

# STATE OF HAWAII

## SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025



**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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**Year Ended June 30, 2025**

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



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

The Auditor  
State of Hawaii

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2025, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated January 30, 2026.

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, which is a nonmajor enterprise fund, and the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation, which are discretely presented component units, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements

will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding No. 2025-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding Nos. 2025-002 and 2025-003 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 auditors 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  
January 30, 2026



**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 and Biosecurity, Department of Budget and Finance, Department of Business, Economic Development and Tourism, Department of Commerce and Consumer Affairs, Department of Corrections and Rehabilitation, 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 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, 2025. 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 Opinion on Assistance Listing (AL) No. 11.419, Coastal Zone Management Administration Awards***

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 AL No. 11.419, *Coastal Zone Management Administration Awards*, for the year ended June 30, 2025.

***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, 2025.

***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 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 Opinion on AL No. 11.419, Coastal Zone Management Administration Awards*

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
2025-006	11.419	Coastal Zone Management Administration Awards	Cash Management
2025-007	11.419	Coastal Zone Management Administration Awards	Reporting
2025-008	11.419	Coastal Zone Management Administration Awards	Subrecipient Monitoring

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

**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, Judiciary, University of Hawaii, and the Water Pollution Control Revolving Fund which expended approximately \$5,444,013,000 in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2025. 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, 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

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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. 2025-004, 2025-005, 2025-009 and 2025-010. 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 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.

#### **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. 2025-005 through 2025-010 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 No. 2025-004 to be a significant deficiency.

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, 2025, 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 January 30, 2026, 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 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, 2026

**State of Hawaii**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

<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. DEPARTMENT OF AGRICULTURE</b>			
U.S. Department of Agriculture Direct Programs			
Plant and Animal Disease, Pest Control and Animal Care	10.025	\$ 466,120	\$ -
Inspection Grading and Standardization	10.162	13,321	-
Market Protection and Promotion	10.163	9,200	-
Specialty Crop Block Grant Program – Farm Bill	10.170	610,605	-
Micro-Grants for Food Security Program	10.179	1,957,195	-
The Emergency Food Assistance Program Commodity Credit Corporation			
Eligible Recipient Funds	10.187	196,203	196,203
Commodity Credit Corporation Funding to Alleviate Emergency Supply Chain			
Disruption in the Commodity Supplemental Food Program	10.194	15,722	15,722
Senior Farmers Market Nutrition Program	10.576	441,688	428,656
Cooperative Forestry Assistance	10.664	1,943,509	164,214
Wood Utilization Assistance	10.674	33,377	-
Urban and Community Forestry Program	10.675	358,611	200,820
Forest Legacy Program	10.676	82,618	-
Forest Stewardship Program	10.678	2,089,763	-
Forest Health Protection	10.680	651,424	-
State & Private Forestry Hazardous Fuel Reduction Program	10.697	15,893	-
State and Private Forestry Cooperative Fire Assistance	10.698	810,827	-
Infrastructure Investment and Jobs Act Community Wildfire Defense Grants	10.720	268,000	-
Inflation Reduction Act Urban & Community Forestry Program	10.727	462,043	222,151
Community Project Funds – Congressionally Directed Spending	10.730	124,064	-
Inflation Reduction Act Landscape Scale Restoration	10.731	11,568	-
Inflation Reduction Act – Forest Legacy Program	10.734	87,887	-
Environmental Quality Incentives Program	10.912	1,031,224	-
Feral Swine Eradication and Control Pilot Program	10.934	209,822	-
School Breakfast Program (Child Nutrition Cluster)	10.553	163,152	-
Food Distribution Cluster			
Commodity Supplemental Food Program	<b>10.565</b>	1,091,603	1,063,683
Emergency Food Assistance Program (Administrative Costs)	10.568	764,362	678,872
Emergency Food Assistance Program (Food Commodities)	10.569	<u>7,037,931</u>	<u>7,037,931</u>
Total Food Distribution Cluster		<u>8,893,896</u>	<u>8,780,486</u>
Total U.S. Department of Agriculture Direct Programs		20,947,732	10,008,252
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 SA2 DHS-22-SNAP-0038 SA3)	10.561	264,396	-
Pass-through from River Network			
Inflation Reduction Act Urban & Community Forestry Program (24-CA-11132544-017)	10.727	<u>15,813</u>	-
Total U.S. Department of Agriculture Pass-through Programs		<u>280,209</u>	-
<b>Total U.S. Department of Agriculture</b>		<b><u>21,227,941</u></b>	<b><u>10,008,252</u></b>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
U.S. Department of Commerce Direct Programs			
2024 Joint Enforcement Agreement	11.U01	2,865	-
State Digital Equity Planning and Capacity Grant	11.032	594	594
Broadband Equity, Access and Deployment Program	11.035	605,309	605,309
Interjurisdictional Fisheries Act of 1986	11.407	157,748	-
Coastal Zone Management Administration Awards	11.419	2,807,147	1,537,695
Marine Sanctuary Program	11.429	207,541	-
Pacific Fisheries Data Program	11.437	503,928	-
Unallied Management Projects	11.454	110,924	-
Habitat Conservation	11.463	295,778	-

(continued)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

**State of Hawaii**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

<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>
Meteorologic and Hydrologic Modernization Development	11.467	86,198	5,956
Congressionally Identified Awards and Projects	11.469	1,317,742	-
Unallied Science Program	11.472	471,632	-
Office for Coastal Management	11.473	141,693	60,191
Manufacturing Extension Partnership	11.611	772,526	-
Economic Adjustment Assistance (Economic Development Cluster)	11.307	5,398,134	33,424
Total U.S. Department of Commerce Direct Programs		12,879,759	2,243,169
Pass-through from University of Hawaii			
Economic Adjustment Assistance (Economic Development Cluster) (MA1830 and MA1917)	11.307	213,014	-
Office for Coastal Management (MA2119)	11.473	23,048	-
Pass-through from National Fish and Wildlife Foundation			
Office for Coastal Management (69007, 72801, 75880, 76445)	11.473	1,211,136	-
Coral Reef Conservation Program (NA18N054820181)	11.482	1,033,046	-
Pass-through from the State Department of Education			
Economic Adjustment Assistance (Economic Development Cluster) (MA1852)	11.307	95,360	-
Total U.S. Department of Commerce Pass-through Programs		2,575,604	-
<b>Total U.S. Department of Commerce</b>		<b>15,455,363</b>	<b>2,243,169</b>
 <b>U.S. DEPARTMENT OF DEFENSE</b>			
U.S. Department of Defense Direct Programs			
Readiness and Environmental Protection Integration Program	12.017	2,816,204	-
STARBASE Program	12.020	370,205	-
Collaborative Research and Development	12.114	556,697	-
Basic and Applied Scientific Research	12.300	1,792,040	-
Military Construction, National Guard	12.400	26,304	-
National Guard Military Operations and Maintenance Projects	12.401	28,042,658	-
National Guard ChalleNGe Program	12.404	5,884,407	-
Community Investment	12.600	222,300	-
Economic Adjustment Assistance for State Governments	12.617	1,517,654	441,967
<b>Total U.S. Department of Defense</b>		<b>41,228,469</b>	<b>441,967</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	14.401	100,847	-
<b>Total U.S. Department of Housing and Urban Development</b>		<b>100,847</b>	-
 <b>U.S. DEPARTMENT OF THE INTERIOR</b>			
U.S. Department of the Interior Direct Programs			
Zoonotic Disease Initiative	15.069	218,906	-
WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507	266,034	-
Cooperative Watershed Management	15.554	142,919	-
Fish and Wildlife Management Assistance	15.608	94,665	-
Coastal Wetlands Planning, Protection and Restoration	15.614	1,346,070	-
Cooperative Endangered Species Conservation Fund	15.615	2,543,969	-
North American Wetlands Conservation Fund	15.623	10,272	-
Coastal Program	15.630	91,093	-
State Wildlife Grants	15.634	2,541,898	-
Endangered Species Recovery Implementation	15.657	2,023,718	-
Candidate Species Conservation	15.660	402,704	-
Economic, Social and Political Development of the Territories	15.875	465,599	-
Historic Preservation Fund Grants-In-Aid	15.904	855,673	-
Outdoor Recreation – Acquisition, Development and Planning	15.916	204,969	204,969
Natural Resource Stewardship	15.944	21,388	-

