Title I State Agency Program for Neglected and Delinquent Children and Youth (S013A150011)	84.013A	56,515	-
Pass-through from the University of Hawaii			
Career and Technical Education – Basic Grants to States (V048A40011)	84.048A	121,238	-
Total U.S. Department of Education Pass-through Programs		177,753	-
Total U.S. Department of Education		1,827,753	1,650,000

(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, 2021

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. ELECTION ASSISTANCE COMMISSION			
U.S. Election Assistance Commission Direct Program			
Help America Vote Act Requirements Payments	90.401	233,165	-
HAVA Election Security	90.404	2,499,587	-
Total U.S. Election Assistance Commission		2,732,752	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
U.S. Department of Health and Human Services Direct Programs			
Food and Drug Administration Research	93.103	115,519	-
Refugee and Entrant Assistance – State Administered Programs	93.566	71,258	60,968
Community Services Block Grant	93.569	3,318,374	3,120,974
COVID-19 – Community Services Block Grant	COVID-19 – 93.569	1,603,048	1,580,071
Total Community Services Block Grant		4,921,422	4,701,045
Centers for Medicare and Medicaid Services (CMS)			
Research, Demonstrations & Evaluations	93.779	399,030	-
The Health Insurance Enforcement and Consumer Protections Grant Program	93.881	36,167	-
Total U.S. Department of Health and Human Services Direct Programs		5,543,396	4,762,013
Pass-through from the State Department of Health			
Injury Prevention and Control Research and State Community Based Programs	93.136	82,000	-
State Opioid Response Grants	93.788	42,585	-
Pass-through from the State Department of Human Services			
Temporary Assistance for Needy Families (2001HITANF, DHS-17-ETPO-4031 and DHS-21-ETPO-0049)	93.558	1,752,632	134,999
Low-Income Home Energy Assistance (G-20011HILIEA and G-2101HILIEA)	93.568	248,575	220,965
Total U.S. Department of Health and Human Services Pass-through Programs		2,125,792	355,964
Total U.S. Department of Health and Human Services		7,669,188	5,117,977
U.S. DEPARTMENT OF HOMELAND SECURITY			
U.S. Department of Homeland Security Direct Programs			
Non-profit Security Grant Program	97.008	100,000	100,000
Boating Safety Financial Assistance	97.012	779,025	-
Community Assistance Program State Support Services Element	97.023	79,323	-
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	35,195,424	30,555,093
National Dam Safety Program	97.041	20,976	-
Emergency Management Performance Grants	97.042	3,483,814	1,203,216
Cooperating Technical Partners	97.045	179,933	-
Pre-Disaster Mitigation	97.047	2,105,422	2,059,886
COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	COVID-19 – 97.050	270,997,672	-
Port Security Grant Program	97.056	221,209	34,900
Homeland Security Grant Program	97.067	4,076,885	3,404,583
Earthquake Consortium	97.082	548	-
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132	44,583	-
Preparing for Emerging Threats and Hazards	97.133	55,749	-
Total U.S. Department of Homeland Security		317,340,563	37,357,678
Total Expenditures of Federal Awards		\$ 5,121,718,683	\$ 288,156,398

(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, 2021

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 Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and accordingly, separate Uniform Guidance submissions are 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 Uniform Guidance audits or do not receive federal grants and, therefore, do not obtain an audit under the Uniform Guidance. 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

State of Hawaii
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

- Hawaii Tourism Authority
- Judiciary
- University of Hawaii
- Water Pollution Control Revolving Fund

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 Uniform Guidance. 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 AL No. 39.003, *Donation of Federal Surplus Personal Property Program*, and food commodities received under AL No. 10.553, *School Breakfast Program*, AL No. 10.555, *National School Lunch Program*, and AL No. 10.569, *Emergency Food Assistance Program*, are 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 \$3,915,242,477 reported as expenditures for AL No. 17.225, *Unemployment Insurance*, and AL No. COVID-19 – 17.225, *COVID-19 – Unemployment Insurance*, \$3,889,885,810 represented expenditures of the State.

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.

8. Indirect Costs

The State does not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

State of Hawaii
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

9. Research and Development Cluster Expenditures

The SEFA includes the following Research and Development amounts:

