



Highways Division Department of Transportation State of Hawaii

**Single Audit Reports
June 30, 2022**

**Submitted by
The Auditor
State of Hawaii**



COMPLIANCE AND INTERNAL CONTROL

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

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

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Compliance and Internal Control



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

The Auditor
State of Hawaii

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Highways Division, Department of Transportation, State of Hawaii (the “Highways Division”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Highways Division’s basic financial statements and have issued our report thereon dated March 10, 2023.

Report on Internal Control Over Financial Reporting


In planning and performing our audit of the financial statements, we considered the Highways Division’s internal control over financial reporting (“internal control”) as a basis for designing 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 Highways Division’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Highways Division’s internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding No. 2022-001 to be a material weakness.

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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 No. 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Highways Division'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 financial statements. 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*.

Highways Division's Response to Findings

Government Auditing Standards require the auditors to perform limited procedures on the Highways Division's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Highways Division'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 Highways Division's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawaii
March 10, 2023



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

The Auditor
State of Hawaii

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Highways Division, Department of Transportation, State of Hawaii (the “Highways Division”)’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Highways Division’s major federal programs for the year ended June 30, 2022. The Highways Division’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Highways Division complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of 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 Highways Division 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Highways Division’s compliance with the compliance requirements referred to above.

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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 Highways Division'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 Highways Division'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Highways Division's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Highways Division'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 Highways Division'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 Highways Division'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 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. 2022-003 and 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditors to perform limited procedures on the Highways Division's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Highways Division's response was not subjected to the other 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be 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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Nos. 2022-003 and 2022-004 to be significant deficiencies.

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

Government Auditing Standards require the auditors to perform limited procedures on the Highways Division's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Highways Division's response was not subjected to the other 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 and each major fund of the Highways Division as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Highways Division's basic financial statements. We issued our report thereon dated March 10, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion 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 2 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 23, 2023

Schedule of Expenditures of Federal Awards

Highways Division
Department of Transportation
State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal AL Number	Federal Expenditures	Provided to Subrecipients
U.S. Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	\$ 254,726,592	\$ 39,392,304
Total Highway Planning and Construction Cluster		<u>254,726,592</u>	<u>39,392,304</u>
FMCSA Cluster			
Motor Carrier Safety Assistance Program	20.218	693,692	-
Total FMCSA Cluster		<u>693,692</u>	<u>-</u>
Highway Safety Cluster			
State and Community Highways Safety	20.600	1,835,269	1,607,673
National Priority Safety Programs	20.616	1,617,522	1,025,423
Total Highway Safety Cluster		<u>3,452,791</u>	<u>2,633,096</u>
Fatal Accident Reporting System Grant	20.214	58,042	-
Alcohol Open Container Requirements	20.607	1,187,028	904,888
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	616,464	490,841
Total expenditures of federal awards		<u>\$ 260,734,609</u>	<u>\$ 43,421,129</u>

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

Highways Division
Department of Transportation
State of Hawaii
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Highways Division, Department of Transportation, State of Hawaii (the "Highways Division") for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Highways Division, it is not intended to and does not present the financial position and changes in net position of the Highways Division.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Highways Division has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

See accompanying independent auditors' report.

Schedule of Findings and Questioned Costs

Highways Division
Department of Transportation
State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unmodified	
Internal control over financial reporting		
• Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
• Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Type of auditors’ report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Identification of major programs		

AL

Number	Name of Federal Program or Cluster
	Highway Planning and Construction Cluster
20.205	Highway Planning and Construction
	Highway Safety Cluster
20.600	State and Community Highways Safety
20.616	National Priority Safety Programs

Dollar threshold used to distinguish between Type A and Type B programs	\$3,000,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Highways Division
Department of Transportation
State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section II – Financial Statement Findings

Finding No. 2022-001: Internal Control Over Financial Reporting (Material Weakness)

Condition

During the audit we noted the following:

- We proposed five adjusting journal entries.
- We identified approximately \$9,834,000 of costs capitalized as construction in progress for which no future benefit was determined to exist and accordingly, the recognition of a related impairment was proposed. We also identified approximately \$5,142,000 in unaccrued expenses. The Highways Division, Department of Transportation, State of Hawaii (the “Highways Division”) concurred with the proposed adjustments.

A similar finding was reported as a material weakness in the prior year as Finding No. 2021-001.

Criteria

The Committee of Sponsoring Organizations (“COSO”) of The National Commission on Fraudulent Financial Reporting (“Treadway Commission”) established an integrated framework for internal control, in which COSO notes that among other objectives, management is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This internal control framework has been widely accepted and adopted by many organizations, including governments, and is considered the standard by which internal control should be evaluated. In addition, Standards for Internal Control in the Federal Government (known as the Green Book) notes that “A key factor in improving accountability in achieving an entity’s mission is to implement an effective internal control system. An effective internal control system helps an entity adapt to shifting environments, evolving demands, changing risks, and new priorities.”

Effect

Internal control policies and procedures that are no longer effective or are not properly performed increase the likelihood that financial statements may contain material misstatements.