(continued)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

**State of Hawaii**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

<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>
Fish and Wildlife Cluster			
Sport Fish Restoration Program	15.605	4,155,461	-
Wildlife Restoration and Basic Hunter Education and Safety	15.611	5,010,321	-
Total Fish and Wildlife Cluster		<u>9,165,782</u>	-
Total U.S. Department of Interior Direct Programs		20,395,659	204,969
Pass-through from National Fish and Wildlife Foundation			
Endangered Species Recovery Implementation (73862)	15.657	1,167,038	-
NFWF-USFWS Conservation Partnership (73985, 74075)	15.663	107,906	-
Cooperative Landscape Conservation (79960, 77794)	15.669	812,135	-
Pass-through from Friends of Iolani Palace			
Save America's Treasures (MOU/FOIP)	15.929	466,536	-
Total U.S. Department of the Interior Pass-through Programs		<u>2,553,615</u>	-
<b>Total U.S. Department of the Interior</b>		<b><u>22,949,274</u></b>	<b><u>204,969</u></b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
U.S. Department of Justice Direct Programs			
Domestic Cannabis Eradication	16.U02	200	-
Crime Victim Compensation	16.576	164,619	-
State Criminal Alien Assistance Program	16.606	675,303	-
Congressionally Recommended Awards	16.753	1,002,863	-
Total U.S. Department of Justice Direct Programs		<u>1,842,985</u>	-
Pass-through from the State Department of the Attorney General			
Crime Victim Assistance (22-V2-05 and 23-V2-05)	16.575	146,090	-
Residential Substance Abuse Treatment for State Prisoners (20-J2-01 and 21-J2-01)	16.593	159,635	-
Edward Byrne Memorial Justice Assistance Grant Program (19-DJ-20 and 21-DJ-13)	16.738	98,703	-
Total U.S. Department of Justice Pass-through Programs		<u>404,428</u>	-
<b>Total U.S. Department of Justice</b>		<b><u>2,247,413</u></b>	-
<b>U.S. DEPARTMENT OF LABOR</b>			
U.S. Department of Labor Direct Programs			
Labor Force Statistics	17.002	699,002	-
Compensation and Working Conditions	17.005	54,044	-
Unemployment Insurance	17.225	188,816,236	-
COVID-19 – Unemployment Insurance	COVID-19 – 17.225	14,938,536	-
Total Unemployment Insurance		<u>203,754,772</u>	-
Senior Community Service Employment Program	17.235	1,300,179	210,000
Trade Adjustment Assistance	17.245	58,274	-
Reentry Employment Opportunities	17.270	17,880	-
Work Opportunity Tax Credit Program	17.271	149,857	-
Temporary Labor Certification for Foreign Workers	17.273	73,093	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	12,539,847	11,397,000
Registered Apprenticeship	17.285	271,727	-
Community Project Funding / Congressionally Directed Spending	17.289	72,705	-
Occupational Safety and Health – State Program	17.503	1,728,277	-
Consultation Agreements	17.504	488,092	-
Employment Service Cluster			
Employment Service / Wagner-Peyser Funded Activities	17.207	1,912,939	-
Jobs for Veterans State Grant	17.801	845,612	-
Total Employment Service Cluster		<u>2,758,551</u>	-

(continued)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

**State of Hawaii**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

Federal Grantor / Pass-through Grantor and Program Title (Pass-through Identifying Number)	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
WIOA Cluster			
WIOA Adult Program	17.258	3,964,399	3,232,740
WIOA Youth Activities	17.259	4,066,383	3,196,075
WIOA Dislocated Worker Formula Grants	17.278	2,006,380	1,661,939
Total WIOA Cluster		<u>10,037,162</u>	<u>8,090,754</u>
<b>Total U.S. Department of Labor</b>		<b><u>234,003,462</u></b>	<b><u>19,697,754</u></b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
U.S. Department of Transportation Direct Program			
Recreational Trails Program	20.219	1,376,046	-
Pass-through from the State Department of Transportation			
Highway Planning and Construction (204.03-21, 204.01-21)	20.205	147,379	-
Alcohol Open Container Requirements (69A37520300001540HIA, 69A37521300001540HIA – Section 154 FFY 2020 & FFY 2021)	20.607	7,888	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (69A37520300001640HIA, 69A37521300001640HIA – Section 164 FFY 2020 & FFY 2021)	20.608	13,647	-
National Priority Safety Programs (Highway Safety Cluster) (69A3752030000405DHIM, 69A3752130000405DHIM – FAST 405d FFY 2020 & FFY 2021)	20.616	2,189	-
Total U.S. Department of Transportation Pass-through Programs		<u>171,103</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>		<b><u>1,547,149</u></b>	<b><u>-</u></b>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
U.S. Department of Treasury Direct Programs			
Equitable Sharing	21.016	10,364	-
COVID-19 – Emergency Rental Assistance Program	COVID-19 – 21.023	244,432	244,432
COVID-19 – Homeowner Assistance Fund	COVID-19 – 21.026	25,000	25,000
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	COVID-19 – 21.027	13,009,807	12,954,162
COVID-19 – Coronavirus Capital Projects Fund	COVID-19 – 21.029	18,966,731	18,966,731
Technical Assistance Grant Program	COVID-19 – 21.031	11,743,897	-
<b>Total U.S. Department of the Treasury</b>		<b><u>44,000,231</u></b>	<b><u>32,190,325</u></b>
<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	141,967	-
<b>Total U.S. Equal Employment Opportunity Commission</b>		<b><u>141,967</u></b>	<b><u>-</u></b>
<b>U.S. FEDERAL COMMUNICATIONS COMMISSION</b>			
U.S. Federal Communications Commission Direct Program			
Affordable Connectivity Outreach Grant Program	32.011	81,909	-
<b>Total U.S. Federal Communications Commission</b>		<b><u>81,909</u></b>	<b><u>-</u></b>
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>			
U.S. General Services Administration Direct Program			
Donation of Federal Surplus Personal Property	39.003	1,041,958	-
<b>Total U.S. General Services Administration</b>		<b><u>1,041,958</u></b>	<b><u>-</u></b>
<b>U.S. NATIONAL ENDOWMENT FOR THE ARTS</b>			
U.S. National Endowment for the Arts Direct Programs			
Promotion of the Arts Partnership Agreement	45.025	1,046,764	511,593
<b>Total U.S. National Endowment for the Arts</b>		<b><u>1,046,764</u></b>	<b><u>511,593</u></b>