Federal Grantor and Program Title	Federal AL Number	Federal Expenditures
U.S. Department of Agriculture Direct Programs		
Urban and Community Forestry Program	10.675	\$ 72,645
Forest Stewardship Program	10.678	189,965
Total U.S. Department of Agriculture		<u>262,610</u>
U.S. Department of Commerce Direct Programs		
Interjurisdictional Fisheries Act of 1986	11.407	63,239
Marine Sanctuary Program	11.429	154,148
Pacific Fisheries Data Program	11.437	350,656
Coral Reef Conservation Program	11.482	626,298
Total U.S. Department of Commerce		<u>1,194,341</u>
U.S. Department of Defense Direct Programs		
Collaborative Research and Development	12.114	1,654,698
Total U.S. Department of Defense		<u>1,654,698</u>
U.S. Department of the Interior Direct Programs		
Fish and Wildlife Management Assistance	15.608	55,358
Cooperative Endangered Species Conservation Fund	15.615	4,163,027
State Wildlife Grants	15.634	1,123,152
Economic, Social and Political Development of the Territories	15.875	271,940
Natural Resource Stewardship	15.944	34,211
Total U.S. Department of the Interior		<u>5,647,688</u>
U.S. Environmental Protection Agency Direct Programs		
Regional Wetland Program Development Grants	66.461	70,958
Pass-through from the State Department of Health		
Nonpoint Source Implementation Grant	66.460	182,951
Total U.S. Environmental Protection Agency		<u>253,909</u>
U.S. Department of Health and Human Services Direct Programs		
Food and Drug Administration Research	93.103	115,519
Total U.S. Department Health and Human Services Direct Programs		<u>115,519</u>
Total Research and Development Cluster		<u>\$ 9,128,765</u>

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unmodified
Internal control over financial reporting	
• Material weaknesses identified?	<u> X </u> yes <u> </u> no
• Significant deficiencies identified?	<u> X </u> yes <u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes <u> X </u> no

Federal Awards

Internal control over major programs	
• Material weaknesses identified?	<u> X </u> yes <u> </u> no
• Significant deficiencies identified?	<u> X </u> yes <u> </u> 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, 2021, except for the requirements regarding special tests and provisions for AL No. 17.225, Unemployment Insurance, and AL No. COVID-19 – 17.225, COVID-19 – Unemployment Insurance, for which the opinion on compliance was qualified.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<u> X </u> yes <u> </u> no
Dollar threshold used to distinguish between type A and type B program	\$15,625,564
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Identification of Major Programs

Federal AL Number	Name of Federal Program or Cluster
12.401	National Guard Military Operations and Maintenance Projects
COVID-19 – 21.019	COVID-19 – Coronavirus Relief Fund
COVID-19 – 21.023	COVID-19 – Emergency Rental Assistance Program
COVID-19 – 97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs
	Unemployment Insurance
17.225	Unemployment Insurance
COVID-19 – 17.225	COVID-19 – Unemployment Insurance
	Community Services Block Grant
93.569	Community Services Block Grant
COVID-19 – 93.569	COVID-19 – Community Services Block Grant

FINANCIAL STATEMENT FINDINGS

Section II – Financial Statement Findings

Finding No. 2021-001: Internal Control over Financial Reporting (Material Weakness)

State Department of Accounting and General Services

Condition

The State’s internal control over financial reporting could be improved. During our audit of the fiscal year 2021 financial statements, we identified multiple deficiencies that, when considered in the aggregate, indicated a material weakness in the State’s 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 Annual Comprehensive Financial Report (ACFR) (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 other State departments and agencies. For the year ended June 30, 2021, 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, including information for the implementation of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

A similar finding was reported as a significant deficiency in the prior year as Finding No. 2020-001.

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 ACFR in accordance with GAAP.

Effect

Due to the untimely submission of information to DAGS, inadequate review of journal entries by the departments, and issues in accounting for capital assets at the department-level, audit adjustments and reclassifications, included in the management representation letter, were necessary to properly report the fiscal year 2021 financial statements.

Other misstatements identified were not corrected as they were deemed to be immaterial to the financial statements.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Cause and View of Responsible Officials

The deficiencies are due to inefficiencies in the financial statement preparation process, the lack of timely information from various departments, the lack of review at the departments, and inadequate staffing within DAGS Accounting Division.

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.

DAGS should also develop plans for the adoption of new accounting standards that may have a material effect on the State's financial statements well in advance of effective dates to allow for timely and accurate implementation.

DAGS should ensure adequate staffing within the Accounting Division or procure for professional services.

Furthermore, individuals who perform reviews of journal entries at the departments should be adequately trained to review for proper source codes, appropriations, and object codes being used. Departments should perform a thorough review of post-closing journal entries to ensure all items from various schedules are reflected in the post-closing journal entries. Departments should also ensure construction projects are properly classified as in-progress, transferred to the proper depreciable asset class when placed in service, or written off as expenses if abandoned or otherwise not capitalizable. Departments should ensure capital assets schedules provided to DAGS are complete and accurate.

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, 2021

Finding No. 2021-002: 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 indicated that only material CUs and PFs would be reported as discretely presented CUs and major PFs in the ACFR. 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 GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and 34*.

Consequently, although DAGS determined that the Stadium Authority, Hawaii Strategic Development Corporation, Hawaii Technology Development Corporation, 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 June 30, 2021 ACFR. 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 Accounting and General Services – State Parking Revolving Fund, the Department of Accounting and General Services – State Motor Pool Fund, the Department of Public Safety – Correctional Industries Fund, and the Department of Labor and Industrial Relations – Disability Compensation 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 June 30, 2021 ACFR but were reported as part of the State’s governmental activities and within the governmental funds to which they were administratively attached.

