



# Highways Division Department of Transportation State of Hawaii

Single Audit Report  
Year Ended June 30, 2024

Submitted by  
The Auditor  
State of Hawaii



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**Department of Transportation**  
**State of Hawaii**  
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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, 2024, 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 January 31, 2025.

**Report on Internal Control Over Financial Reporting**

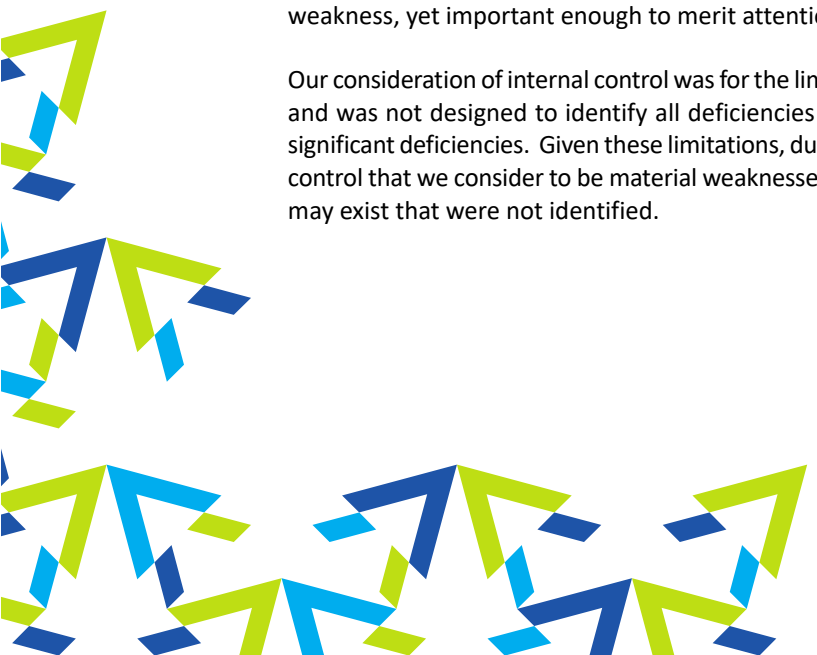
In planning and performing our audit of the financial statements, we considered the Highways Division’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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**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*.

**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 Highways Division’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Accuity* LLP

Honolulu, Hawaii  
January 31, 2025



**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, 2024. 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, 2024.

***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.

***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.

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### ***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.

### **Report on Internal Control over Compliance**

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.



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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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, 2024, and the related notes to the financial statements, which collectively comprise the Highways Division's basic financial statements. We issued our report thereon dated January 31, 2025, which contained unmodified opinions 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  
January 31, 2025



**Schedule of Expenditures of Federal Awards**

**Highways Division**  
**Department of Transportation**  
**State of Hawaii**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

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Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal AL Number	Pass-through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
<b>U.S. Department of Transportation</b>				
Highway Planning and Construction	20.205	—	\$ 278,343,505	\$ 25,558,326
FMCSA Cluster				
Motor Carrier Safety Assistance Program	20.218	—	<u>978,620</u>	<u>-</u>
Total FMCSA Cluster			<u>978,620</u>	<u>-</u>
Highway Safety Cluster				
State and Community Highways Safety	20.600	—	2,686,146	2,346,526
National Priority Safety Programs	20.616	—	<u>2,297,648</u>	<u>1,744,675</u>
Total Highway Safety Cluster			<u>4,983,794</u>	<u>4,091,201</u>
Fatal Accident Reporting System Grant	20.214	—	75,000	-
Alcohol Open Container Requirements	20.607	—	959,633	944,796
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	—	<u>1,305,493</u>	<u>1,065,589</u>
Total U.S. Department of Transportation			<u>286,646,046</u>	<u>31,659,913</u>
<b>U.S. Department of the Treasury</b>				
Pass-through from the Executive Office of the State of Hawaii				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	S-23-524-D	<u>4,372,923</u>	<u>-</u>
Total U.S. Department of the Treasury			<u>4,372,923</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 291,018,969</u>	<u>\$ 31,659,913</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, 2024**

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**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, 2024. 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 report of independent auditors.

## **Schedule of Findings and Questioned Costs**

**Highways Division**  
**Department of Transportation**  
**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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

**Financial Statements**

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

Identification of major programs

**AL**

<b>Number</b>	<b>Name of Federal Program or Cluster</b>
20.205	Highway Planning and Construction
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs	<b>\$3,000,000</b>
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, 2024**

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**Section II – Financial Statement Findings**

None noted.

**Highways Division**  
**Department of Transportation**  
**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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

None noted.

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



EDWIN H. SNIFFEN  
DIRECTOR  
KA LUNA HO'OKELE

Deputy Directors  
Nā Hope Luna Ho'okele  
DREANALEE K. KALILI  
TAMMY L. LEE  
CURT T. OTAGURO  
ROBIN K. SHISHIDO

STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'  
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU  
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HWY-SF 25-2.45056

January, 31, 2025

Accuity LLP  
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Gentlemen:

Thank you for the opportunity to provide comments on the Schedule of Findings and Questioned Costs issued in connection with the Independent Auditors' Report 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* for the fiscal year ended June 30, 2024. We are delighted to note that there were no audit findings for FY2024, and the prior audit finding has been successfully resolved.

If you should have any questions, please contact Vanessa Lau, Highways Fiscal Management Officer, at (808) 587-2251.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence Dill".

LAWRENCE DILL  
Highways Administrator



## **Summary Schedule of Prior Audit Finding**

**Highways Division**  
**Department of Transportation**  
**State of Hawaii**  
**Summary Schedule of Prior Audit Finding**  
**Year Ended June 30, 2024**

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Finding	Description	Classification	Status		Current Year Finding
			Resolved	Unresolved	
2023-001	IT General Control Deficiency	Significant Deficiency	X		