(continued)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

**State of Hawaii**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

<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. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>			
U.S. Institute of Museum and Library Services Direct Program			
Native American/Native Hawaiian Museum Services Program	45.308	45,229	-
<b>Total U.S. Institute of Museum and Library Services</b>		<b>45,229</b>	<b>-</b>
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>			
U.S. Small Business Administration Direct Program			
State Trade Expansion	59.061	688,604	-
Cybersecurity for Small Business Pilot Program	59.079	356,264	-
<b>Total U.S. Small Business Administration</b>		<b>1,044,868</b>	<b>-</b>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
U.S. Department of Veterans Affairs Direct Programs			
Veterans Cemetery Grants Program	64.203	1,040,578	-
<b>Total U.S. Department of Veterans Affairs</b>		<b>1,040,578</b>	<b>-</b>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
U.S. Environmental Protection Agency Direct Programs			
Diesel Emission Reduction Act (DERA) National Grants	66.039	463,417	-
Climate Pollution Reduction Grants	66.046	1,097,368	16,540
Regional Wetland Program Development Grants	66.461	144,230	-
Performance Partnership Grants	66.605	344,987	-
<b>Total U.S. Environmental Protection Agency Direct Programs</b>		<b>2,050,002</b>	<b>16,540</b>
Pass-through from the State Department of Health			
Nonpoint Source Implementation Grant (MOA 21-3)	66.460	85,318	-
Drinking Water State Revolving Fund (MOA HDOH-SDWB/CWRM)	66.468	49,944	-
<b>Total U.S. Environmental Protection Agency Pass-through Programs</b>		<b>135,262</b>	<b>-</b>
<b>Total U.S. Environmental Protection Agency</b>		<b>2,185,264</b>	<b>16,540</b>
<b>U.S. DEPARTMENT OF ENERGY</b>			
U.S. Department of Energy Direct Programs			
State Energy Program	81.041	2,145,015	-
Weatherization Assistance for Low-Income Persons	81.042	915,296	844,878
Renewable Energy Research and Development	81.087	128,899	-
Energy Efficiency and Conservation Block Grant Program	81.128	144,196	-
Manufacturing and Energy Supply Chain Demonstrations and Commercial			
Commercial Applications	81.253	52,000	-
Grid Infrastructure Deployment and Resilience	81.254	137,752	-
<b>Total U.S. Department of Energy</b>		<b>3,523,158</b>	<b>844,878</b>
<b>U.S. ELECTION ASSISTANCE COMMISSION</b>			
U.S. Election Assistance Commission Direct Programs			
Help America Vote Act Requirements Payments	90.401	557,648	-
HAVA Election Security Grants	90.404	287,247	-
<b>Total U.S. Election Assistance Commission</b>		<b>844,895</b>	<b>-</b>
<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	176,422	-
1332 State Innovation Waivers	93.423	51,692	-
Refugee and Entrant Assistance State/Replacement Designee			
Administered Programs	93.566	234,907	176,198
Community Services Block Grant	93.569	3,403,007	3,160,065
<b>Total U.S. Department of Health and Human Services Direct Programs</b>		<b>3,866,028</b>	<b>3,336,263</b>

(continued)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

**State of Hawaii**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

<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>
Pass-through from the State Department of Health			
Injury Prevention and Control Research and State Community Based Programs (ADAD-OD2A-S-MOA-2024)	93.136	346,010	-
Epidemiology & Laboratory Capacity for Infectious Diseases (DOCD-PSD-2024-01)	93.323	19,062	-
Pass-through from the State Department of Human Services			
Temporary Assistance for Needy Families (2401HITANF, DHS-21-ETPO-0049 #3, DHS-25-TANF-0014)	93.558	1,098,184	104,766
Low-Income Home Energy Assistance (2401HILIEA and 2501HILIEA)	93.568	556,741	522,014
Total U.S. Department of Health and Human Services Pass-through Programs		<u>2,019,997</u>	<u>626,780</u>
<b>Total U.S. Department of Health and Human Services</b>		<b><u>5,886,025</u></b>	<b><u>3,963,043</u></b>
<b>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
U.S. Corporation for National and Community Service Direct Program			
AmeriCorps Volunteers in Service to America	94.013	41,845	-
<b>Total U.S. Corporation for National and Community Service</b>		<b><u>41,845</u></b>	<b><u>-</u></b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
U.S. Department of Homeland Security Direct Programs			
Non-profit Security Grant Program	97.008	398,620	222,331
Boating Safety Financial Assistance	97.012	1,023,913	-
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	286,626,070	135,983,796
National Dam Safety Program	97.041	9,810	-
Emergency Management Performance Grants	97.042	3,941,136	1,119,569
Cooperating Technical Partners	97.045	345,151	-
BRIC: Building Resilient Infrastructure and Communities	97.047	197,237	197,237
Emergency Operations Center	97.052	174,862	174,862
Port Security Grant Program	97.056	385,462	385,462
Homeland Security Grant Program	97.067	8,044,822	5,221,071
Earthquake State Assistance	97.082	1,536	-
Regional Catastrophic Preparedness Grant Program	97.111	312,312	-
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132	134,420	-
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	97.137	95,774	-
<b>Total U.S. Department of Homeland Security</b>		<b><u>301,691,125</u></b>	<b><u>143,304,328</u></b>
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 701,375,734</u></b>	<b><u>\$ 213,426,818</u></b>

(concluded)

See accompanying report of independent auditors and notes to schedule of expenditures of federal awards.

# State of Hawaii

## Notes to Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2025

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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 and Biosecurity
- Department of Budget and Finance
- Department of Business, Economic Development and Tourism
- Department of Commerce and Consumer Affairs
- Department of Corrections and Rehabilitation
- 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 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* 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
- Judiciary
- University of Hawaii
- Water Pollution Control Revolving Fund

See accompanying report of independent auditors.