A similar finding was reported in the prior year as Finding No. 2020-002.

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 PF financial statements and the business-type activities in the government-wide financial statements.

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 ACFR, rather than as discretely presented CUs or PFs, despite meeting the discretely presented CU and PF criteria under GAAP.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

A summary of account balances and funds that were incorrectly classified by State management is presented below (amounts expressed in millions):

	<u>Revenues</u>	<u>Expenditures</u>	<u>Assets</u>
Discretely presented component units			
Stadium Authority	\$ 2.9	\$ 6.6	\$ 33.0
Hawaii Strategic Development Corporation	-	-	0.6
Hawaii Technology Development Corporation	4.9	19.7	3.1
Natural Energy Laboratory of Hawaii	7.1	6.4	8.3
Agribusiness Development Corporation	3.9	13.8	83.0
Nonmajor proprietary funds			
Department of Accounting and General Services – State Parking Revolving Fund	\$ 3.1	\$ 3.6	\$ 12.6
Department of Accounting and General Services – State Motor Pool Fund	2.3	1.9	2.4
Department of Public Safety – Correctional Industries Fund	6.8	5.2	3.6
Department of Labor and Industrial Relations – Disability Compensation Fund	14.5	15.2	12.2

Cause and View of Responsible Officials

In determining which CUs and PFs should be presented as discretely presented CUs and nonmajor PFs in the ACFR, management did not follow the guidelines described in GASB Statements No. 34 and 61, 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 ACFR. Therefore, application of GASB Statements No. 34 and 61 would require time and resources to complete and would likely delay the completion of the ACFR.

Recommendation

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

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Finding No. 2021-003: IT General Control Deficiencies (Significant Deficiency)

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, 2021, we performed an IT general controls review of selected State departments’ systems, including the following systems operated by the Department of Taxation (DoTAX), Department of Labor and Industrial Relations (DLIR), and Department of Accounting and General Services (DAGS):

DoTAX	DLIR	DAGS
GenTax	UI BPS	Statewide Inventory System
	UI Tax	FAMIS
	QWRS	HawaiiPay
	UI Employer Website	CWWS
		Recon

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

Logical security

DoTAX

- A partial review of functions (permissions) assigned to GenTax users was not performed as part of the 2021 annual user access review.

DLIR

- Terminated users are not consistently removed in a timely manner.

Change management

DLIR

- Developers have access to the production environment.
- There is no evidence to support that developers are properly segregated from the production environment for the UI Employer Website with no monitoring control in place to detect unauthorized changes.

Collectively, the number and related number of the IT control deficiencies resulted in an overall significant deficiency. A similar finding was reported as a material weakness in the prior year as Finding No. 2020-003.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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 security and change management address the following risks:

Logical 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 and View of Responsible Officials

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 DoTAX and DLIR perform the following:

Logical security

DoTAX

- Ensure access permissions are reviewed as part of the annual user access review.

DLIR

- Implement periodic terminated user reviews.

Change management

DLIR

- Remove developers' access to the production environment.
- Ensure that developer access to the UI Employer Website is properly restricted from the production environment.

**FEDERAL AWARD FINDINGS
AND QUESTIONED COSTS**

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section III – Federal Award Findings and Questioned Costs

Finding No. 2021-004: SEFA (Material Weakness)

Condition

The State's current accounting process for certain departments 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 multiple 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 segregate the cash balances, receipts and expenditures by each grant. These separate accounting records are maintained by multiple accountants in larger departments and are not combined and reconciled with FAMIS periodically.

A similar finding was reported as a significant deficiency in the prior year as Finding No. 2020-004.

Criteria

The Office of Management and Budget (OMB) issued the Uniform Guidance, which is codified in Title 2 CFR Part 200 and requires non-federal entities that expend \$750,000 or more in federal awards in a year to have a Single Audit conducted on its federal award programs and SEFA.

The Uniform Guidance 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, there were misstatements in the SEFA for the year ended June 30, 2021 and related notes to the SEFA that were not detected by management's internal controls, but were subsequently identified and corrected as part of our auditing procedures.

- For AL No. COVID-19 – 97.050, *COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs*, amounts were not initially separately identified as expenditures under AL No. 17.225 *Unemployment Insurance*, in the draft SEFA. Amounts expended were understated by approximately \$271,000,000.
- For AL No. COVID-19 – 21.023, *COVID-19 – Emergency Rental Assistance Program*, amounts provided to subrecipients were not identified.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

- For AL No. 66.460, *Nonpoint Source Implementation Grant*, amounts expended under the R&D cluster note to the SEFA did not match amounts reported on the SEFA. R&D cluster expenditures were understated by approximately \$109,000.
- The draft SEFA did not identify the State Department of Health as the pass-through entity for amounts expended under AL No. 66.460, *Nonpoint Source Implementation Grant*.
- For AL No. COVID-19 – 93.569, *COVID-19 – Community Services Block Grant*, the program was not identified as a COVID-19 related assistance.
- For AL No. COVID-19 – 21.019, *COVID-19 – Coronavirus Relief Fund*, amounts were improperly calculated which resulted in expenditures being overstated by approximately \$87,000.000.

