

# STATE OF HAWAII

## SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



**KEITH A. REGAN**  
COMPTROLLER

Independent Audit Contracted and Administered by  
Office of the State Auditor

**State of Hawaii**  
**Single Audit of Federal Financial Assistance Programs**  
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**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, 2023, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated March 27, 2024.

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 Housing Finance and Development Corporation, 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.


**Report on 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.

*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. *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.

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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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding Nos. 2023-001 through 2023-003 that we consider to be significant deficiencies.

#### **Report on 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the State's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other 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 State'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 State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Accuity LLP*

Honolulu, Hawaii

March 27, 2024



**Report of Independent Auditors on Compliance  
for Each Major Federal 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**

***Qualified and Unmodified Opinions***

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 Law Enforcement, Department of Public Safety, Department of Taxation, and the Governor's Office (collectively, the State) compliance with the types of compliance requirements identified as subject to audit 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, 2023. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinions on Assistance Listing No. 17.225, Unemployment Insurance, Assistance Listing No. COVID-19 17.225, COVID-19 Unemployment Insurance, and the WIOA Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Assistance Listing (AL) No. 17.225, *Unemployment Insurance*, AL No. COVID-19 17.225, *COVID-19 Unemployment Insurance*, and the WIOA Cluster for the year ended June 30, 2023.

***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, 2023.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform

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Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the State’s compliance with the compliance requirements referred to above.

*Matters Giving Rise to Qualified Opinions on Assistance Listing No. 17.225, Unemployment Insurance, Assistance Listing No. COVID-19 17.225, Unemployment Insurance, and the WIOA Cluster*

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding:

Finding No.	AL No.	Program or Cluster Name	Compliance Requirement
2023-010	17.225 COVID-17.225	Unemployment Insurance	Special Test and Provisions
2023-012	Various	WIOA Cluster	Reporting
2023-013	Various	WIOA Cluster	Subrecipient Monitoring

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

**Other Matter – Federal Expenditures Not Included in the Compliance Audit**

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 which expended approximately \$5,696,388,000 in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2023. Our compliance audit, described in the Qualified and Unmodified Opinions section of our report, did not include the operations of the Department of the Attorney General, Department of Education, Department of Hawaiian Home Lands, Department of Health, Department of Human Services, Department of Transportation, Drinking Water Treatment Revolving Loan Fund, Hawaii Community Development Authority, Hawaii Employer-Union Health Benefits Trust Fund, Hawaii Health Systems Corporation, Hawaii Housing Finance and Development Corporation, Hawaii Hurricane Relief Fund, Hawaii Public Housing Authority, Hawaii Tourism Authority, Judiciary, University of Hawaii, and the Water Pollution Control Revolving Fund, because these units separately engaged auditors to perform audits in accordance with the Uniform Guidance or did not require an audit in accordance with the Uniform Guidance.



### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***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 Finding Nos. 2023-004 through 2023-009, 2023-011 and 2023-14. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditors to perform limited procedures on the State's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questions costs. 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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Nos. 2023-010, 2023-012 and 2023-013 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Nos. 2023-004 through 2023-009, 2023-011 and 2023-14 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditors to perform limited procedures on the State's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. 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, 2023, 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 March 27, 2024, 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 Housing Finance and Development Corporation, 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 27, 2024

**State of Hawaii**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
U.S. Department of Agriculture Direct Programs			
Plant and Animal Disease, Pest Control and Animal Care	10.025	\$ 133,727	\$ -
Inspection Grading and Standardization	10.162	7,536	-
Market Protection and Promotion	10.163	7,800	-
Specialty Crop Block Grant Program – Farm Bill	10.170	401,710	-
Micro-Grants for Food Security Program	10.179	1,839,767	-
Pandemic Relief Activities: Farm and Food Worker Relief Grant	10.181	200,000	-
Farm and Ranch Stress Assistance Network	10.525	118,672	-
Senior Farmers Market Nutrition Program	10.576	412,475	392,558
Cooperative Forestry Assistance	10.664	616,484	-
Wood Utilization Assistance	10.674	80,870	-
Urban and Community Forestry Program	10.675	303,066	243,319
Forest Legacy Program	10.676	229,353	-
Forest Stewardship Program	10.678	88,921	-
Forest Health Protection	10.680	456,780	-
State and Private Forestry Cooperative Fire Assistance	10.698	167,234	-
Feral Swine Eradication and Control Pilot Program	10.934	130,941	-
Food Distribution Cluster			
Commodity Supplemental Food Program	10.565	1,527,118	1,491,420
Emergency Food Assistance Program (Administrative Costs)	10.568	542,666	472,512
Emergency Food Assistance Program (Food Commodities)	10.569	4,611,691	4,611,691
Total Food Distribution Cluster		<u>6,681,475</u>	<u>6,575,623</u>
Total U.S. Department of Agriculture Direct Programs		11,876,811	7,211,500
Pass-through from the State Department of Education			
Child Nutrition Cluster			
School Breakfast Program (1420-C)	10.553	48,445	-
National School Lunch Program (1420-C)	10.555	91,497	-
Total Child Nutrition Cluster		<u>139,942</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-0038 and DHS-18-SNAP-0038 SA1)			
	10.561	369,633	-
Total U.S. Department of Agriculture Pass-through Programs		<u>509,575</u>	-
<b>Total U.S. Department of Agriculture</b>		<u><b>12,386,386</b></u>	<u><b>7,211,500</b></u>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
U.S. Department of Commerce Direct Programs			
National Oceanic and Atmosphere Administration – Management Support for Hawaiian Islands Humpback Whale, Joint Enforcement Agreement	11.U01	44,551	-
State Digital Equity Planning and Capacity Grant	11.032	118,203	-
Broadband Equity, Access and Deployment Program	11.035	10,982	10,982
Interjurisdictional Fisheries Act of 1986	11.407	48,951	-
Fishery Products Inspection and Certification	11.413	4,816	-
Coastal Zone Management Administration Awards	11.419	2,397,727	1,593,365
Marine Sanctuary Program	11.429	147,308	-
Pacific Fisheries Data Program	11.437	409,661	-
Marine Mammal Data Program	11.439	13,655	-
Unallied Industry Projects	11.452	43,450	-
Unallied Management Projects	11.454	35,000	-
Meteorologic and Hydrologic Modernization Development	11.467	682,988	442,318
Congressionally Identified Awards and Projects	11.469	140,014	-
Unallied Science Program	11.472	463,845	-