**State of Hawaii**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

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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. 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*, AL No. 10.565, *Commodity Supplemental Food 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 \$203,754,772 reported as expenditures for AL No. 17.225 and AL No. COVID-19 – 17.225, *Unemployment Insurance*, \$171,061,385 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 de minimis indirect cost rate allowed under the Uniform Guidance.

See accompanying report of independent auditors.

**State of Hawaii**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

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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	\$ 157,748
Marine Sanctuary Program	11.429	207,541
Pacific Fisheries Data Program	11.437	503,928
Unallied Management Projects	11.454	110,924
Habitat Conservation	11.463	295,778
Unallied Science Program	11.472	471,632
Coral Reef Conservation Program	11.482	<u>1,033,046</u>
Total U.S. Department of Commerce		<u>2,780,597</u>
U.S. Department of Defense		
Collaborative Research and Development	12.114	<u>556,697</u>
Total U.S. Department of Defense		<u>556,697</u>
U.S. Department of the Interior		
Fish and Wildlife Management Assistance	15.608	94,665
Coastal Program	15.630	91,093
State Wildlife Grants	15.634	2,541,898
Endangered Species Recovery Implementation	15.657	3,190,756
Candidate Species Conservation	15.660	402,704
Natural Resource Stewardship	15.944	<u>21,388</u>
Total U.S. Department of the Interior		<u>6,342,504</u>
U.S. Environmental Protection Agency		
Regional Wetland Program Development Grants	66.461	<u>144,230</u>
Total U.S. Environmental Protection Agency		<u>144,230</u>
U.S. Department of Health and Human Services		
Food and Drug Administration Research	93.103	<u>176,422</u>
Total U.S. Department Health and Human Services		<u>176,422</u>
Total Research and Development Cluster		<u>\$ 10,000,450</u>

See accompanying report of independent auditors.

# **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

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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?
- Significant deficiencies identified?

X yes    \_\_\_ no  
X yes    \_\_\_ none reported

Noncompliance material to financial statements noted?

\_\_\_ yes    X no

**Federal Awards**

Internal control over major programs

- Material weaknesses identified?
- Significant deficiencies identified?

X yes    \_\_\_ no  
X yes    \_\_\_ none reported

Type of auditors’ report issued on compliance for major programs

Qualified

An unmodified opinion was issued on the State of Hawaii’s compliance with its major federal programs for the year ended June 30, 2025, except for the requirements regarding cash management, reporting, and subrecipient monitoring for AL No. 11.419, *Coastal Zone Management Administration Awards*

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, 2025**

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**Identification of Major Programs**

<b>Federal</b>	
<b>AL Number</b>	<b>Name of Federal Program or Cluster</b>
10.179	Micro-Grants for Food Security Program
11.307	Economic Adjustment Assistance
11.419	Coastal Zone Management Administration Awards
12.017	Readiness and Environmental Protection Integration Program
97.036	Disaster Grants – Public Assistance
	<b>Unemployment Insurance</b>
17.225	Unemployment Insurance
COVID-19 – 17.225	COVID-19 – Unemployment Insurance
	<b>Fish and Wildlife Cluster</b>
15.605	Sport Fish Restoration Program
15.611	Wildlife Restoration and Basic Hunter Education and Safety

# **FINANCIAL STATEMENT FINDINGS**

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

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**Section II – Financial Statement Findings**

**Finding No. 2025-001: Internal Control over Financial Reporting (Material Weakness)**

**State Department of Accounting and General Services**

**Condition**

The State’s internal control over financial reporting could be improved. During our audit of the fiscal year 2025 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, 2025, 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.

A similar finding was reported as a material weakness in the prior year as Finding No. 2024-001.

**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 2025 financial statements, including beginning balance restatements in the financial statements for a change in reporting entity.

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 unfamiliarity with accounting for changes in the reporting entity.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

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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 continue to ensure adequate staffing within the Accounting Division or procure for professional services. When third parties are engaged to assist DAGS, DAGS personnel should properly monitor the contractors and adequately review deliverables provided.

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, 2025**

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**Finding No. 2025-002: 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 Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*.

Consequently, although DAGS determined that the Stadium Authority, Hawaii Strategic Development Corporation, 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 2025 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 Corrections and Rehabilitation – Correctional Industries Fund, the Department of Accounting and General Services – State Parking Revolving Fund, and the Department of Accounting and General Services – State Motor Pool Revolving 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 2025 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. 2024-002.

**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, 2025**

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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	\$ 8.5	\$ 11.1	\$ 77.8
Hawaii Strategic Development Corporation	-	-	0.1
Hawaii Technology Development Corporation	23.3	13.6	27.3
Natural Energy Laboratory of Hawaii	5.4	5.4	4.7
Agribusiness Development Corporation	4.7	3.9	86.9
<b>Nonmajor proprietary funds</b>			
Department of Accounting and General Services – State Parking Revolving Fund	\$ 4.5	\$ 4.7	\$ 11.5
Department of Accounting and General Services – State Motor Pool Revolving Fund	3.6	3.2	3.1
Department of Corrections and Rehabilitation – Correctional Industries Fund	12.0	6.6	11.0
Department of Labor and Industrial Relations – Disability Compensation Fund	20.1	16.5	20.6

**Cause and View of Responsible Officials**

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

# State of Hawaii

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2025

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#### Finding No. 2025-003: 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, 2025, we performed an IT general controls review of selected State departments' systems, including the following systems:

Department of Labor and Industrial Relations (DLIR):

- UI Tax
- QWRS
- UI Employer Website

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

DLIR:

- Developers have access to the production environment for UI Tax and QWRS causing a segregation of duties concern, and no monitoring control is in place to detect unauthorized changes.
- There is 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. 2024-003.

Department of Human Resources Development (DHRD):

- NavRisk

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

DHRD:

- Data conversion validation, user acceptance testing, and customer report validations were not appropriately completed prior to conversion to the production environment.

##### 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 over 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.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

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**Cause and View of Responsible Officials**

The State and departments' 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.

We recommend that DHRD perform the following:

- Ensure all changes are adequately tested before being promoted to production.
- Ensure all data is successfully converted and validated prior to being promoted to production.

# **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

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

**Finding No. 2025-004: Schedule of Expenditures of Federal Awards (SEFA) (Significant Deficiency)**

**Condition**

The State relies on the departments' FAMIS reconciliations and SEFA preparation submissions to consolidate the SEFA schedule for reporting and presentation purposes. Although the departmental submissions are certified by the respective department representatives, the underlying information may not be prepared in accordance with Title 2 of the *Code of Federal Regulations* (CFR) Part 200. Issues identified during the audit include proper presentation of pass-through entity identifying numbers, accurate calculation of nonmonetary commodities, and appropriate classification of the research and development (R&D) cluster. In addition, errors occur at the consolidation level in identifying pass-through awards from other entities and in the proper presentation of pass-through awards to subrecipients.