Cause and View of Responsible Officials

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 accurately reported. 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, 2021, 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, including reporting expenditures funded by pass-through entities. We also recommend DAGS and other departmental personnel review and keep abreast of reporting guidance issued by the OMB.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

		Questioned Cost
Finding No. 2021-005:	Special Tests and Provisions (Material Weakness)	\$ _____ –
State Agency:	Department of Labor and Industrial Relations (DLIR)	
Federal Agency:	Department of Labor	
AL Number and Title:	17.225 – <i>Unemployment Insurance</i> COVID-19 – 17.225 – COVID-19 – <i>Unemployment Insurance</i>	
Award Number and Award Year:	UI-35644-21-55-A-15 2021 UI-35700-21-55-A-15 2021 UI-35940-20-60-A-15 2021	
Repeat Finding?	Yes	

Condition

During our audit, we examined the Benefit Accuracy Measurement (BAM) summary report and identified minimum cases and timeliness requirements were not met regarding paid and denied claims.

Criteria

Pursuant to 20 CFR Part 602, the BAM system requires the State department to complete a minimum number of unemployment cases timely in order to maintain a current database. The required number of cases and the timeliness percentages for completing paid and denied claims are as follows:

Paid Claims

- Minimum cases: 480 paid cases
- Timeliness percentages: Complete 70% within 60 days, 95% within 90 days, and 98% within 120 days

Denied Claims

- Minimum cases: 450 denied cases (150 cases for each category: monetary, separation and non-separation)
- Timeliness percentages: Complete 60% within 60 days, 85% within 90 days, and 98% within 120 days

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Effect

Failure to meet timeliness requirements prevents the granting agency from maintaining a current database.

Cause and View of Responsible Officials

Due to the COVID-19 pandemic, the department was significantly impacted with an increase in unemployment claims. Employees were also hindered from working for a substantial amount of time due to government-mandated shutdowns and other restrictions.

Recommendation

We recommend that the State department develop new policies and procedures to handle the increase in unemployment claims and follow existing policies and procedures established to comply with claim handling requirements.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

		Questioned Cost
Finding No. 2021-006:	Special Tests and Provisions (Significant Deficiency)	\$ _____ -
State Agency:	DLIR	
Federal Agency:	Department of Labor	
AL Number and Title:	17.225 – <i>Unemployment Insurance</i>	
Award Number and Award Year:	UI-34492-20-60-A-15 2021	
Repeat Finding?	No	

Condition

During our audit, we selected a non-statistical sample of two quarterly performance reports to examine and identified two instances where there was no available evidence to verify the reports were prepared.

Criteria

The Unemployment Insurance Program Letter No. 8-20 requires performance reports to be submitted by the twentieth day of the second month after the end of each quarter.

Effect

The failure to file required reports reduces transparency on the use of program funds hindering monitoring by the awarding agency.

Cause and View of Responsible Officials

Due to vacancies within the department, program personnel were reassigned which resulted in the reports not being prepared.

Recommendation

We recommend that the State department implement adequate review of reports and ensure that individuals responsible for preparing and reviewing reports have adequate knowledge of applicable reporting requirements.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

		Questioned Cost
Finding No. 2021-007:	Allowable Costs (Significant Deficiency)	<u>\$</u> —
State Agency:	DLIR	
Federal Agency:	Department of Labor	
AL Number and Title:	17.225 – <i>Unemployment Insurance</i>	
Award Number and Award Year:	UI-35644-21-55-A-15 2021	
Repeat Finding?	No	

Condition

During our audit, we examined a non-statistical sample of 25 payroll expenditures and identified an underpayment for one employee selected for testing.

Criteria

In accordance with 2 CFR 200.430(a), compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries.

Effect

The underpayment of compensation affects the accuracy and transparency of program costs used by management and reported to the federal awarding agency.

Cause and View of Responsible Officials

An input error for a retrospective pay adjustment was made when processing payroll resulting in the improper payment to an employee that does not work on the Unemployment Insurance program of the \$2,505 retrospective adjustment of an employee that works on the program. The compensation for the employees in question were corrected by the department subsequent to identification of the error as part of our audit testing in fiscal year 2022.