(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, 2023**

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
Office for Coastal Management	11.473	511,265	-
Coral Reef Conservation Program	11.482	749,420	-
Manufacturing Extension Partnership	11.611	813,472	-
Marine Debris Program	11.999	40,097	-
Economic Development Cluster			
Economic Adjustment Assistance	11.307	1,648,426	305,142
Total Economic Development Cluster		<u>1,648,426</u>	<u>305,142</u>
<b>Total U.S. Department of Commerce</b>		<b><u>8,323,831</u></b>	<b><u>2,351,807</u></b>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
U.S. Department of Defense Direct Programs			
Readiness and Environmental Protection Integration Program	12.017	50,214	-
Collaborative Research and Development	12.114	294,915	-
National Guard Military Operations and Maintenance Projects	12.401	20,009,157	-
National Guard ChalleNGe Program	12.404	4,497,397	-
Economic Adjustment Assistance for State Governments	12.617	394,157	-
Legacy Resource Management Program	12.632	254,826	-
<b>Total U.S. Department of Defense</b>		<b><u>25,500,666</u></b>	<b>-</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
U.S. Department of Housing and Urban Development Direct Program			
Fair Housing Assistance Program – State and Local	14.401	69,337	-
<b>Total U.S. Department of Housing and Urban Development</b>		<b><u>69,337</u></b>	<b>-</b>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
U.S. Department of the Interior Direct Programs			
Fish and Wildlife Management Assistance	15.608	120,840	-
Coastal Wetlands Planning, Protection and Restoration	15.614	1,462,036	-
Cooperative Endangered Species Conservation Fund	15.615	3,736,156	-
North American Wetlands Conservation Fund	15.623	44,487	-
Coastal Program	15.630	39,997	-
Partners for Fish and Wildlife	15.631	1,551	-
State Wildlife Grants	15.634	2,098,798	604,077
Endangered Species Conservation – Recovery Implementation Funds	15.657	1,044,269	-
Candidate Species Conservation	15.660	299,464	-
Adaptive Science	15.670	64,782	-
Economic, Social and Political Development of the Territories	15.875	294,372	-
Historic Preservation Fund Grants-In-Aid	15.904	534,319	-
Outdoor Recreation – Acquisition, Development and Planning	15.916	352,960	-
Natural Resource Stewardship	15.944	34,181	-
Fish and Wildlife Cluster			
Sport Fish Restoration	15.605	2,804,043	264,479
Wildlife Restoration and Basic Hunter Education	15.611	3,697,507	-
Total Fish and Wildlife Cluster		<u>6,501,550</u>	<u>264,479</u>
<b>Total U.S. Department of the Interior</b>		<b><u>16,629,762</u></b>	<b><u>868,556</u></b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
U.S. Department of Justice Direct Programs			
State Criminal Alien Assistance Program	16.606	163,317	-
Stop School Violence	16.839	78,130	-
Equitable Sharing Program	16.922	349,404	-
Total U.S. Department of Justice Direct Programs		<u>590,851</u>	<u>-</u>

(continued)

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

**State of Hawaii**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

<b>Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)</b>	<b>Federal AL Number</b>	<b>Federal Expenditures</b>	<b>Amount Provided to Subrecipients</b>
<b>Pass-through from the State Department of the Attorney General</b>			
COVID-19 – Coronavirus Emergency Supplemental Funding Program (20-VD-11)	COVID-19 – 16.034	77,964	-
Crime Victim Assistance (19-V2-10, 20-V2-05 and 21-V2-05)	16.575	145,469	-
Residential Substance Abuse Treatment for State Prisoners (19-J2-01)	16.593	89,211	-
Edward Byrne Memorial Justice Assistance Grant Program (19-DJ-05 and 20-DJ-05)	16.738	40,134	-
Total U.S. Department of Justice Pass-through Programs		<u>352,778</u>	-
<b>Total U.S. Department of Justice</b>		<u><b>943,629</b></u>	-
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>U.S. Department of Labor Direct Programs</b>			
Labor Force Statistics	17.002	760,790	-
Unemployment Insurance	17.225	205,061,854	-
COVID-19 – Unemployment Insurance	COVID-19 – 17.225	3,589,308	-
Total Unemployment Insurance		<u>208,651,162</u>	-
Senior Community Service Employment Program	17.235	972,124	-
Trade Adjustment Assistance	17.245	71,501	-
Reentry Employment Opportunities	17.270	217	-
Work Opportunity Tax Credit Program	17.271	84,172	-
Temporary Labor Certification for Foreign Workers	17.273	99,817	-
WIOA National Dislocated Workers Grants / WIA National Emergency Grants	17.277	1,157,404	-
Occupational Safety and Health – State Program	17.503	1,713,797	-
Consultation Agreements	17.504	532,220	-
<b>Employment Service Cluster</b>			
Employment Service / Wagner-Peyser Funded Activities	17.207	1,926,127	-
Disabled Veterans’ Outreach Program	17.801	456,478	-
Total Employment Service Cluster		<u>2,382,605</u>	-
<b>WIOA Cluster</b>			
WIOA Adult Program	17.258	94,517	-
WIOA Youth Activities	17.259	5,959,486	4,227,914
WIOA Dislocated Worker Formula Grants	17.278	81,319	-
Total WIOA Cluster		<u>6,135,322</u>	<u>4,227,914</u>
<b>Total U.S. Department of Labor</b>		<u><b>222,561,131</b></u>	<u><b>4,227,914</b></u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>U.S. Department of Transportation Direct Program</b>			
Highway Planning and Construction	20.205	606,278	-
<b>Pass-through from the State Department of Transportation</b>			
<b>Federal Transit Administration</b>			
Federal Transit – Capital Investment Grants (Federal Transit Cluster) (HI-03-0038-00)	20.500	2,973,030	-
<b>Total U.S. Department of Transportation</b>		<u><b>3,579,308</b></u>	-
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
<b>U.S. Department of Treasury Direct Programs</b>			
Equitable Sharing	21.016	93,822	-
COVID-19 – Emergency Rental Assistance Program	COVID-19 – 21.023	13,628,624	13,628,624
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	COVID-19 – 21.027	383,036,741	287,171,053
COVID-19 – Coronavirus Capital Projects Funds	COVID-19 – 21.029	289,274	289,274
COVID-19 – State Small Business Credit Initiative			
Technical Assistance Grant Program	COVID-19 – 21.031	2,827,267	-
<b>Total U.S. Department of the Treasury</b>		<u><b>399,875,728</b></u>	<u><b>301,088,951</b></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, 2023**

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</b>			
U.S. Equal Employment Opportunity Commission Direct Program			
Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	30.002	173,841	-
<b>Total U.S. Equal Employment Opportunity Commission</b>		<b>173,841</b>	<b>-</b>
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>			
U.S. General Services Administration Direct Program			
Donation of Federal Surplus Personal Property	39.003	1,615,017	-
<b>Total U.S. General Services Administration</b>		<b>1,615,017</b>	<b>-</b>
<b>U.S. NATIONAL ENDOWMENT FOR THE ARTS</b>			
U.S. National Endowment for the Arts Direct Program			
Promotion of the Arts – Partnership Agreements	45.025	833,203	530,279
<b>Total U.S. National Endowment for the Arts</b>		<b>833,203</b>	<b>530,279</b>
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>			
U.S. Small Business Administration Direct Program			
State Trade Expansion	59.061	601,223	-
<b>Total U.S. Small Business Administration</b>		<b>601,223</b>	<b>-</b>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
U.S. Department of Veterans Affairs Direct Programs			
Grants to States for Construction of State Home Facilities	64.005	20,995,278	-
Veterans Cemetery Grants Program	64.203	5,071,003	-
<b>Total U.S. Department of Veterans Affairs</b>		<b>26,066,281</b>	<b>-</b>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
U.S. Environmental Protection Agency Direct Programs			
Regional Wetland Program Development Grants	66.461	142,715	-
Performance Partnership Grants	66.605	471,896	-
<b>Total U.S. Environmental Protection Agency Direct Programs</b>		<b>614,611</b>	<b>-</b>
Pass-through from the State Department of Health			
Nonpoint Source Implementation Grant (17-195)	66.460	283,656	-
<b>Total U.S. Environmental Protection Agency Pass-through Program</b>		<b>283,656</b>	<b>-</b>
<b>Total U.S. Environmental Protection Agency</b>		<b>898,267</b>	<b>-</b>
<b>U.S. DEPARTMENT OF ENERGY</b>			
U.S. Department of Energy Direct Programs			
State Energy Program	81.041	734,192	-
Weatherization Assistance for Low-Income Persons	81.042	513,558	468,466
Renewable Energy Research and Development	81.087	93,067	-
<b>Total U.S. Department of Energy</b>		<b>1,340,817</b>	<b>468,466</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Pass-through from the University of Hawaii			
Career and Technical Education – Basic Grants to States (V048A20011)	84.048A	134,234	-
<b>Total U.S. Department of Education Pass-through Program</b>		<b>134,234</b>	<b>-</b>
<b>Total U.S. Department of Education</b>		<b>134,234</b>	<b>-</b>

