

March 7, 2024

VIA EMAIL

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawaii State Capitol, Room 409
Honolulu, Hawaii 96813

VIA EMAIL

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawaii State Capitol, Room 431
Honolulu, Hawaii 96813

RE: Financial and Compliance Audit of the Department of Transportation, Highways Division

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements and compliance of the Department of Transportation, Highways Division for the fiscal year ended June 30, 2023, was issued on January 29, 2024. The Office of the Auditor retained Accuity LLP to perform the financial and compliance audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial and compliance audit report.

You may view the financial and compliance audit report and Auditor's Summary on our website at:

https://files.hawaii.gov/auditor/Reports/2023_Audit/DOT_Highways_2023.pdf;

https://files.hawaii.gov/auditor/Reports/2023_Audit/DOT_Highways_Single_Audit_2023.pdf;
and

https://files.hawaii.gov/auditor/Reports/2023_Audit/DOT_Highways_Summary_2023.pdf.

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

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Attachment

cc/attach (Auditor's Summary only): Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

Auditor's Summary

Financial and Compliance Audit of the Department of Transportation, Highways Division

Financial Statements, Fiscal Year Ended June 30, 2023



PHOTO: HAWAII DOT HIGHWAYS DIVISION

***THE PRIMARY PURPOSE** of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Transportation, Highways Division, as of and for the fiscal year ended June 30, 2023, and to comply with the 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), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity LLP.*

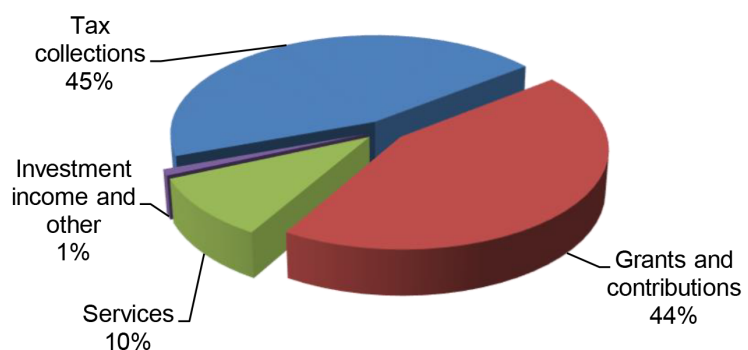
About the Division

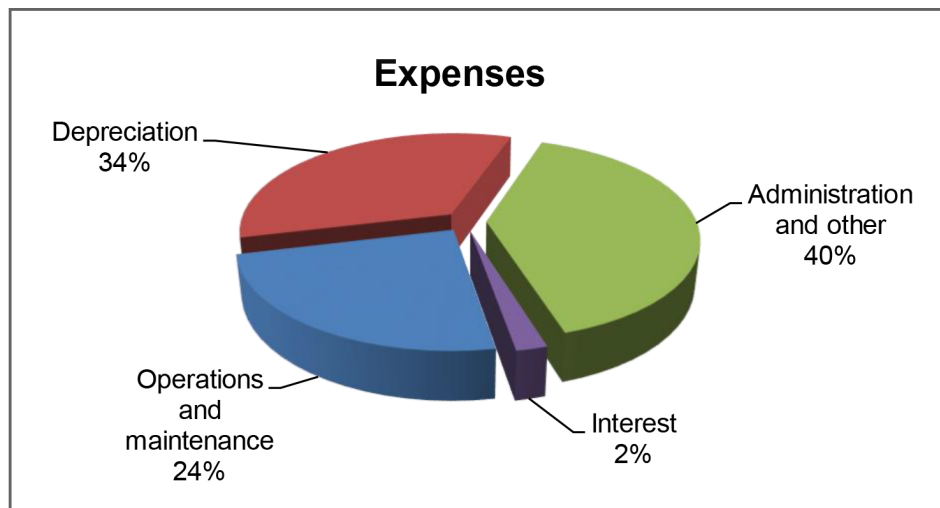
The mission of the Department of Transportation, Highways Division (DOT–Highways) is to provide a safe, efficient, and sustainable State Highway System that ensures the mobility of people and goods within the State. The division is charged with maximizing available resources to provide, maintain, and operate ground transportation facilities and support services that promote economic vitality and livability in Hawai'i. DOT–Highways also works with the Statewide Transportation Planning Office on innovative and diverse approaches to congestion management.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2023, DOT–Highways reported total revenues of \$588 million and total expenses of \$598.6 million, resulting in a decrease in net position of \$10.6 million. Revenues consisted of (1) \$266 million in tax collections; (2) \$256.1 million in grants and contributions primarily from the Federal Highway Administration; (3) \$57.4 million in charges for services; and (4) \$8.5 million in investment income and other revenues.

Sources of Revenues





Expenses consisted of (1) \$145.4 million for operations and maintenance; (2) \$205.8 million in depreciation; (3) \$235.2 million for administration and other expenses; and (4) \$12.2 million in interest.

As of June 30, 2023, total assets and deferred outflows of resources of \$5.52 billion were comprised of (1) cash and investments of \$536.7 million; (2) net capital assets of \$4.9 billion; and (3) \$47.7 million in other assets and deferred outflows of resources. Total liabilities of \$796.1 million included \$572.1 million in revenue bonds and \$224 million in other liabilities.

DOT–Highways has numerous capital projects ongoing statewide; construction-in-progress totaled \$351 million at the end of the fiscal year.

Auditors’ Opinion

DOT–HIGHWAYS RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT–Highways also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO REPORTED DEFICIENCIES in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the auditors identified one significant deficiency in internal controls over financial reporting that is required to be reported under *Government Auditing Standards*. 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. The significant deficiency is described on page 9-10 of the single audit report.

There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*.

Links to the complete reports and financial statements:

Financial Statements



https://files.hawaii.gov/auditor/Reports/2023_Audit/DOT_Highways_2023.pdf

Single Audit Report



https://files.hawaii.gov/auditor/Reports/2023_Audit/DOT_Highways_Single_Audit_2023.pdf