Recommendation

We recommend that management ensure proper procedures and controls are in place to meet all requirements for compensation of employees in accordance with grant awards and procedures issued by the U.S. Department of Labor.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

		Questioned Cost
Finding No. 2021-008:	Subrecipient Monitoring (Significant Deficiency)	\$ _____ –
State Agency:	Governor’s Office	
Federal Agency:	Department of the Treasury	
AL Number and Title:	COVID-19 – 21.023 – COVID-19 – <i>Emergency Rental Assistance</i>	
Award Number and Award Year:	Consolidated Appropriations Act 2021	
Repeat Finding?	No	

Condition

During our audit, we examined a non-statistical sample of two subawards but found no evidence of evaluation of the subrecipients’ risk of noncompliance at the time of the subaward.

Criteria

2 CFR Section 200.331(b) requires a pass-through entity to evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Effect

Without evaluating the subrecipient’s risk of noncompliance and determining the appropriate subrecipient monitoring procedures necessary, the State may not be providing the appropriate level of monitoring over its subrecipients.

Cause and View of Responsible Officials

Due to vacancies within the department, program personnel were unable to perform the subrecipient’s risk of noncompliance in a timely matter. However, subawards were only provided to State departments that regularly receive federal funding and are familiar with federal requirements.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Recommendation

We recommend that program management ensure that program personnel are familiar with all grant requirements, including compliance with 2 CFR Part 200, which requires the reporting of all necessary federal award information to subrecipients and risk assessments of subrecipients. Management should develop procedures that ensure the State department's responsibilities as a pass-through entity are fulfilled, including a formal analysis of each subrecipient's risk of noncompliance with each of the respective subaward requirements. This evaluation of risk may include consideration of such factors as the following:

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of federal awarding agency monitoring.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

		Questioned Cost
Finding No. 2021-009:	Subrecipient Monitoring (Significant Deficiency)	\$ _____ –
State Agency:	DLIR	
Federal Agency:	Department of Health and Human Services	
AL Number and Title:	93.569 – <i>Community Services Block Grant</i>	
Award Number and Award Year:	75-20-1536 2020 75-21-1536 2021	
Repeat Finding?	No	

Condition

During our audit, we tested a non-statistical sample of three subawards and determined that in all instances the State department did not provide certain required federal award information in the subaward agreements.

Criteria

2 CFR Section 200.332(a) requires subawards to clearly identify information, such as the Federal Award Identification Number (FAIN), identification of whether the award is R&D, period of performance, and indirect cost.

Effect

By not including the required information in the subaward, subrecipients may have trouble complying with federal grant requirements.

Cause and View of Responsible Officials

Program management was unaware of the requirement to communicate the FAIN to subrecipients. However, subawards were only provided to subrecipients that regularly receive federal funding and are familiar with federal requirements.

Recommendation

We recommend that program management ensure that program personnel are familiar with all grant requirements, including the reporting of all necessary federal award information to subrecipients.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

		Questioned Cost
Finding No. 2021-010:	Subrecipient Monitoring (Significant Deficiency)	\$ _____ –
State Agency:	Governor’s Office	
Federal Agency:	Department of the Treasury	
AL Number and Title:	COVID-19 – 21.019 – COVID-19 – <i>Coronavirus Relief Fund</i>	
Award Number and Award Year:	Coronavirus Aid, Relief, and 2020 Economic Security Act	
Repeat Finding?	Yes	

Condition

During our audit, we examined a non-statistical sample of two subawards but found no evidence of evaluation of the subrecipients’ risk of noncompliance at the time of the subaward.

Criteria

2 CFR Section 200.331(b) requires a pass-through entity to evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Effect

Without evaluating the subrecipient’s risk of noncompliance and determining the appropriate subrecipient monitoring procedures necessary, the State may not be providing the appropriate level of monitoring over its subrecipients.

Cause and View of Responsible Officials

Due to lack of formal procedures at the inception of the program in the fourth quarter of fiscal year 2020, program management was unaware of the requirement to formally assess each subrecipient’s risk of noncompliance. However, in fiscal years 2020 and 2021, subawards were only provided to other state agencies and county governments within the State that regularly receive federal funding and are familiar with federal requirements.

State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Recommendation

We recommend that program management ensure that program personnel are familiar with all grant requirements, including compliance with 2 CFR Part 200 which requires the reporting of all necessary federal award information to subrecipients and risk assessments of subrecipients. Management should develop procedures that ensure the State department's responsibilities as a pass-through entity are fulfilled, including a formal analysis of each subrecipient's risk of noncompliance with each of the respective subaward requirements. This evaluation of risk may include consideration of such factors as the following:

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of federal awarding agency monitoring.

DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER
AUDREY HIDANO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

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

March 15, 2022

ACC 22.U007

Accuity LLP
999 Bishop Street, Suite 1900
Honolulu, HI 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, 2021. 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 Ms. Lenora D. Fisher, Accounting Division at 586-0600.