(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, 2023**

<b>Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)</b>	<b>Federal AL Number</b>	<b>Federal Expenditures</b>	<b>Amount Provided to Subrecipients</b>
<b>U.S. ELECTION ASSISTANCE COMMISSION</b>			
U.S. Election Assistance Commission Direct Programs			
Help America Vote Act Requirements Payments	90.401	533,380	-
HAVA Election Security	90.404	<u>1,455,810</u>	-
<b>Total U.S. Election Assistance Commission</b>		<u><b>1,989,190</b></u>	<u>-</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
U.S. Department of Health and Human Services Direct Programs			
Food and Drug Administration Research	93.103	197,435	-
1332 State Innovation Waivers	93.423	433,368	-
Refugee and Entrant Assistance – State Administered Programs	93.566	125,301	95,770
Community Services Block Grant	93.569	3,589,390	3,353,703
COVID-19 – Community Services Block Grant	COVID-19 – 93.569	<u>1,151,762</u>	<u>1,111,863</u>
Total Community Services Block Grant		4,741,152	4,465,566
<b>Total U.S. Department of Health and Human Services Direct Programs</b>		<u>5,497,256</u>	<u>4,561,336</u>
Pass-through from the State Department of Health			
Injury Prevention and Control Research and State Community Based Programs (NU17CE925009-03-02)	93.136	296,894	-
Epidemiology & Laboratory Capacity for Infectious Diseases (NU50CK000553)	93.323	<u>145,513</u>	-
<b>Total U.S. Department of Health Pass-Through Programs</b>		<u>442,407</u>	-
Pass-through from the State Department of Human Services			
Temporary Assistance for Needy Families (2201HRCM, DHS-21-ETPO-0049 2 and DHS-21-ETPO-0049)	93.558	949,604	125,972
Low-Income Home Energy Assistance (G-2101HILIEA and G-2201HILIEA)	93.568	451,326	421,075
<b>Total U.S. Department of Health and Human Services Pass-through Programs</b>		<u>1,400,930</u>	<u>547,047</u>
<b>Total U.S. Department of Health and Human Services</b>		<u><b>7,340,593</b></u>	<u><b>5,108,383</b></u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
U.S. Department of Homeland Security Direct Programs			
Non-profit Security Grant Program	97.008	264,508	264,508
Boating Safety Financial Assistance	97.012	544,644	-
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	54,576,492	6,923,603
National Dam Safety Program	97.041	302,851	-
Emergency Management Performance Grants	97.042	4,788,283	1,467,275
Cooperating Technical Partners	97.045	99,391	-
Pre-Disaster Mitigation	97.047	328,846	-
Port Security Grant Program	97.056	386,278	48,195
Homeland Security Grant Program	97.067	4,863,997	3,610,523
Earthquake Consortium	97.082	30,248	-
Regional Catastrophic Preparedness Grant Program	97.111	241,116	-
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132	<u>210,478</u>	-
<b>Total U.S. Department of Homeland Security</b>		<u><b>66,637,132</b></u>	<u><b>12,314,104</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$ 797,499,576</b></u>	<u><b>\$ 334,169,960</b></u>

(concluded)

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

# State of Hawaii

## Notes to Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2023

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



**State of Hawaii**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

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**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*, 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 (Food Commodities)*, 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 \$208,651,162 reported as expenditures for AL No. 17.225, *Unemployment Insurance*, and AL No. COVID-19 – 17.225, *COVID-19 – Unemployment Insurance*, \$180,763,187 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 Federal and State 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, 2023**

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**9. Research and Development Cluster Expenditures**

The SEFA includes the following Research and Development amounts:

<u>Federal Grantor and Program Title</u>	<u>Federal AL Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce		
Interjurisdictional Fisheries Act of 1986	11.407	\$ 48,951
Marine Sanctuary Program	11.429	147,308
Pacific Fisheries Data Program	11.437	409,661
Marine Mammal Data Program	11.439	13,655
Unallied Industry Projects	11.452	43,450
Unallied Management Projects	11.454	35,000
Coral Reef Conservation Program	11.482	<u>749,420</u>
Total U.S. Department of Commerce		<u>1,447,445</u>
U.S. Department of Defense		
Collaborative Research and Development	12.114	<u>294,915</u>
Total U.S. Department of Defense		<u>294,915</u>
U.S. Department of the Interior		
Fish and Wildlife Management Assistance	15.608	120,840
Coastal Program	15.630	39,997
State Wildlife Grants	15.634	2,098,798
Endangered Species Conservation – Recovery Implementation Funds	15.657	1,044,269
Candidate Species Conservation	15.660	299,464
Adaptive Science	15.670	64,782
Natural Resource Stewardship	15.944	<u>34,181</u>
Total U.S. Department of the Interior		<u>3,702,331</u>
U.S. Environmental Protection Agency		
Regional Wetland Program Development Grants	66.461	<u>142,715</u>
Total U.S. Environmental Protection Agency		<u>142,715</u>
U.S. Department of Health and Human Services		
Food and Drug Administration Research	93.103	<u>197,435</u>
Total U.S. Department Health and Human Services		<u>197,435</u>
Total Research and Development Cluster		<u>\$ 5,784,841</u>

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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**Section I – Summary of Auditors’ Results**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs		
• Material weaknesses identified?	___ X yes	___ no
• Significant deficiencies identified?	___ X yes	___ none reported

Type of auditors’ report issued on compliance for major programs

An unmodified opinion was issued on the State of Hawaii’s compliance with its major federal programs for the year ended June 30, 2023, 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*, and reporting and subrecipient monitoring for the WIOA Cluster for which the opinion on compliance was qualified.