Cause and View of Responsible Officials

The internal control policies and procedures are antiquated and may have fallen out of use. In addition, control procedures that require the performance of error or fraud detection procedures do not document the procedures performed and who approved the completed procedures.

Highways Division
Department of Transportation
State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Recommendation

We recommend that the Highways Division perform a comprehensive review of its internal controls in accordance with the five elements of internal controls specified in the Green Book. In addition, an emphasis should be placed on the control activities element which should include policies and procedures that require documented (manual or electronic) reviews and approvals of accounting data before posting to any system or subsystem.

Highways Division
Department of Transportation
State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Finding No. 2022-002: Information Technology General Control Deficiencies (Significant Deficiency)

Condition

Information technology ("IT") is a strategic element of the Highways Division's operations. Because of the high volume of transactions in the Highways Division, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our audit of the Highways Division's basic financial statements as of and for the year ended June 30, 2022, we performed an IT general controls review of the following systems operated by the Highways Division:

- HWYAC
- AS400

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

Logical Security

Procedures do not exist to maintain the effectiveness of authentication.

Change Management

No monitoring requirements in place for both AS400 and HWYAC to detect unauthorized or untested changes that may impact data integrity or cause calculation errors as developers promote their own changes to production causing a segregation of duties concern.

Collectively, the number and nature of the IT control deficiencies resulted in an overall significant deficiency.

A similar finding was reported as a significant deficiency in the prior year as Finding No. 2021-002.

Criteria

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

Effect

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

Logical security

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

Highways Division
Department of Transportation
State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Change Management

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

Cause and View of Responsible Officials

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

Recommendation

We recommend that the Highways Division perform the following:

Logical Security

Work with the developer to implement effective authentication requirements.

Change Management

Implement proper segregation of duties amongst those who perform development work and those who promote changes to production.

Highways Division
Department of Transportation
State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

		Questioned Cost
Finding No. 2022-003:	Reporting (Significant Deficiency)	\$ _____
Federal Agency:	Department of Transportation, NHTSA	
AL Number and Title:	20.600 & 20.616 – Highway Safety Cluster	
Award Number and	69A37522300004020HI0 2022	
Award Year:	69A3752230000405BHIH 2022	
	69A3752230000405CHIO 2022	
	69A3752230000405DHIM 2022	
	69A3752230000405HHIO 2022	
Repeat Finding?	No	

Condition

During our audit, we examined a non-statistical sample of seven subawards and found that the required subaward information was not reported in the Federal Funding Accountability and Transparency Act Subaward Reporting System ("FSRS") as required under the Federal Funding Accountability and Transparency Act ("FFATA").

Criteria

Under FFATA, which is codified in 2 CFR §170, recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to FSRS, including the following subaward information:

- Subawardee name
- Subawardee DUNS number
- Amount of subaward
- Subaward obligation/action date
- Subaward number
- Subaward project description

Highways Division
Department of Transportation
State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Effect

Failure to fully report required subaward information in FSRS may result in noncompliance with FFATA reporting requirements and limits the transparency of the use of federal funds awarded.

Cause and View of Responsible Officials

The Highway Safety Section did not have adequate time to perform the reporting of applicable fiscal year 2022 subawards due to the limited time elapsing between the implementation of a corrective action plan in response to the similar fiscal year 2021 Single Audit finding for another federal program and the end of the current fiscal year. Program personnel plan to utilize their FSRS access to perform the necessary subaward reporting as required by FFATA in a timely manner going forward.

Recommendation

All personnel involved in the administration of a program for which federal funds are expended should receive adequate training about federal compliance requirements related to such program. In addition, an individual should be assigned the responsibility to monitor compliance with all related federal requirements for programs involving the expenditure of federal funds. Finally, the Highways Division should make a conscious effort to meet the reporting deadline as set in their new policies and procedures.

Highways Division
Department of Transportation
State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

		Questioned Cost
Finding No. 2022-004:	Subrecipient Monitoring (Significant Deficiency)	\$ _____ –
Federal Agency:	Department of Transportation, NHTSA	
AL Number and Title:	20.600 & 20.616 – Highway Safety Cluster	
Award Number and	69A3752230000405CHIO	2022
Award Year:	69A3752230000405BHIH	2022
	69A3752230000405HHIO	2022
Repeat Finding?	No	

Condition

During our audit, we examined a non-statistical sample of six subawards and found that the most recent Single Audit reports for the three subrecipients required to obtain Single Audits were not reviewed by program personnel.

Criteria

Per 2 CFR Section 200.332(d), a pass-through entity is required to monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. Monitoring must include a review of financial performance reports, following up with the subrecipient to ensure timely and appropriate action on all deficiencies, issuing management decision for applicable audit findings, resolving audit findings, and verifying that each subrecipient is audited as required by 2 CFR 200, Subpart F.

Effect

Failure to review the subrecipients' Single Audit reports may result in failure by the subrecipient to take timely and appropriate action to resolve deficiencies detected through the audit.

Cause and View of Responsible Officials

The Highway Safety Division did not have the capacity to perform the review of applicable subrecipients' Single Audit reports due to significant personnel changes throughout the year. Program personnel plan to assign the review of the Single Audit Reports to specific personnel so that the necessary procedures are performed in a timely manner going forward.