Sincerely,


for CURT T. OTAGURO
Comptroller

Attachments

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

State of Hawaii
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Finding No.	Description	Department	Classification	Status		Current Year Finding No.
				Resolved	Unresolved	
2020-001	Internal Control Over Financial Reporting	DAGS	Significant Deficiency		X	2021-001
2020-002	Accounting for Component Units and Proprietary Funds	DAGS	Significant Deficiency		X	2021-002
2020-003	IT General Control Deficiencies	DLIR; DoTAX	Material Weakness		X	2021-003
2020-004	Schedule of Expenditures of Federal Awards	DAGS	Significant Deficiency		X	2021-004
2020-005	Special Tests and Provisions	DLIR	Material Weakness		X	2021-005
2020-006	Eligibility	DLIR	Significant Deficiency	X		
2020-007	Subrecipient Monitoring	Governor's Office	Significant Deficiency		X	2021-010
2019-009	Suspension and Debarment	DLNR	Significant Deficiency	X		
2019-010	Earmarking	DLNR	Material Weakness		X	
2019-011	Special Tests and Provisions	DLNR	Significant Deficiency		X	
2019-014	Subrecipient Monitoring	DOD	Material Weakness	X		
09-01	Improve Controls over Inmate Agency Accounts	DPS	Material Weakness		X	

State of Hawaii
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Corrective Actions Taken for Unresolved Findings

Finding No. 2020-001: Internal Control Over Financial Reporting

In fiscal year 2021, DAGS requested formal reporting information packages from State departments but did not receive timely and accurate responses from some departments. As a current year finding (Finding No. 2021-001) is reported, Finding No. 2020-001 will not be carried forward.

Finding No. 2020-002: Accounting for Component Units and Proprietary Funds

No corrective action was taken in fiscal year 2021. As a current year finding (Finding No. 2021-002) is reported, Finding No. 2020-002 will not be carried forward.

Finding No. 2020-003: IT General Control Deficiencies

Corrective actions were taken in fiscal year 2020 to mitigate a number of the previously reported deficiencies; however, corrective action is still ongoing. As a current year finding (Finding No. 2020-003) is reported, Finding No. 2020-003 will not be carried forward.

Finding No. 2020-004: 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, 2021. As a current year finding (Finding No. 2021-004) is reported, Finding No. 2020-004 will not be carried forward.

Finding No. 2020-005: Special Tests and Provisions

DLIR continues to improve its internal controls to comply with requirements. As a current year finding (Finding No. 2021-005) is reported, Finding No. 2020-005 will not be carried forward.

Finding No. 2020-007: Subrecipient Monitoring

No corrective actions were taken in fiscal year 2021. As a current year finding (Finding No. 2021-010) is reported, Finding No. 2020-007 will not be carried forward.

Finding No. 2019-010: Earmarking

DLNR continues to improve its internal controls to comply with earmarking requirements.

Finding No. 2019-011: Special Tests and Provisions

DLNR has been working with the Federal Agency to clarify the memorandum of understanding/agreement requirements.

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

A new system is being developed to assist the programs in addressing Inmate Accounts issues. Implementation of the new system is anticipated to be completed by fiscal year 2022.

CORRECTIVE ACTION PLAN

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 – Internal Control over Financial Reporting (Material Weakness)

Condition

The State's internal control over financial reporting could be improved. During our audit of the fiscal year 2021 financial statements, we identified multiple deficiencies that, when considered in the aggregate, indicated a significant deficiency in the State's internal control over financial reporting.

The process used by DAGS Accounting Division to consolidate required information from State departments and agencies to prepare the State's ACFR (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 other State departments and agencies. In fiscal year 2021, DAGS requested formal reporting information packages to obtain the financial information from State departments but did not receive timely responses from some departments.

A similar finding was reported as a significant deficiency in the prior year as Finding No. 2020-01.

Current Status of 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 proper source codes, object codes, and appropriation accounts and work with individuals who perform reviews of journal entries at the identified departments on specific issues relating to proper use of such codes and accounts. 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.

DAGS has completed a draft of a new chart of accounts for the whole state which will assist in the reporting and compliance of the ACFR and SEFA reports. The procurement of a new accounting system has been recently awarded and expected to run by June 30, 2023. With this new system, it would address or mitigate financial reporting deficiencies.

Person Responsible

Lenora D. Fisher, Administrator, DAGS Accounting Division

Anticipated Date of Completion

June 30, 2023

2021-002 – Accounting for Component Units and Proprietary Funds (Significant Deficiency)

Condition

During fiscal year 2008, DAGS implemented a financial statement policy on reporting material component units (CU) and proprietary funds (PF), which indicated that only material CUs and PFs would be reported as discretely presented CUs and major PFs in the ACFR. 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 GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and 34*.

Consequently, although DAGS determined that the Stadium Authority, Hawaii Strategic Development Corporation, Hawaii 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 June 30, 2021 ACFR. 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 – Correctional Industries Fund, the Department of Accounting and General Services – State Parking Revolving Fund, and the Department of Accounting and General Services – 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 June 30, 2021 ACFR but were reported as part of the State's governmental activities and within the governmental funds to which they were administratively attached.

A similar finding was reported in the prior year as Finding No. 2020-002.

