

JAN 20 2023

A BILL FOR AN ACT

RELATING TO THE DEPARTMENT OF TRANSPORTATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that a financial and
2 compliance audit of the department of transportation highways
3 division was conducted by the office of the auditor, and the
4 audit report was issued on February 3, 2022. The audit examined
5 the financial statements relating to government activities and
6 each major fund of the highways division for the 2020-2021
7 fiscal year. The legislature also finds that the highways
8 division has managed federal funding for projects within the
9 State, and that the audit report focused on ensuring compliance
10 with federal laws and regulations relating to such funding.

11 The legislature further finds that the audit report made
12 several findings relating to one material weakness and one
13 significant deficiency in internal control over financial
14 reporting, and two significant deficiencies in internal control
15 over compliance. While the department of transportation
16 concurred with the findings and developed corrective action



1 plans, further action is needed to ensure compliance with
2 federal laws and regulations.

3 Therefore, the purpose of this Act is to mandate the
4 department of transportation highways division to adopt and
5 implement the recommendations made by the office of the auditor.

6 SECTION 2. (a) The department of transportation highways
7 division shall implement the audit recommendations made by the
8 office of the auditor regarding effective authentication
9 requirements by December 1, 2023.

10 (b) The highways division shall:

11 (1) Perform a comprehensive review of its internal
12 controls in accordance with the five elements of
13 internal controls specified in the standards for
14 internal control in the federal government, with an
15 emphasis on the control activities element to include
16 policies and procedures that require manually or
17 electronically documented reviews and approvals of
18 accounting data before posting to any system or
19 subsystem;

20 (2) Implement effective authentication requirements for
21 the highways division's information technology systems



- 1 by working with either the developer of its current
2 system, if the highways division retains its current
3 system, or a new consultant if the highways division
4 implements a new system;
- 5 (3) Implement formal change management policies and
6 procedures for the highways division's financial
7 systems;
- 8 (4) Train all program personnel responsible for federally
9 funded programs on the policies and guidelines
10 established by the National Highway Traffic Safety
11 Administration grants tracking system user's manual,
12 including processing and disbursing advances;
- 13 (5) Train program personnel on federal requirements,
14 including Federal Funding Accountability and
15 Transparency Act of 2006, P.L. 109-282, subaward
16 reporting requirements; and
- 17 (6) Direct program personnel to obtain access to the
18 Federal Funding Accountability and Transparency Act of
19 2006, P.L. 109-282, subaward reporting system and
20 direct program personnel to perform the necessary
21 subaward reporting.



1 SECTION 3. The department of transportation shall submit a
2 report of its progress regarding implementation of the
3 recommendations on effective authentication requirements to the
4 legislature no later than forty days prior to the convening of
5 the regular session of 2024.

6 SECTION 4. This Act shall take effect upon its approval.

7

Karl Rhoads

INTRODUCED BY: _____



S.B. NO. 929

Report Title:

Department of Transportation; Highways Division; Audit
Recommendations; Report

Description:

Requires the Department of Transportation Highways Division to implement recommendations made by the Office of the Auditor regarding compliance with federal funding laws and regulations and information technology authentication.

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