Highways Division
Department of Transportation
State of Hawaii
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Recommendation

All personnel involved in the administration of a program for which federal funds are expended should receive adequate training about federal compliance requirements related to such program. In addition, an individual should be assigned the responsibility to monitor compliance with all related federal requirements for programs involving the expenditure of federal funds. Finally, the Highways Division should make a conscious effort to meet the compliance requirement as the Single Audit Reports become available for review through the Federal Audit Clearinghouse.

JOSH GREEN, M.D.
GOVERNOR



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EDWIN H. SNIFFEN
DIRECTOR

Deputy Directors
DREANALEE K. KALILI
TAMMY L. LEE
ROBIN K. SHISHIDO
JAMES KUNANE TOKIOKA

IN REPLY REFER TO:

HWY-SF 2.1231

March 23, 2023

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

Dear Colleagues:


Subject: Response to the Financial Audit of Department of Transportation, Highways for
the fiscal year ended June 30, 2022

Attached are the Highways' corrective action plans of the audit findings for the above-mentioned audit. We have also attached our comments on the status of prior audit finding.

We appreciate the opportunity to comment on the report.

Should you have any questions, please contact Vanessa Y. Lau, Highways Fiscal Management Officer at (808) 587-2251 or email at vanessa.y.lau@hawaii.gov.

Sincerely,


SERGIO GEORGE G. ABCEDE
Highways Administrator

Attachments

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

STATE OF HAWAII
Department of Transportation, Highways
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Finding	Description	Classification	Status		Current Year Finding
			Resolved	Unresolved	
2021-001	Financial Reporting	Material Weakness		X	2022-001
2021-002	Financial Reporting	Significant Deficiency		X	2022-002
2021-003	Cash Management	Significant Deficiency	X		
2021-004	Reporting	Significant Deficiency	X		

Corrective Actions Taken for Unresolved Findings

Refer to FY22 Corrective Action Plans for Findings 2021-001 and 2021-002.

CORRECTIVE ACTION PLAN

STATE OF HAWAII
Department of Transportation, Highways
CORRECTIVE ACTION PLAN
June 30, 2022

FINANCIAL STATEMENT FINDINGS

**2022-001 – Internal Control Over Financial Reporting (Material Weakness) and
2021-001 – Internal Control Over Financial Reporting (Material Weakness)**

Corrective Action Plan

Concur. The Department of Transportation (DOT), Highways has reviewed the current processes and developed new written policies and procedures to identify infrastructure projects and evaluate the proper classification of projects that are in progress.

Person Responsible Vanessa Lau, Fiscal Management Officer, Staff Services
Vacant, Administrative Services Officer, Staff Services

Anticipated Completion Date: December 31, 2023

**2022-002 – Internal Control Over Financial Reporting (Significant Deficiency) and
2021-002 – Internal Control Over Financial Reporting (Significant Deficiency)**

Corrective Action Plan

Concur. The DOT Highways' current AS400 system is limited and is unable to accommodate special characters for logical security. The DOT Highways is currently working with a software consultant to develop and implement a new SAP system, which will address authentication requirements. In addition, it will establish written procedures for change management for both the AS400 and HWYAC systems to effectively communicate and document the work process among offices.

Person Responsible Destiny Brighter, System Accountant, Staff Services
Ashley Acedo, Information Technology Specialist, Highway-E
Vanessa Lau, Fiscal Management Officer, Staff Services
Vacant, Administrative Services Officer, Staff Services

Anticipated Completion Date: March 31, 2024

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-003 – Reporting (Significant Deficiency)

Corrective Action Plan

Concur. The Highway Safety Section within the DOT Highways has obtained access to the Federal Funding Accountability and Transparency Act Subaward Reporting System, has incorporated new written procedures policy to upload subaward information for National Highway Traffic Safety Administration (NHTSA)-funded projects with subawards that exceed \$30,000 and will work with NHTSA to ensure reporting can be conducted accurately and timely.

Person Responsible	Lianne Yamamoto, Highway Safety Specialist Karen Kahikina, Highway Safety Specialist Kari Benes, Highway Safety Manager
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Anticipated Completion Date:	December 31, 2023
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2022-004 – Subrecipient Monitoring (Significant Deficiency)

Corrective Action Plan

Concur. The Highway Safety Section will abide by its written procedures policy which states that the Safety Section is responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients and must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse. The Highway Safety Section shall ensure that subrecipients take appropriate and timely corrective action in addressing audit findings. In cases of continued inability or unwillingness to have an audit conducted as required, the Highway Safety Section shall take appropriate action using sanctions such as: (a) withholding a percentage of Federal awards until the audit is completed satisfactorily; (b) withholding or disallowing overhead costs; (c) suspending Federal awards until the audit is conducted; or (d) terminating the Federal award.

Person Responsible	Lianne Yamamoto, Highway Safety Specialist Karen Kahikina, Highway Safety Specialist Christy Cowser, Highway Safety Specialist Kari Benes, Highway Safety Manager
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Anticipated Completion Date:	December 31, 2023
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