Qualified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___ X yes	___ no
Dollar threshold used to distinguish between type A and type B program	\$3,000,000	
Auditee qualified as low-risk auditee?	___ yes	___ X no

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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**Identification of Major Programs**

<b>Federal AL Number</b>	<b>Name of Federal Program or Cluster</b>
12.404	National Guard ChalleNGe Program
15.615	Cooperative Endangered Species Conservation Fund
20.500	Federal Transit – Capital Investment Grants (Federal Transit Cluster)
COVID-19 – 21.023	COVID-19 – Emergency Rental Assistance Program
COVID-19 – 21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
COVID-19 – 21.031	COVID-19 – State Small Business Credit Initiative
64.203	Veterans Cemetery Grants Program
97.042	Emergency Management Performance Grants
97.067	Homeland Security Grant Program
	<b>WIOA Cluster</b>
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants
	<b>Research and Development (R&amp;D) Cluster</b>
11.407	Interjurisdictional Fisheries Act of 1986
11.429	Marine Sanctuary Program
11.437	Pacific Fisheries Data Program
11.439	Marine Mammal Data Program
11.452	Unallied Industry Projects
11.454	Unallied Management Projects
11.482	Coral Reef Conservation Program
12.114	Collaborative Research and Development
15.608	Fish and Wildlife Management Assistance
15.614	Coastal Wetlands Planning, Protection and Restoration
15.630	Coastal Program
15.634	State Wildlife Grants
15.657	Endangered Species Conservation – Recovery Implementation Funds
15.660	Candidate Species Conservation
15.670	Adaptive Science
15.944	Natural Resource Stewardship
66.461	Regional Wetland Program Development Grants
93.103	Food and Drug Administration Research
	<b>Unemployment Insurance</b>
17.225	Unemployment Insurance
COVID-19 – 17.225	COVID-19 – Unemployment Insurance
	<b>Food Distribution Cluster</b>
10.565	Commodity Supplemental Food Program
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)

# **FINANCIAL STATEMENT FINDINGS**

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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**Section II – Financial Statement Findings**

**Finding No. 2023-001: Internal Control over Financial Reporting (Significant Deficiency)**

**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 2023 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, 2023, 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. 96, *Subscription-Based Information Technology Arrangements*.

A similar finding was reported as a material weakness in the prior year as Finding No. 2022-001.

**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 were necessary to properly report the fiscal year 2023 financial statements.

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

**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.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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**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, 2023**

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**Finding No. 2023-002: 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 fiscal year 2023 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 fiscal year 2023 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. 2022-002.

**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.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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**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. 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>
<b>Discretely presented component units</b>			
Stadium Authority	\$ 10.3	\$ 7.9	\$ 26.2
Hawaii Strategic Development Corporation	-	-	0.1
Hawaii Technology Development Corporation	2.7	13.9	14.2
Natural Energy Laboratory of Hawaii	5.5	5.6	7.7
Agribusiness Development Corporation	3.0	3.0	87.4
<b>Nonmajor proprietary funds</b>			
Department of Accounting and General Services – State Parking Revolving Fund	\$ 4.2	\$ 3.3	\$ 13.6
Department of Accounting and General Services – State Motor Pool Fund	2.2	1.8	2.7
Department of Public Safety – Correctional Industries Fund	3.7	5.8	3.5
Department of Labor and Industrial Relations – Disability Compensation Fund	16.3	14.6	12.7

**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. 61 and 34, respectively. DAGS also determined that some of the potential CUs and PFs are unable to close their accounting records and to complete audits in a timely manner, such that audited financial statements would not be available for the preparation of the ACFR. Therefore, application of GASB Statements Nos. 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, 2023

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#### **Finding No. 2023-003: 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, 2023, we performed an IT general controls review of selected State departments' systems, including the following systems operated by the Department of Labor and Industrial Relations (DLIR):

- UI BPS
- UI Tax
- QWRS
- UI Employer Website

Our review resulted in the following IT control deficiencies over change management:

- Developers have access to the production environment.
- 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.

A similar finding was reported in the prior year as Finding No. 2022-003.

##### **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 change management address the risk of unauthorized or untested changes promoted to the production environment that 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 DLIR perform the following:

- 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, 2023**

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**Section III – Federal Award Findings and Questioned Costs**

**Finding No. 2023-004: SEFA (Significant Deficiency)**

**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 in the prior year as Finding No. 2022-004.

**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, 2023 and related notes to the SEFA that were not detected by management’s internal controls, but was subsequently identified and corrected as part of our auditing procedures.

**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, 2023, 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. 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, 2023**

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		Questioned Cost
<b>Finding No. 2023-005:</b>	<b>Suspension and Debarment (Significant Deficiency)</b>	\$ _____ –
<b>State Agency:</b>	Department of Land and Natural Resources (“DLNR”)	
<b>Federal Agency:</b>	Department of the Interior	
<b>AL Number and Title:</b>	15.615 – <i>Cooperative Endangered Species Conservation Fund</i>	
<b>Award Number and Award Year:</b>	F22AP03217	2022
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we tested a non-statistical sample of two subawards and found no evidence indicating that program personnel verified whether any of the contractors were federally suspended or debarred.

**Criteria**

According to 2 CFR 200.214, regulations restrict awards, subawards and contracts with certain parties that are debarred, suspended, or otherwise excluded from, ineligible from, or ineligible for participation in federal assistance programs or activities. Therefore, verification is required by checking the System for Award Management (SAM), an official website for the U.S. Government, obtaining a certification from the contractor, or adding a clause or condition to the contract.

**Effect**

Without evaluating the contractors’ status on the SAM before executing agreements, the State may contract with suspended or debarred entities.

**Cause and View of Responsible Officials**

Program personnel responsible for procurement indicated that a review for the federal SAM website was performed prior to the execution of the contract, however, no formal documentation of the review was retained.

**Recommendation**

We recommend that program management retain evidence of the suspension and debarment review, including who performed the procedure and the date performed, prior to entering into the agreement.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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		<b>Questioned Cost</b>
<b>Finding No. 2023-006:</b>	<b>Reporting (Significant Deficiency)</b>	<b>\$ _____ –</b>
<b>State Agency:</b>	DLNR	
<b>Federal Agency:</b>	Department of the Interior	
<b>AL Number and Title:</b>	15.615 – <i>Cooperative Endangered Species Conservation Fund</i>	
<b>Award Number and Award Year:</b>	F22AP03217	2022
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we tested a non-statistical sample of one subaward and found that the reporting required by Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the Federal Funding Accountability and Transparency Act (“FFATA”) was not completed timely.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
1	0	1	0	0
Dollar Amount of Tested Transactions	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$224,000	\$0	\$224,000	\$0	\$0

**Criteria**

Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA requires an entity to report subcontracts made under federally-awarded contracts by the end of the month following the month in which the prime recipient awards any subgrant greater than or equal to \$30,000.

**Effect**

Failure to file required reports reduces transparency on the use of program funds and represents an instance of noncompliance with the requirements of 2 CFR Part 200.

**Cause and View of Responsible Officials**

The department experienced a staffing shortage and was unable to file the report in a timely manner.