A similar finding was reported in the prior year as Finding No. 2024-004.

**Criteria**

The Office of Management and Budget (OMB) issued the Uniform Guidance, which is codified in Title 2 U.S. 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, 2025 and related notes to the SEFA that were not detected by management's internal controls, but were subsequently identified and corrected as part of our auditing procedures.

**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 and review of SEFA consolidation was not performed appropriately and timely. Although formal reporting instructions and internal control over preparing the SEFA were established, they were not implemented effectively.

**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, 2025**

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		Questioned Cost
<b>Finding No. 2025-005:</b>	<b>Cash Management (Material Weakness)</b>	\$ _____ -
<b>State Agency:</b>	Department of Agriculture and Biosecurity	
<b>Federal Agency:</b>	Department of Agriculture	
<b>AL Number and Title:</b>	10.179 – <i>Micro-Grants for Food Security Program</i>	
<b>Award Number and Award Year:</b>	AM200100XXXXG132      2020 21MGFSPHI1003-00      2021 AM22MGFSPHI1007-04      2022 23MGFSPHI1011-00      2023 24MGFSPHI1016-00      2024	
<b>Repeat Finding?</b>	Yes	

**Condition**

During our audit, we noted that the department only requested two drawdowns of federal awards that were used to pay expenditures in 2025. For one of the drawdowns, we noted one instance totaling approximately \$32,000 in which the time elapsing between the receipt of federal award and the disbursement was 583 days. While the expenditures were allowable costs under the grant, it did not appear the State disbursed these federal advances as soon as administratively feasible.

**Criteria**

31 CFR Section 205.33 requires the State to minimize the time between the receipt of federal funds from the federal government and the State’s disbursement of the funds for federal program purposes. Therefore, the timing and amount of funds requested and received must be as close as administratively feasible to the State’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. The State Department of Budget and Finance determined it is administratively feasible to disburse cash in 25 days after receipt from the federal government.

**Effect**

Without minimizing time between the drawdown and disbursement of federal funds, the State is not in compliance with federal cash management requirements.

**Cause and View of Responsible Officials**

The department has taken actions to reduce the lag since the issue was identified and communicated in the prior year audit. The lag has been significantly reduced during this year. However, due to the timing of the corrective actions, the finding remains applicable for the year ended June 30, 2025.

**Recommendation**

The State department should continue to refine controls over monitoring cash management timeliness requirements, ensure program personnel are aware of all federal program requirements, and ensure there is adequate staffing for the program to comply with federal requirements.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

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		<b>Questioned Cost</b>
<b>Finding No. 2025-006:</b>	<b>Cash Management (Material Weakness)</b>	<b>\$ _____ -</b>
<b>State Agency:</b>	Office of Planning and Sustainable Development	
<b>Federal Agency:</b>	Department of Commerce	
<b>AL Number and Title:</b>	11.419 – <i>Coastal Zone Management Administration Awards</i>	
<b>Award Number and Award Year:</b>	NA22NOS4190022	2022
	NA22NOS4190065	2022
	NA23NOS4190139	2023
	NA24NOSX419C0023	2024
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we examined 25 haphazardly selected cash disbursements and identified 12 instances totaling approximately \$600,000 in which the time elapsing between the receipt of the federal cash draw and the disbursement to vendor were greater than 25 days. While the expenditures were allowable costs under the master grant agreement, the State did not disburse these federal advances as soon as administratively feasible.

**Criteria**

31 CFR Section 205.33 requires the State to minimize the time between the receipt of federal funds from the federal government and the State’s disbursement of the funds for federal program purposes. Therefore, the timing and amount of funds being requested and received must be as close as administratively feasible to the State’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. The State Department of Budget and Finance determined it is administratively feasible to disburse cash in 25 days after receipt from the federal government.

**Effect**

Without minimizing time between the drawdown and disbursement of federal funds, the State is not in compliance with federal cash management requirements.

**Cause and View of Responsible Officials**

The delays were attributed to the draw down of federal funds based on the expected expenditures submitted by vendors and subrecipients prior to the completion of review and approval of the vendors and subrecipients’ submissions.

**Recommendation**

The State department should design and implement controls over monitoring cash management timeliness requirements, ensure program personnel are aware of all federal program requirements, and ensure there is adequate staffing for the program to comply with federal requirements.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

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		<b>Questioned Cost</b>
<b>Finding No. 2025-007:</b>	<b>FFATA Reporting (Material Weakness)</b>	<b>\$ _____ –</b>
<b>State Agency:</b>	Office of Planning and Sustainable Development	
<b>Federal Agency:</b>	Department of Commerce	
<b>AL Number and Title:</b>	11.419 – <i>Coastal Zone Management Administration Awards</i>	
<b>Award Number and Award Year:</b>	NA22NOS4190022      2022 NA22NOS4190065      2022 NA23NOS4190139      2023 NA24NOSX419C0023    2024	
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we tested a non-statistical sample of two subawards 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.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
2	2	0	0	0
Dollar Amount of Tested Transactions	Subaward Amount Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$859,116	\$859,116	\$0	\$0	\$0

**Criteria**

In accordance with the FFATA and the requirements of 2 CFR Part 170, Appendix A, prime recipients of federal grants are required to report each subaward of greater than or equal to \$30,000. Each subaward must be reported to the SAM.gov (formerly FSRS.gov) no later than the end of the following month in which the subaward was made.

**Effect**

Failure to file required reports reduces transparency on the use of program funds and represents noncompliance with the requirements of 2 CFR Part 170.

**Cause and View of Responsible Officials**

Program personnel incorrectly classified the subawards as vendor contracts.

**Recommendation**

We recommend that management strengthen internal controls over subaward identification and reporting. This includes mandatory training for staff involved in federal grant administration and a management-level review of all subawards to ensure FFATA reporting is complete and timely.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

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		<b>Questioned Cost</b>
<b>Finding No. 2025-008:</b>	<b>Subrecipient Monitoring (Material Weakness)</b>	<b>\$ _____ –</b>
<b>State Agency:</b>	Office of Planning and Sustainable Development	
<b>Federal Agency:</b>	Department of Commerce	
<b>AL Number and Title:</b>	11.419 – <i>Coastal Zone Management Administration Awards</i>	
<b>Award Number and Award Year:</b>	NA22NOS4190022      2022	
	NA22NOS4190065      2022	
	NA23NOS4190139      2023	
	NA24NOSX419C0023      2024	
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we tested a non-statistical sample of two subawards and found that the State did not communicate the following award information required under 2 CFR 200.332:

- Subrecipient’s unique entity identifier;
- Federal Award Date;
- Subaward Period of Performance Start and End Date;
- Subaward Budget Period Start and End Date;
- Assistance Listing title and number; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listing Number at the time of disbursement;
- Identification of whether the Federal award is for research and development; and
- Indirect cost rate for the Federal award (including if the de minimis rate is used in accordance with 200.414).