Current Status of 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 Governmental Accounting Standards Board Statement Nos. 34 and 61.

Person Responsible

Lenora D. Fisher, Administrator, DAGS Accounting Division

Anticipated Date of Completion

June 30, 2023

2021-003 – IT General Control Deficiencies (Significant Deficiency)

Condition

Logical Security

Terminated users are not consistently removed in a timely manner

Corrective Action Plan

Concur. Continue to develop process to have HR notify IT department of any terminated employees. DLIR-UI Branch Managers and Supervisors have been notified to send Form 343 – User Profile Update – to Administration Office upon immediately termination of an employee.

Person Responsible: Bennett Yap, DLIR IT Chief

Anticipated Date of Completion: June 2022

No user access review performed on the UI employer website

Corrective Action Plan

Concur. DLIR-UI will perform review of UI employer website annually. Next review is scheduled for February 2022.

Person Responsible: Wendy Maher, DLIR-UI Specialist Supervisor

Anticipated Date of Completion: June 2022

Change Management

Developers have access to the production environment

Corrective Action Plan

Concur. DLIR is continuing to work with ETS to remove developers access to the production environment.

Person Responsible: Bennett Yap, DLIR IT Chief

Anticipated Date of Completion: June 2022

No evidence to support that developers are properly segregated from the production environment for the UI Employer Website and no monitoring control in place to detect unauthorized changes

Corrective Action Plan

Concur. DLIR continues to work with the vendor to understand controls and/or have access to a SOC-1 report.

Person Responsible: Bennett Yap, DLIR IT Chief

Anticipated Date of Completion: June 2022.

2021-004 – Schedule of Expenditures of Federal Awards (Material Weakness)

Condition

The State's current accounting process for certain departments 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.

A similar finding was reported as a significant deficiency in the prior year as Finding No. 2020-004.

Current Status of 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.

DAGS has completed a draft of a new chart of accounts for the whole state which will assist in the reporting and compliance of the ACFR and SEFA reports. The procurement of a new accounting system has been recently awarded and expected to run by June 30, 2023. With this new system, it would address or mitigate financial reporting deficiencies

Person Responsible

Lenora D. Fisher, Administrator, DAGS Accounting Division

Anticipated Date of Completion

June 30, 2023

**2021-005 – Special Tests and Provisions (Material Weakness)
State Department of Labor and Industrial Relations**

AL No. 12.225 – Unemployment Insurance

COVID-19 – 17.225 – COVID-19 – Unemployment Insurance

Direct award from the U.S. Department of Labor: UI-35644-21-55-A-15, UI-35940-20-60-A-15, UI-35700-21-55-A-15

Condition

- 1) Did not meet minimum cases for PAID (PCA) of 480 and Denied (DCA) of 450
- 2) Did not meet timeliness for PCA 95% within 90 days and 98% within 120 day

Corrective Action Plan

Concur

- 1) The required minimum cases for PCA-480 and DCA-450 were reinstated July 2021.
- 2) BAM staff who were previously assigned to other duties to address the huge workload increase due to the Pandemic were rededicated to performing only BAM related work beginning September 2020. The unit has brought on two experienced adjudicators to fill vacancies and learn BAM methodology. They continue to progress to the level where they will be able to function independently on simple to difficult and complex cases. The unit has worked cohesively to assist colleagues with investigative tasks. The TPS individual contributes to this effort by assisting with the assembly of new case files for the BAM investigators. This collective effort allows the unit to make progress to our goals. The BAM supervisor continues to help and monitors case completion and timeliness to ensure the unit works toward achieving the BAM requirements.

Person Responsible

Sheryl Ozaki, UI Quality Control Supervisor

Anticipated Date of Completion

- 1) Completed
- 2) July 2023

**2021-006 – Special Tests and Provisions (Significant Deficiency)
State Department of Labor and Industrial Relations**

AL No. 12.225 – Unemployment Insurance

COVID-19 – 17.225 – COVID-19 – Unemployment Insurance

Direct award from the U.S. Department of Labor: UI-35644-21-55-A-15, UI-35940-20-60-A-15, UI-35700-21-55-A-15

Condition

Non-compliance of RESEA ETA-9129 quarterly report submittal.

Corrective Action Plan

Concur. DLIR will assign 2 people (lead/alternate) to be responsible for the timely filings of the ETA quarterly reports and will mandate that the reports be reviewed by a supervisor prior to submission.

DLIR is also working with ETS to provide PDF versions of the HI RESEA quarterly production reports in a secured document folder on our share drive to guarantee data securement.

Person Responsible: Arthur Barba, DLIR-UI Acting Administrator

Anticipated Date of Completion: June 30, 2022

**2021-007 – Activities Allowed or Unallowed (Significant Deficiency)
State Department of Labor and Industrial Relations**

AL No. 12.225 – Unemployment Insurance

COVID-19 – 17.225 – COVID-19 – Unemployment Insurance

Direct award from the U.S. Department of Labor: UI-35644-21-55-A-15, UI-35940-20-60-A-15, UI-35700-21-55-A-15

Condition

An UI employee's payroll retroactive pay in the amount of \$2,505 was mistakenly paid to an employee who does not work on the UI program. It was not corrected during fiscal year 2021 but upon discovery subsequent to fiscal year end.