**Recommendation**

We recommend that program personnel ensure that required FFATA reports are filed timely.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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		Questioned Cost
<b>Finding No. 2023-007:</b>	<b>Suspension and Debarment (Significant Deficiency)</b>	\$ _____ –
<b>State Agency:</b>	DLNR	
<b>Federal Agency:</b>	Department of the Interior	
<b>AL Number and Title:</b>	15.634 – <i>State Wildlife Grants</i> (R&D Cluster)	
<b>Award Number and Award Year:</b>	F21AP00578                      2022 F22AP03438                      2022	
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we tested a non-statistical sample of two subawards and found no evidence indicating that program personnel verified whether the contractors were federally suspended or debarred.

**Criteria**

According to 2 CFR 200.214, regulations restrict awards, subawards and contracts with certain parties that are debarred, suspended, or otherwise excluded from, ineligible from, or ineligible for participation in federal assistance programs or activities. Therefore, verification is required by checking the SAM, an official website for the U.S. Government, obtaining a certification from the contractor, or adding a clause or condition to the contract.

**Effect**

Without evaluating the contractors’ status on the SAM before executing agreements, the State may contract with suspended or debarred entities.

**Cause and View of Responsible Officials**

Program personnel responsible for procurement indicated that a review for the federal SAM website was performed prior to the execution of the contract, however, no formal documentation of the review was retained.

**Recommendation**

We recommend that program management retain evidence of the suspension and debarment review, including who performed the procedure and the date performed, prior to entering into the agreement.



**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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		Questioned Cost
<b>Finding No. 2023-008:</b>	<b>Subrecipient Monitoring (Significant Deficiency)</b>	<b>\$ _____ –</b>
<b>State Agency:</b>	DLNR	
<b>Federal Agency:</b>	Department of the Interior	
<b>AL Number and Title:</b>	15.634 – <i>State Wildlife Grants</i> (R&D Cluster)	
<b>Award Number and Award Year:</b>	F21AP00578                      2022 F22AP03438                      2022	
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we examined a non-statistical sample of two subawards and noted the following instances of noncompliance:

- Subaward agreements did not include certain required federal award information.
- No evidence of pass-through entity verifying that subrecipients are audited as required by 2 CFR Section 200, Subpart F.

**Criteria**

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

2 CFR Section 200.332(f) requires a pass-through entity to verify that every subrecipient is audited as required by 2 CFR Section 200, Subpart F, when it is expected that the subrecipient’s expenditures exceed applicable thresholds.

**Effect**

By not including the required information in the subaward and verifying whether the subrecipient is audited, the State may not be providing the appropriate level of monitoring over its subrecipients.

**Cause and View of Responsible Officials**

Program personnel responsible indicated that subaward information was provided and verification of audit was performed, however, no formal documentation of the review was retained.

**Recommendation**

We recommend that program management retain evidence of process, including who performed the procedure and the date performed.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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		Questioned Cost
<b>Finding No. 2023-009:</b>	<b>Eligibility (Significant Deficiency)</b>	<u>\$ 1,643</u>
<b>State Agency:</b>	Department of Labor and Industrial Relations (DLIR)	
<b>Federal Agency:</b>	Department of Labor	
<b>AL Number and Title:</b>	17.225 – <i>Unemployment Insurance</i> COVID-19 – 17.225 – <i>COVID-19 – Unemployment Insurance</i>	
<b>Award Number and Award Year:</b>	UI-39318-23-55-A-15      2023	
<b>Repeat Finding?</b>	Yes	

**Condition**

During our audit, we selected a non-statistical sample of sixty benefit payments made during the year and identified two payments where the recipients did not make the minimum number of work search contacts.

**Criteria**

Pursuant to State *Handbook of Unemployment Benefits*, the following requirements must be met to become eligible for benefit payments:

- 1) Be totally or partially unemployed;
- 2) File an application to establish an unemployment insurance claim;
- 3) File a claim certification on a weekly or bi-weekly basis to request payment of benefits;
- 4) Register for work with the State Workforce Development Division;
- 5) Participate in re-employment services;
- 6) Be physically and mentally able to work;
- 7) Be ready and willing to seek and accept work by making three or more work search contacts every week;
- 8) Serve a one-week waiting period; and
- 9) Report for interviews.

**Effect**

Failure to comply with the eligibility requirements results in noncompliance with the terms of the award and may result in recapture of funds by the awarding agency.

**Cause and View of Responsible Officials**

The department experienced a staffing shortage and was unable to investigate cases within a timely manner.

**Recommendation**

We recommend that the State department follow the policies and procedures established to comply with eligibility requirements. Furthermore, we recommend that the department formalize any modifications to the work search requirements used in practice as allowed under HRS Section 12-5-34.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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		Questioned Cost
<b>Finding No. 2023-010:</b>	<b>Special Tests and Provisions (Material Weakness)</b>	\$ _____ –
<b>State Agency:</b>	DLIR	
<b>Federal Agency:</b>	Department of Labor	
<b>AL Number and Title:</b>	17.225 – <i>Unemployment Insurance</i> COVID-19 – 17.225 – <i>COVID-19 – Unemployment Insurance</i>	
<b>Award Number and Award Year:</b>	UI-39318-23-55-A-15      2023	
<b>Repeat Finding?</b>	Yes	

**Condition**

During our audit, we examined the Benefit Accuracy Measurement (BAM) summary report and identified that minimum cases and timeliness requirements were not met for 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

**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 experienced a staffing shortage and was unable to process the minimum number of cases and/or investigate cases within a timely manner.

**Recommendation**

We recommend that the State department address staffing shortages and 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, as necessary.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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		Questioned Cost
<b>Finding No. 2023-011:</b>	<b>Earmarking (Significant Deficiency)</b>	\$ _____ –
<b>State Agency:</b>	DLIR	
<b>Federal Agency:</b>	Department of Labor	
<b>AL Number and Title:</b>	17.258 – <i>WIOA Adult Program</i> 17.259 – <i>WIOA Youth Activities</i> 17.278 – <i>WIOA Dislocated Worker Formula Grant</i> (WIOA Cluster)	
<b>Award Number and Award Year:</b>	AA-33225-15-55A-15	2019
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we noted the following instances of noncompliance:

- A total of 15.61% of funds were allocated for employment and training activities for adults and dislocated workers.
- A total of 74.60% of funds were allocated for services to out-of-school youth.

**Criteria**

According to Section 129(b) of the Workforce Innovation and Opportunity Act, not more than 15% of funds allocated shall be used to provide employment and training activities for adults and dislocated workers.

According to Section 129(c) of the Workforce Innovation and Opportunity Act, not less than 75% of funds allocated to the local area, except for local area administrative costs, shall be used to provide out-of-school youth.

**Effect**

Failure to comply with the award’s earmarking requirements results in noncompliance with the terms of the award and could result in sanctions by the awarding agency.

**Cause and View of Responsible Officials**

When the initial award is provided to the various subrecipients, program personnel allocate amounts in accordance with earmarking requirements. However, as actual results differ from the budget, program personnel became aware of noncompliance at the close of the award.