**Criteria**

2 CFR Section 200.332(a) requires the State to clearly identify certain information to subrecipients at the time of the subaward, including the information specified above.

**Effect**

By not including the required information in the subaward, the State may not be providing the appropriate level of monitoring over its subrecipients.

**Cause and View of Responsible Officials**

Program personnel incorrectly classified subawards as vendor contracts.

**Recommendation**

We recommend that the management strengthen internal controls over subaward identification and monitoring subrecipients to ensure subrecipient monitoring requirements are met.

**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

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		Questioned Cost
<b>Finding No. 2025-009:</b>	<b>Special Tests and Provisions (Material Weakness)</b>	\$ _____ –
<b>State Agency:</b>	Department of Labor and Industrial Relations	
<b>Federal Agency:</b>	Department of Labor	
<b>AL Number and Title:</b>	17.225 – <i>Unemployment Insurance</i>	
<b>Award Number and Award Year:</b>	25-A55-UI-000105                      2025	
<b>Repeat Finding?</b>	Yes	

**Condition**

During our audit, we examined the Benefit Accuracy Measurement (BAM) summary report and identified that minimum case requirements were not met for paid claims for the year ended June 30, 2025.

**Criteria**

Pursuant to 20 CFR Part 602, the BAM system requires the State department to complete a minimum number of unemployment cases in order to maintain a current database. The minimum number of cases for completing paid claims is 480 cases per year.

**Effect**

Failure to meet minimum case requirements results in noncompliance and prevents the granting agency from maintaining a current database.

**Cause and View of Responsible Officials**

The department is experiencing a staffing shortage and was unable to process the minimum number of cases.

**Recommendation**

We recommend that the State department address staffing shortages and develop policies and procedures to handle 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, 2025**

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		Questioned Cost
<b>Finding No. 2025-010:</b>	<b>Equipment (Material Weakness)</b>	\$ _____ –
<b>State Agency:</b>	Department of Land and Natural Resources	
<b>Federal Agency:</b>	Department of Defense	
<b>AL Number and Title:</b>	12.107 – <i>Readiness and Environmental Protection Integration</i>	
<b>Award Number and Award Year:</b>	N62742-22-2-0002      2022	
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we examined all 16 acquisitions of equipment and real property in the current year. Of the 16 acquisitions, 15 were not properly entered into the State’s Fixed Asset Inventory System (FAIS).

**Criteria**

Pursuant to 2 CFR 200.313(b), the State must use, manage and dispose of equipment acquired under a Federal award in accordance with State laws and procedures. The State’s procedures require division-designated individuals to be knowledgeable about submitting Form 17A – Detail Inventory of Property along with supporting evidence, such as purchase orders with proper approvals and final billings and invoices to the State Procurement Office to enter into FAIS in the quarter the asset is placed in service.

**Effect**

Failure to record equipment properly reflects noncompliance with State procedures and Federal requirements.

**Cause and View of Responsible Officials**

The department did not submit Form 17A timely due to delays and errors in preparation of the forms.

**Recommendation**

We recommend that the State department develop internal control procedures to ensure that items are entered into the FAIS accurately and in the proper period.

JOSH GREEN M.D.  
GOVERNOR  
KE KIA'AINA



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, 2026

ACC 26.U012

Accuity LLP  
999 Bishop Street, Suite 2300  
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, 2025. 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 M. Nash, Accounting Division at 586-0600.

Sincerely,

KEITH A. REGAN  
Comptroller

Attachments

# **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**State of Hawaii**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2025**

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Finding No.	Description	Agency	Classification	Status		Current Year Finding No.
				Resolved	Unresolved	
2024-001	Internal Control Over Financial Reporting	DAGS	Material Weakness		X	2025-001
2024-002	Accounting for Component Units and Proprietary Funds	DAGS	Significant Deficiency		X	2025-002
2024-003	IT General Control Deficiencies	DLIR	Significant Deficiency		X	2025-003
2024-004	Schedule of Expenditures of Federal Awards	DAGS	Significant Deficiency		X	2025-004
2024-005	Cash Management	DAB	Material Weakness		X	2025-005
2024-006	Cash Management	HTDC	Material Weakness	X		
2024-007	Special Tests and Provisions	DLIR	Material Weakness		X	2025-009
2024-008	Earmarking	DLIR	Significant Deficiency	X		
HTA 2024-001	HTA - Reporting	HTA	Material Weakness	X		
HTA 2024-002	HTA - Financial Reporting	HTA	Material Weakness	X		
2023-006	Reporting	DLNR	Significant Deficiency	X		
2023-008	Subrecipient Monitoring	DLNR	Significant Deficiency	X		
09-01	Improve Controls over Inmate Agency Accounts	DCR	Material Weakness		X	

# State of Hawaii

## Summary Schedule of Prior Audit Findings

### Year Ended June 30, 2025

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#### Corrective Actions Taken for Unresolved Findings

##### **Finding No. 2024-001: Internal Control Over Financial Reporting**

In fiscal year 2025, 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. 2025-001) is reported, Finding No. 2024-001 will not be carried forward.

##### **Finding No. 2024-002: Accounting for Component Units and Proprietary Funds**

No corrective action was taken in fiscal year 2025. As a current year finding (Finding No. 2025-002) is reported, Finding No. 2024-002 will not be carried forward.

##### **Finding No. 2024-003: IT General Control Deficiencies**

Corrective action is still ongoing. As a current year finding (Finding No. 2025-003) is reported, Finding No. 2024-003 will not be carried forward.

##### **Finding No. 2024-004: 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, 2024. As a current year finding (Finding No. 2025-004) is reported, Finding No. 2024-004 will not be carried forward.

##### **Finding No. 2024-005: Cash Management**

Corrective action is still ongoing. As a current year finding (Finding No. 2025-005) is reported, Finding No. 2024-005 will not be carried forward.

##### **Finding No. 2024-007: Special Tests and Provisions**

DLIR experienced staff shortages for majority of the year but filled a vacancy in the BAM Unit in May 2025 and began training of BAM methodology. As a current year finding (Finding No. 2025-009) is reported, Finding No. 2024-007 will not be carried forward.

##### **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, but is delayed by a procurement protest.

# **CORRECTIVE ACTION PLAN**

**State of Hawaii**  
**Department of Accounting and General Services**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-001: Internal Control over Financial Reporting (Material Weakness)**

**Condition**

Concur.

The State's internal control over financial reporting could be improved. During our audit of the fiscal year 2025 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, 2025, 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.

A similar finding was reported as a material weakness in the prior year as Finding No. 2024-001.

**Corrective Action Plan**

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.