Corrective Action Plan

Non-concur: The amount of retroactive pay \$2,505 was paid out from UI funds, recorded in UI fund ledger in April 2021. Therefore, it does not affect the accuracy and transparency of program cost used by management and reported to the federal awarding agency.

The correction of the UI employee's retroactive pay was made on pay day 12/03/2021; the other employee's on 12/03/2021 and 12/20/2021. All corrections were recorded on UI funds. Consequently, it is a wash on the UI payroll expenses in December 2021; it only affects the mentioned employees' pay.

Person Responsible: Vyhien Peyton, Administrative Services Officer

Anticipated Date of Completion: December 20, 2021

**2021-008 – Subrecipient Monitoring (Significant Deficiency)
Governor's Office**

AL No. COVID-19 – 17.225 – COVID-19 – Emergency Rental Assistance
Direct award from the United States Treasury (Award no. Consolidated Appropriations
Act 2021

Condition

A risk assessment was not performed by the Office of Federal Awards Management at the time a sub-award was made to a subrecipient.

Corrective Action Plan

Concur.

A risk assessment has been completed for all Emergency Rental Assistance ("ERA") subrecipients.

Please note that all ERA subrecipients were required and did attend a weekly ERA subrecipient meeting. A weekly subrecipient meeting is the highest level of subrecipient oversight that can be provided.

Person Responsible

Mark Anderson, Administrator, Office of Federal Awards Management, Department of Budget and Finance

Anticipated Date of Completion

Corrective action was taken in May 2021.

2021-009 – Subrecipient Monitoring (Significant Deficiency)

AL No. 93.569 – Community Services Block Grant

Direct Award from: U.S. Department of Health and Human Services (Award no. 75-20-1536 and 75-21-1536)

Condition

During the audit, three sample subaward agreements were examined but found that the subaward agreements (nor any subsequent documents provided to the subrecipients) did not include communication of the Federal Award Identification Number (FAIN). In accordance with Title 2 Code of Federal Regulations (CFR) Part 200.331(a) requires a pass-through entity to provide subrecipients award information. Although it was noted noncompliance among the total samples, the subrecipients are recurring Community Action Agencies (CAAs) who are familiar with the CSBG program and how to properly use federal funds. Each CAA is also required to furnish an audit report to the State annually, which the State reviews. Program management was unaware of the requirement to communicate the FAIN to subrecipients.

Corrective Action Plan

Concur. By June 30, 2022, OCS Program and Evaluation Administrator will send the notices of award with allocation letters to each subrecipient going forward. Each notice of award states the Award Number, Unique Federal Award Identification Number (FAIN), Statutory Authority, the Assistance Listing (AL) Number, and other information related to the federal award. By attaching the notice of award with each allocation letter, the State will ensure that the subrecipients are aware of the award information.

Person Responsible

Courtney Ho, Program and Evaluation Administrator

Jovanie Domingo Dela Cruz, Executive Director

Anticipated Date of Completion

June 30, 2022

**2021-010 – Subrecipient Monitoring (Significant Deficiency)
Governor’s Office**

AL No. COVID-19 – 21.019 – COVID-19 – Coronavirus Relief Fund
Direct award from the United States Treasury (Award no. Coronavirus Aid, Relief and Economic Security (CARES) Act 2020

Condition

2 CFR Section 200.331(b) requires a pass-through entity to evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward. Auditor examined a non-statistical sample of six subawards but found no evidence of evaluation of the subrecipients’ risk of noncompliance at the time of the subaward.

Corrective Action Plan

Concur

The Office of Federal Award Management (OFAM) will ensure that program personnel are familiar with federal assistance requirements, including compliance with 2 CFR Part 200 which requires pass-through entities to communicate all necessary federal award information to subrecipients and perform risk assessments of subrecipients. OFAM will develop and/or enhance procedures that ensure the State department’s responsibilities as a pass-through entity are fulfilled, including a formal analysis of each subrecipient’s risk of noncompliance with each of the respective subaward requirements. This evaluation of risk may include consideration of such factors as the following:

- 1) The subrecipient’s prior experience with the same or similar subawards;
- 2) The results of previous audits including whether the subrecipient requires a single audit in accordance with 2 CFR part 200, subpart F and the extent to which the same or similar subaward has been audited as a major program;
- 3) Whether the subrecipient has new personnel or new or substantially changed systems;
- 4) The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a federal awarding agency).

Person Responsible

Mark Anderson, Administrator, Office of Federal Awards Management, State Department of Budget and Finance

Anticipated Date of Completion

June 30, 2022