**Recommendation**

We recommend that program management establish policies and procedures with subrecipients to ensure earmarking requirements are met.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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		<b>Questioned Cost</b>
<b>Finding No. 2023-012:</b>	<b>Reporting (Material Weakness)</b>	\$ _____ –
<b>State Agency:</b>	DLIR	
<b>Federal Agency:</b>	Department of Labor	
<b>AL Number and Title:</b>	17.258 – WIOA Adult Program 17.259 – WIOA Youth Activities 17.278 – WIOA Dislocated Worker Formula Grant (WIOA Cluster)	
<b>Award Number and Award Year:</b>	AA-38525-22-55-A-15                      2022	
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we tested a non-statistical sample of two subawards and found no evidence that the reporting required by Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA was completed.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
3	3	0	0	0
Dollar Amount of Tested Transactions	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$3,890,043	\$3,890,043	\$0	\$0	\$0

**Criteria**

Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA requires an entity to report subcontracts made under federally-awarded contracts by the end of the month following the month in which the prime recipient awards any subgrant greater than or equal to \$30,000.

**Effect**

Failure to file required reports reduces transparency on the use of program funds and represents an instance of noncompliance with the requirements of 2 CFR Part 200.

**Cause and View of Responsible Officials**

Due to changes in program personnel, there was miscommunication between the parties responsible for filing the FFATA reports.

**Recommendation**

We recommend that program personnel ensure that required FFATA reports are filed timely.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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		Questioned Cost
<b>Finding No. 2023-013:</b>	<b>Subrecipient Monitoring (Material Weakness)</b>	<u>\$</u> _____ –
<b>State Agency:</b>	DLIR	
<b>Federal Agency:</b>	Department of Labor	
<b>AL Number and Title:</b>	17.258 – <i>WIOA Adult Program</i> 17.259 – <i>WIOA Youth Activities</i> 17.278 – <i>WIOA Dislocated Worker Formula Grant</i> (WIOA Cluster)	
<b>Award Number and Award Year:</b>	AA-38525-22-55-A-15                      2022	
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we examined a non-statistical sample of three subawards and noted the following instances of noncompliance:

- No evidence of evaluation of the subrecipients’ risk of noncompliance at the time of the subawards.
- No evidence of on-site monitoring procedures of the subrecipients.

**Criteria**

2 CFR Section 200.332(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.

2 CFR Section 200.332(d) requires a pass-through entity to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in accordance with federal statutes and regulations.

**Effect**

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

**Cause and View of Responsible Officials**

Due to resource constraints, program personnel were unable to perform the subrecipient’s risk of noncompliance and on-going monitoring procedures.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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**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, 2023**

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		<b>Questioned Cost</b>
<b>Finding No. 2023-014:</b>	<b>Reporting (Significant Deficiency)</b>	<b>\$ _____ –</b>
<b>State Agency:</b>	Department of Defense	
<b>Federal Agency:</b>	Department of Homeland Security	
<b>AL Number and Title:</b>	97.067 – <i>Homeland Security Grant Program</i>	
<b>Award Number and Award Year:</b>	EMW-2022-SS-0036                      2022	
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we tested a non-statistical sample of three subawards and found that the reporting required by Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA were not filed timely.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
3	0	3	0	0
Dollar Amount of Tested Transactions	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$1,775,500	\$0	\$1,775,500	\$0	\$0

**Criteria**

Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA requires an entity to report subcontracts made under federally-awarded contracts by the end of the month following the month in which the prime recipient awards any subgrant greater than or equal to \$30,000.

**Effect**

Failure to file required reports timely reduces transparency on the use of program funds and represents an instance of noncompliance with the requirements of 2 CFR Part 200.

**Cause and View of Responsible Officials**

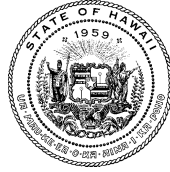
Due to changes in program personnel, there was miscommunication between the parties responsible for filing the FFATA reports.

**Recommendation**

We recommend that program personnel ensure that required FFATA reports are filed timely.



JOSH GREEN M.D.  
GOVERNOR  
KE KIA'ĀINA



KEITH A. REGAN  
COMPTROLLER  
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN  
DEPUTY COMPTROLLER  
KA HOPE LUNA HO'OMALU HANA LAULĀ

**STATE OF HAWAII | KA MOKU'ĀINA O HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

March 27, 2024

ACC 24.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, 2023. 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. Ladea Nash, Accounting Division at (808) 586-0600.

Sincerely,

A handwritten signature in blue ink, appearing to be "K. Regan".

KEITH A. REGAN  
Comptroller

Attachments

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

**State of Hawaii**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2023**

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Finding No.	Description	Department	Classification	Status		Current Year Finding No.
				Resolved	Unresolved	
2022-001	Internal Control Over Financial Reporting	DAGS	Material Weakness		X	2023-001
2022-002	Accounting for Component Units and Proprietary Funds	DAGS	Significant Deficiency		X	2023-002
2022-003	IT General Control Deficiencies	DLIR; DAGS	Material Weakness		X	2023-003
2022-004	Schedule of Expenditures of Federal Awards	DAGS	Significant Deficiency		X	2023-004
2022-005	Eligibility	DLIR	Significant Deficiency		X	2023-009
2022-006	Special Tests and Provisions	DLIR	Material Weakness		X	2023-010
2022-007	Subrecipient Monitoring	Governor's Office	Significant Deficiency	X		
2022-008	Cash Management	Governor's Office	Significant Deficiency	X		
2022-009	Reporting	Governor's Office	Significant Deficiency	X		
2022-010	Subrecipient Monitoring	Governor's Office	Significant Deficiency	X		
2022-011	Suspension and Debarment	Governor's Office	Significant Deficiency	X		
2022-012	Subrecipient Monitoring	Governor's Office	Significant Deficiency	X		
2022-013	Reporting	Governor's Office	Material Weakness	X		
2022-014	Subrecipient Monitoring	Governor's Office	Material Weakness	X		
2022-015	Special Tests and Provisions	Governor's Office	Significant Deficiency	X		
2022-016	Subrecipient Monitoring	DOD	Significant Deficiency	X		
2019-010	Earmarking	DLNR	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, 2023

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#### Corrective Actions Taken for Unresolved Findings

##### **Finding No. 2022-001: Internal Control Over Financial Reporting**

In fiscal year 2023, 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. 2023-001) is reported, Finding No. 2022-001 will not be carried forward.

##### **Finding No. 2022-002: Accounting for Component Units and Proprietary Funds**

No corrective action was taken in fiscal year 2023. As a current year finding (Finding No. 2023-002) is reported, Finding No. 2022-002 will not be carried forward.

##### **Finding No. 2022-003: IT General Control Deficiencies**

Corrective action is still ongoing. As a current year finding (Finding No. 2023-003) is reported, Finding No. 2022-003 will not be carried forward.

##### **Finding No. 2022-004: 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, 2023. As a current year finding (Finding No. 2023-004) is reported, Finding No. 2022-004 will not be carried forward.

##### **Finding No. 2022-005: Eligibility**

DLIR continues to improve its internal controls to comply with eligibility requirements. As a current year finding (Finding No. 2023-009) is reported, Finding No. 2022-005 will not be carried forward.

##### **Finding No. 2022 006: Special Tests and Provisions**

DLIR continues to improve its internal controls to comply with requirements. As a current year finding (Finding No. 2023-010) is reported, Finding No. 2022-006 will not be carried forward.