**State of Hawaii**  
**Department of Accounting and General Services**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

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

DAGS has completed a draft of a new chart of accounts for the state which will assist in the reporting and compliance of the ACFR and SEFA reports. The Enterprise Financial System Project was conceptualized to replace the old Financial Accounting and Management Information System and will address or mitigate financial reporting deficiencies. The solicitation to procure is in process and development of the new system will commence after an award is made and a contract is executed with a vendor. 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**

DAGS Accounting Division Administrator

**Anticipated Date of Completion**

June 30, 2027

**State of Hawaii**  
**Department of Accounting and General Services**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-002: Accounting for Component Units and Proprietary Funds  
(Significant Deficiency)**

**Condition**

Concur.

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 No. 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 2025 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 Corrections and Rehabilitation – Correctional Industries Fund, the Department of Accounting and General Services – State Parking Revolving Fund, and the Department of Accounting and General Services – State Motor Pool Revolving 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 2025 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. 2024-002.

**State of Hawaii**  
**Department of Accounting and General Services**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

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**

DAGS Accounting Division Administrator

**Anticipated Date of Completion**

June 30, 2027

**State of Hawaii**  
**Department of Labor and Industrial Relations**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-003 (DLIR): 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, 2025, 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 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. 2024-003.

**Corrective Action Plan**

The Department of Labor and Industrial Relations (DLIR) acknowledges the audit finding regarding IT control deficiencies over change management within the Unemployment Insurance (UI) Tax, QWRS, and UI Employer Website systems.

Due to current resource limitations and bandwidth constraints, DLIR will continue to manually monitor and have oversight of programmer access and change management for UI applications and data on the system. Implementing the recommended controls, including segregation of developer access to the production environment and establishing monitoring controls, represents a significant undertaking that would require extensive time, effort, and funding.

**State of Hawaii**  
**Department of Labor and Industrial Relations**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

It is important to note that the Unemployment Insurance Program Modernization Initiative is currently underway, and it is projected to launch a modern and optimized UI application by March 2027. This initiative will comprehensively address many of the existing system limitations and deficiencies, including the identified change management controls.

**Person Responsible**

Anne Eustaquio-Perreira, Unemployment Insurance Division Administrator

**Anticipated Date of Completion**

March 2027

**State of Hawaii**  
**Department of Human Resources Development**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-003 (DHRD): 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 the Department of Human Resources Development's (DHRD) financial statement audit of the State for the year ended June 30, 2025, we performed an IT general controls review of selected State departments' systems, including the following systems operated by the Department of Human Resources Development (DHRD):

- NavRisk

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

- Data conversion validation, user acceptance testing, and customer report validations were not appropriately completed prior to conversion to the production environment.

**Corrective Action Plan**

Not applicable. The Department of Human Resources Development (DHRD) has not fully implemented the conversion to NavRisk's production environment. At this time, DHRD continues to rely on HIP while using NavRisk in parallel to prepare for eventual implementation. Because we have not transitioned to sole reliance on NavRisk and continue to use HIP as the operational safeguard, it would be premature to identify this as a deficiency, as DHRD has not yet reached the stage of system implementation that would be preceded by steps such as data conversion validation, user acceptance testing, and customer report validation.

When processing transactions, DHRD Employee Claims Division (ECD) staff cross-references transactions to ensure consistency between NavRisk and HIP outputs. This dual-processing methodology serves as a safeguard during the system evaluation and preparation period prior to full implementation.

**Person Responsible**

Jennifer Mori-Kilbey,

Administrator, Employee Claims Division

KyungIn Kim, IT Manager

**State of Hawaii**  
**Department of Human Resources Development**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Anticipated Date of Completion**

Not applicable, as DHRD does not concur with the classification of this item as a deficiency. No deficiency should exist since DHRD has not fully implemented the conversion to NavRisk's production environment. However, please note that the current NavRisk contract ends in September 2026. If DHRD proceeds to renew the contract, the target date for system implementation would be approximately one year after contract renewal.

**State of Hawaii**  
**Department of Accounting and General Services**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-004: Schedule of Expenditures of Federal Awards (SEFA)  
(Significant Deficiency)**

**Condition**

Concur.

The State relies on the departments' FAMIS reconciliations and SEFA preparation submissions to consolidate the SEFA schedule for reporting and presentation purposes. Although the departmental submissions are certified by the respective department representatives, the underlying information may not be prepared in accordance with Title 2 of the Code of Federal Regulations (CFR) Part 200. Issues identified during the audit include proper presentation of pass-through entity identifying numbers, accurate calculation of nonmonetary commodities, and appropriate classification of the research and development (R&D) cluster. In addition, errors occur at the consolidation level in identifying pass-through awards from other entities and in the proper presentation of pass-through awards to subrecipients.

A similar finding was reported in the prior year as Finding No. 2024-004.

**Corrective Action Plan**

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 recording their award activity and preparing the SEFA. In addition, DAGS will provide instructions and updates on the reporting guidance to address the issues and common errors in the SEFA preparation.

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 Enterprise Financial System Project was conceptualized to replace the old Financial Accounting and Management Information System and will address or mitigate financial reporting deficiencies. The solicitation to procure is in process and development of the new system will commence after an award is made and a contract is executed with a vendor. This is a collaborative undertaking of all state departments and headed by the Comptroller, Director of Budget and Finance and the Chief Information Officer.

**State of Hawaii**  
**Department of Accounting and General Services**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Person Responsible**

DAGS Accounting Division Administrator

**Anticipated Date of Completion**

June 30, 2027

**State of Hawaii**  
**Department of Agriculture and Biosecurity**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-005**

**ALN No.** 10.179      **Program Title:** Micro-Grants Food Security Program

**Grant Award No.:**

AM200100XXXG132

21MGFSPHI1003-00

AM22MGFSPHI1007-04

23MGFSPHI1011-00

24MGFSPHI1016-00

**Condition**

An elapsed time of 583 days between the drawdown and disbursement date of funds for the program and that the check date of 01/24/2025 occurred after the grant period expiration of 09/29/2024. Indicating that cash management controls were not operating to minimize time between transfer and disbursement and that the period of performance was unauthorized to be extended past the budget date.

**Corrective Action Plan**

Concur.

The Hawaii Department of Agriculture and Biosecurity (DAB) will change administrative procedures for drawdown and disbursement of federal funds under the Micro-Grants Food Security Program. DAB will process the grant contracts and payments in batches of about 100 micro-grants per month, and federal drawdown will not occur until about a batch of 100 contracts have been executed. Additional staff hired for grant processing will expedite the payment process to ensure conformity with the 25-day disbursement timeline.

**Person Responsible**

Brendan Akamu, Market Development Branch Manager

**Anticipated Date of Completion**

Corrective action plan will be implemented in April 2026.

**State of Hawaii**  
**Department of Business, Economic Development and Tourism**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-006**

**ALN No.** 11.419

**Program Title:** Hawaii Coastal Zone Management Program

**Grant Award No.:**

NA22NOS4190022

NA23NOS4190139

NA24NOSX419C0023

NA22NOS4190065

**Condition**

Accuity noted that for various samples, the time between drawdown and disbursement of federal funds was up to 266 days elapsed. Indicating that cash management controls were not operating to minimize the time between transfer and disbursement.