##### **Finding No. 2019-010: Earmarking**

DLNR continues to work with the National Park Service to receive timely grant approvals to comply with earmarking 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 2024.

# **CORRECTIVE ACTION PLAN**

## SECTION II – FINANCIAL STATEMENT FINDINGS

### Finding No. 2023-001 – Internal Control over Financial Reporting (Significant Deficiency)

#### 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 2023 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 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, 2023, DAGS requested formal reporting information packages to obtain the financial information from State departments but did not receive timely responses from some departments, including information for the implementation of Government Accounting Standard Boards Statement No. 96, *Subscription-Based Information Technology Arrangements*.

A similar finding was reported in the prior year as Finding No. 2022-001.

##### 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.

The development of a new comprehensive accounting system, which will address or mitigate financial reporting deficiencies, is on-going. This effort is a collaborative undertaking of all state departments and spear-headed by the Comptroller, Director of Budget and Finance and the Chief Information Officer.

##### Person Responsible

Ladea Nash, Administrator, DAGS Accounting Division

##### Anticipated Date of Completion

June 30, 2026

## SECTION II – FINANCIAL STATEMENT FINDINGS

### Finding No. 2023-002 – 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 (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, 2023 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, 2023 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. 2022-002.

##### 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

Ladea Nash, Administrator, DAGS Accounting Division

##### Anticipated Date of Completion

June 30, 2026

## SECTION II – FINANCIAL STATEMENT FINDINGS

### Finding No. 2023-003 – IT General Control Deficiencies (Significant Deficiency)

#### State Department of Labor and Industrial Relations

##### Condition

Review resulted in the following IT control deficiencies over change management:

- Developers have access to the production environment.
- 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.

A similar finding was reported in the prior year as Finding No. 2022-003.

##### Current Status of Corrective Action Plan

Concur.

- Developers do have access to the production environment as it is warranted for emergency purposes. DLIR will work with ETS to create log files when access is attempted and successful. As UI moves towards modernizing the UI Application, UI will take into account these vulnerabilities and implement appropriate security controls.
- The UI Employer Website developers have access to the production environment as it is warranted for daily processing of web transactions to the production environment. DLIR will work with its contractor and ETS to put into place a process to create log files to notate access. As UI moves towards modernizing the UI Application, UI will take into account these vulnerabilities and implement appropriate security controls.

##### Person Responsible

Anne Perreira-Eustaquio, Unemployment Insurance Administrator

##### Anticipated Date of Completion

Initial log process July 1, 2024. The UI Modernized system is slated to move to production in December 2026.



## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Finding No. 2023-004 – SEFA (Significant Deficiency)

#### State Department of Accounting and General Services

##### 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 in the prior year as Finding No. 2022-004.

##### 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 state which will assist in the reporting and compliance of the ACFR and SEFA reports. The development of a new comprehensive accounting system which will address or mitigate financial reporting deficiencies is on-going. This is a collaborative undertaking of all state departments and spear-headed by the Comptroller, Director of Budget and Finance, and the Chief Information Officer.

##### Person Responsible

Ladea Nash, Administrator, DAGS Accounting Division

##### Anticipated Date of Completion

June 30, 2026

### Finding No. 2023-005 – Suspension and Debarment (Significant Deficiency)

#### State Department of Land and Natural Resources (DLNR)

**AL Number:** 15.615

**Program Title:** Cooperative Endangered Species Conservation Fund

##### Condition

The auditing firm tested a non-statistical sample of two subawards and found no evidence indicating that program personnel verified whether any of the contractors were federally suspended or debarred.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Current Status of Corrective Action Plan

Concur.

DLNR Division of Forestry and Wildlife (DLNR DOFAW) has implemented procedures to ensure that a SAM.gov verification is performed for all subrecipients, and that documentation is printed out from SAM.gov and retained with the subrecipient file folder.

Person Responsible

Cynthia C. Gomez, Fiscal Management Officer

David Smith, DOFAW Administrator

Anticipated Date of Completion

Completed.

**Finding No. 2023-006 – Reporting (Significant Deficiency)**

**State Department of Land and Natural Resources**

**AL Number:** 15.615

**Program Title:** Cooperative Endangered Species Conservation Fund

Condition

A prime recipient of a federal award is required to file a Federal Funding Accountability and Transparency Act (FFATA) report to the FFATA Subaward Reporting System (FSRS) by a specific period for any subaward greater than or equal to \$30,000.

The auditing firm haphazardly tested the one subaward executed in FY 2023 and noted FFATA report was not completed timely.

Current Status of Corrective Action Plan

Concur.

DLNR has procedures in place for the submission of FFATA reports and will ensure that the reports are filed timely.

Person Responsible

Cynthia C. Gomez, Fiscal Management Officer

Anticipated Date of Completion

Completed.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Finding No. 2023-007 – Suspension and Debarment (Significant Deficiency)**

**State Department of Land and Natural Resources**

**AL Number:** 15.634

**Program Title:** State Wildlife Grants (R&D Cluster)

Condition

The auditing firm tested a non-statistical sample of two subawards and found no evidence indicating that program personnel verified whether any of the contractors were federally suspended or debarred.

Current Status of Corrective Action Plan

Concur.

DLNR DOFAW has implemented procedures to ensure that a SAM.gov verification is performed for all subrecipients, and that documentation is printed out from SAM.gov and retained with the subrecipient file folder.

Person Responsible

Cynthia C. Gomez, Fiscal Management Officer

David Smith, DOFAW Administrator

Anticipated Date of Completion

Completed.

**Finding No. 2023-008 – Subrecipient Monitoring (Significant Deficiency)**

**State Department of Land and Natural Resources**

**AL Number:** 15.634

**Program Title:** State Wildlife Grants (R&D Cluster)

Condition

The auditing firm examined a non-statistical sample of two subawards and noted the following instances of noncompliance:

- Subaward agreements did not include certain required federal award information.
- No evidence of pass-through entity verifying that subrecipients are audited as required by 2 CFR Section 200, Subpart F.

Current Status of Corrective Action Plan

Concur.

DLNR DOFAW does provide subaward information to subrecipients and will ensure to include all required federal award information.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

DLNR DOFAW will ensure that documentation is retained when performing verification that subrecipients are audited as required by 2 CFR Section 200, Subpart F.

#### Person Responsible

Cynthia C. Gomez, Fiscal Management Officer

David Smith, DOFAW Administrator

#### Anticipated Date of Completion

Completed.

#### **Finding No. 2023-009 – Eligibility (Significant Deficiency)**

##### **State Department of Labor and Industrial Relations**

**AL Number:** 17.225

**Program Title:** Unemployment Insurance

#### Condition

The audit identified two payments where the recipients did not make the minimum number of work search contacts.

#### Current Status of Corrective Action Plan

Concur.

Hawaii UI issued a memo, dated September 22, 2023, reminding the local offices of the minimum work search requirements under Administrative Rule 12-5-35(c) and for the adjudication unit to conduct a fact-finding as to the reasons for the claimant's noncompliance.