**Corrective Action Plan**

OPSD DBEDT will ensure that program personnel are familiar with all federal requirements, including ensuring that funds are disbursed timely.

**Person Responsible**

Mary Alice Evans, Director of Office of Planning and Sustainable Development

**Anticipated Date of Completion**

April 1, 2026

**State of Hawaii**  
**Department of Business, Economic Development and Tourism**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-007**

**ALN No.** 11.419      **Program Title:** Hawaii Coastal Zone Management Program

**Grant Award No.:**

NA22NOS4190022

NA23NOS4190139

NA24NOSX419C0023

NA22NOS4190065

**Condition**

Accuity noted that the State did not submit FFATA reports for most of the active grant agreements open for the program.

**Corrective Action Plan**

DBEDT OPSD will strengthen internal controls over subaward identification and reporting. This will include hiring and training staff to support federal grant administration and management-level review of all subawards to ensure FFATA reporting is complete and timely.

**Person Responsible**

Mary Alice Evans, Director of Office of Planning and Sustainable Development

**Anticipated Date of Completion**

April 1, 2026

**State of Hawaii**  
**Department of Business, Economic Development and Tourism**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-008**

**ALN No.** 11.419      **Program Title:** Hawaii Coastal Zone Management Program

**Grant Award No.:**

NA22NOS4190022

NA23NOS4190139

NA24NOSX419C0023

NA22NOS4190065

**Condition**

Accuity noted that State did not communicate the following award information required under 2 CFR 200.332:

- Subrecipient's unique entity identifier;
- Federal Award Date;
- Identification of whether the Federal award is for research and development; and
- Indirect cost rate for the Federal award (including if the de minimis rate is used in accordance with 200.414).

**Corrective Action Plan**

DBEDT OPSD will strengthen internal controls over subaward identification and monitoring subrecipients to ensure that subrecipient monitoring requirements are met. The Program will communicate with the subrecipient to record their UEI. Program will supply the subrecipient with the date of the federal award, the indirect cost rate for the Federal award per CFR 200.414, and information on whether the award is for research and development.

The Program will continue to supply subrecipient with Period of Performance Start and End Date, Budget Period Start and End Date, and the Assistance Listing number.

**Person Responsible**

Mary Alice Evans, Director of Office of Planning and Sustainable Development

**Anticipated Date of Completion**

April 1, 2026

**State of Hawaii**  
**Department of Labor and Industrial Relations**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-009**

**ALN No.** 17.225      **Program Title:** Unemployment Insurance

**Grant Award No.:**  
25-A55-UI-000105

**Condition**

Based on our analysis of the claims processing data, the State is not in compliance with the BAM State Operations Guidance Part 602, as the minimum number of cases for paid claims was not met.

**Corrective Action Plan**

Concur.

1. The BAM unit continues to have vacancies and remain understaffed.
2. The unit is in the process of filling a vacancy with an experienced adjudicator. Once the position is filled, the new staff member will be trained in BAM methodology. At this time, the BAM supervisor continues to help the unit toward achieving its BAM requirements.
3. The unit anticipates increasing the number of cases for paid claims beginning June 2026.

**Person Responsible**

Sheryl-Lynn Ozaki, UI Quality Control Supervisor

**Anticipated Date of Completion**

June 2027

In response to the finding State of Hawaii – Single Audit 2025 finding, the DLIR offers the following:

The auditor's recommendation for the DLIR to develop new policies and procedures to handle the increase in unemployment claims fails to recognize the true source of the deficiency. The shortcoming is a direct result of staffing shortages.

**State of Hawaii**  
**Department of Labor and Industrial Relations**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

A key requirement of the BAM program is for the unit to be staffed with a sufficient number of knowledgeable and skilled investigators to ensure prompt and in-depth investigations. The investigator should be knowledgeable about and trained in the application of federal and state unemployment insurance laws, regulations/rules, and official policies; able to interpret and apply laws and official policies to each claimant's situation; proficient in fact-finding and determination procedures, including the process of interviewing interested parties and providing the opportunity for fair hearings and rebuttals; use independent judgment to develop and analyze evidentiary facts, assess credibility, weigh the evidence obtained, and decide when information is sufficient to issue legally binding decisions; determine appropriate administrative actions required; authorized to change computerized records as needed to pay or stop payment of benefits; prepare timely written decisions to deny or allow benefits which clearly communicate the facts, conclusions and reasoning used to support the decisions; be knowledgeable of the methods to effectively deal with claimants/customers, employers, or others who are under stress, experiencing negative emotions, etc. including handling and controlling conflict; knowledgeable about and skilled in the navigation of the state's benefit, employment service, and tax systems; and knowledgeable about and compliant with BAM methodology and coding instructions.

Regardless of new policies and procedures, the shortcoming is a direct result of the lack of available skilled investigators with the required skills to conduct prompt and in-depth investigations in the BAM program.

**State of Hawaii**  
**Department of Land and Natural Resources**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Corrective Action Plan**

**Finding No. 2025-010**

**ALN No.** 12.017      **Program Title:** Readiness and Environmental Protection Integration

**Grant Award No.:**  
N62742-22-2-0002

**Condition**

No controls in place to ensure that 17A reports are prepared and reviewed in a timely manner to ensure that all fixed assets are included in the FAIS.

**Corrective Action Plan**

Management concurs with the finding. The delay in recording equipment acquisitions in FAIS resulted in noncompliance with established equipment control policies. Management acknowledges the importance of timely and accurate asset recording to ensure compliance and maintain effective internal controls.

The Department will implement strengthened internal control procedures to ensure equipment is recorded in FAIS accurately and in the proper reporting period. Actions include:

- Updating departmental written procedures, outlining the required timeline and documentation for recording equipment acquisitions in FAIS. Procedures will clearly define roles and responsibilities for program staff and fiscal personnel.
- Issuing written procedures establishing clear roles, responsibilities, and required timelines for FAIS entries and reporting requirements within the division.
- Requiring equipment to be recorded within a defined timeframe following receipt, acceptance and placed in service.
- Implementing a tracking mechanism to monitor and conduct monthly reconciliations between procurement records, payment records, and FAIS entries.
- Conducting supervisory review and periodic monitoring to ensure compliance.

These corrective measures will be incorporated into ongoing internal control monitoring processes to prevent recurrence.

**State of Hawaii**  
**Department of Land and Natural Resources**  
**Current Year's Audit Findings**  
**Fiscal Year Ended June 30, 2025**

**Person Responsible**

Cynthia C. Gomez, Fiscal Management Officer

Michelle B. Del Rosario, DOFAW Program Specialist V

**Anticipated Date of Completion**

June 30, 2026