Hawaii UI is currently working on a project to enhance the work search process and requirements using a grant awarded to UI by US Department of Labor. The project will allow expansion to the work search reporting requirement on the front-end of the online weekly claim certification process to include employer job search details. The process entails the use of Behavioral Insight techniques to encourage accurate reporting of the work search requirement and provide a log of their work search efforts. These enhancements will help claimants better understand UI program requirements including:

- What claimants should report and why,
- The reporting expectations at various decision points throughout the certification process while they still have time to meet the requirements,
- Convey the consequences of intentionally providing false information or making mistakes during reporting, and
- Imposing a denial of benefits for weeks in which the claimant does not meet the work search eligibility requirement.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### Person Responsible

Sheryl Maligro, UI Program Supervisor

#### Anticipated Date of Completion

The enhancements to the Work Search Process are anticipated to be completed in June 2024.

#### **Finding No. 2023-010 – Special Tests and Provisions (Material Weakness)**

#### **State Department of Labor and Industrial Relations**

**AL Number:** 17.225

**Program Title:** Unemployment Insurance

#### Condition

Both and/or either the minimum number of cases and timeliness percentages for paid and denied claims including monetary, separation and nonseparation, were not met.

#### Current Status of Corrective Action Plan

Concur.

- The BAM unit was short staffed an investigator from March 2022. The vacancy was filled on January 17, 2023.
- The number of paid and denied claims were increased and the BAM supervisor was assigned denied cases.
- The unit anticipates to meet the minimum number of 480 paid and 450 denied cases effective FY 23-24 which began in July 2023.
- The unit has made great strides and is currently meeting the denied timeliness requirements.
- The unit has brought on an experienced adjudicator to fill a vacancy and learn BAM methodology. He is in the probationary period and is expected to continue to progress to the level where he 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 monitor case completion and timeliness to ensure the unit works toward achieving the BAM requirements.

#### Person Responsible

Sheryl Maligro, UI Program Supervisor

#### Anticipated Date of Completion

June 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Finding No. 2023-011 – Earmarking (Significant Deficiency)**

**State Department of Labor and Industrial Relations**

**AL Numbers and Program Title:** 17.258 – WIOA Adult Program  
17.259 – WIOA Youth Activities  
17.278 – WIOA Dislocated Worker Formula Grant  
(WIOA Cluster)

Condition

The auditing firm noted the following instances of noncompliance:

- A total of 15.61% of funds were allocated for employment and training activities for adults and dislocated workers.
- A total of 74.60% of funds were allocated for services to out-of-school youth.

Current Status of Corrective Action Plan

Concur.

- Administrative Services Office (ASO) has communicated with Workforce Development Division (WDD) that no more than 15% of funds shall be allocated to provide employment training activities for adults and dislocated workers. If there are recaptured funds to spend from the local areas for the program year, ASO and WDD will make sure that recaptured funds will not exceed the maximum requirements of 15%.
- WDD shall monitor the progress of subrecipients to meet the minimum 75% expenditure for out-of-school youth. If necessary, a monthly or bi-monthly meeting with subrecipients shall be scheduled to monitor the progress and take proactive recommendations and action to meet the requirements.

Person Responsible

Maricar Pilotin-Freitas, Workforce Development Division Administrator

Anticipated Date of Completion

March 2024

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Finding No. 2023-012 – Reporting (Material Weakness)**

**State Department of Labor and Industrial Relations**

**AL Numbers and Program Title:** 17.258 – WIOA Adult Program  
17.259 – WIOA Youth Activities  
17.278 – WIOA Dislocated Worker Formula Grant  
(WIOA Cluster)

Condition

Reporting required by Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA was not completed.

Current Status of Corrective Action Plan

Concur.

- Due to changes in program personnel, there was miscommunication between the parties responsible for filing the FFATA reports.
- Previous ASO left abruptly in 2023 with limited to no cross-training. Other positions vacated in 2023 as well. The ASO and Accountant VI vacancies were filled on December 1, 2023 and February 1, 2024, respectively.
- The ASO will come up with a checklist of pertinent reports that are due for WIOA programs including FFTA reporting and have the responsible staffs (Accountant and Supervisor) report to ASO Officer and WDD Administrator monthly for verification.

Person Responsible

Lynn Araki-Regan, Administrative Services Officer

Anticipated Date of Completion

March 15, 2024

**Finding No. 2023-013 – Subrecipient Monitoring (Material Weakness)**

**State Department of Labor and Industrial Relations**

**AL Numbers and Program Title:** 17.258 – WIOA Adult Program  
17.259 – WIOA Youth Activities  
17.278 – WIOA Dislocated Worker Formula Grant  
(WIOA Cluster)

Condition

No evidence of evaluation of the subrecipients' risk of noncompliance at the time of the subawards, and no evidence of on-site monitoring procedures of the subrecipients.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Current Status of Corrective Action Plan

Concur.

- The ASO will come up with a checklist of pertinent reports that are due for WIOA programs including but not limited to Risk Assessment Report to include the following information:
  - Subrecipient’s prior experience with the same or similar subawards.
  - Results of previous Single Audit of the same or similar program that has been audited as major program.
  - New and Departing Personnel Record.
  - Systems Changes/Update.
  - Completion of Subrecipient Monitoring Report.
- A formal analysis of each subrecipient’s risk of noncompliance with each of the respective subaward requirements shall be performed at the time of the subaward.
- In-person, onsite monitoring of the activities of the subrecipient shall take place annually to ensure that the subaward is used for authorized purposes, in accordance with federal statute and regulations.

### Person Responsible

Ferdinand Casabay, Accountant VI

### Anticipated Date of Completion

May 31, 2024

### **Finding No. 2023-014 – Reporting (Significant Deficiency)**

#### **State Department of Defense**

**AL Number:** 97.067

**Program Title:** Homeland Security Grant Program

### Condition

The auditing firm selected three subawards that were executed between July 1, 2022 – June 30, 2023, noting that FFATA reports for the selected subawards were not filed timely.

### Current Status of Corrective Action Plan

Concur.

It is our commitment to address this issue promptly and implement necessary measures to prevent its recurrence. We understand the importance of accurate and timely data entry in the FFATA portal for federal awards and subawards.



### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

In response to this issue, we have developed a corrective action plan to address the root causes and prevent similar occurrences in the future:

- **Review of Process:** We will conduct a thorough review of our current process for entering funding amounts into the FFATA portal to identify any inefficiencies or gaps in the process.
- **Training and Awareness:** We will provide additional training to other personnel in the grant section to ensure that there is continuity in the tasks. This will include reinforcing the importance of adhering to established deadlines and protocols.
- **Implement Reminders:** We will implement automated reminders and notifications to alert grant staff members via shared Microsoft Outlook Calendar of impending deadlines for entering new federal award into the FFATA portal. These reminders will serve as a proactive measure to prevent delays and ensure timely completion of tasks.

Lastly, reminder indicators such as receiving the official grant award and executing a memorandum of agreement with subrecipients will be an indicator for action to process FFATA reporting.

The FFATA information and process already exists in our Homeland Security Procedural Manual (Page 49) that we maintain annually. We will continue to maintain and make any necessary revisions if there are any changes.

#### Person Responsible

Glen Badua, Grants Manager

#### Anticipated Date of Completion

February 20, 2024