STATE OF HAWAIʻI
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
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DEPT. COMM. NO. 375

March 25, 2026

VIA EMAIL (senkouchi@capitol.hawaii.gov)
The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawaiʻi State Capitol, Room 409
Honolulu, Hawaiʻi 96813

VIA EMAIL (repnakamura@capitol.hawaii.gov)
The Honorable Nadine K. Nakamura
Speaker, House of Representatives
415 South Beretania Street
Hawaiʻi State Capitol, Room 431
Honolulu, Hawaiʻi 96813

RE: Financial and Compliance Audit of the Department of the Attorney General

Dear President Kouchi and Speaker Nakamura:

The audit report on the financial statements and compliance of the Department of the Attorney General for the fiscal year ended June 30, 2025, was issued on December 17, 2025. The Office of the Auditor retained KKDLY LLC 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/2025_Audit/AG2025.pdf; and

https://files.hawaii.gov/auditor/Reports/2025_Audit/AG_Summary_2025.pdf.

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

Very truly yours,

Leslie H. Kondo
State Auditor

lml

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 the Attorney General

Financial Statements, Fiscal Year Ended June 30, 2025



PHOTO: OFFICE OF THE AUDITOR

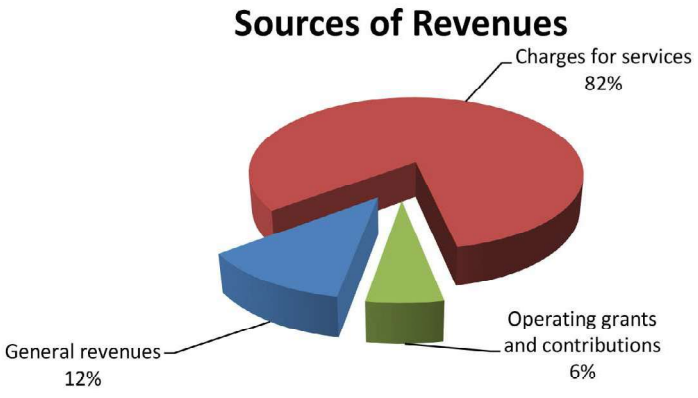
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of the Attorney General, as of and for the fiscal year ended June 30, 2025, and to comply with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, 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 KKDLY LLC.

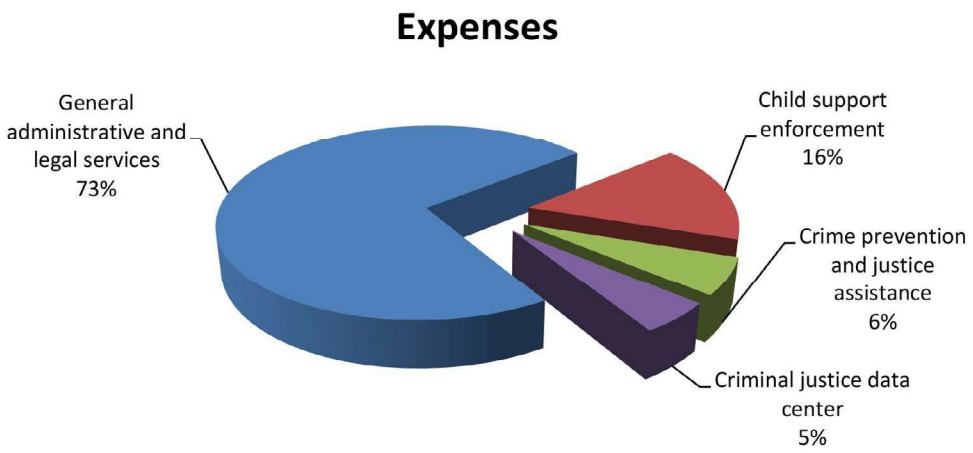
About the Department

The Department of the Attorney General (AG) provides legal services to the executive, legislative, and judicial branches of Hawai'i State government, including furnishing formal and informal legal opinions to the Governor, Legislature, and heads of Hawai'i State departments and offices and approving documents relating to the acquisition of lands and interests by the State. AG also maintains criminal justice information, conducts investigations, operates crime prevention programs, and represents the State of Hawai'i in legal proceedings. AG's Child Support Enforcement Agency provides assistance to children by locating parents, establishing paternity and support obligations, and enforcing those obligations.

Financial Highlights

For the fiscal year ended June 30, 2025, AG reported total revenues of $728.5 million and total expenses of $149.3 million, resulting in an increase in net position of approximately $579.2 million. Revenues include general revenues of $88.4 million, primarily state appropriations; program revenues consisting of charges for services of $599 million; and operating grants and contributions of $41.1 million. In June 2025, AG received net proceeds of $556.7 million pursuant to a settlement agreement between the





State and Bristol-Myers Squibb and Sanofi over the prescription drug Plavix, which is included in program revenues. However, there is no state statute or court order to direct the use of the moneys and therefore, the funds will be transferred to the General Fund in fiscal year 2026. Program revenues excluding settlement funds total $38.3 million.

Expenses of $149.3 million consisted of (1) $108.7 million for general administrative and legal services; (2) $23.3 million for child support enforcement; (3) $9.4 million for crime prevention and justice assistance; and (4) $7.9 million for criminal justice data center activities.

Auditors' Opinion

AG received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. AG also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

There were no material weaknesses in internal control over financial reporting that was required to be reported under *Government Auditing Standards*.

There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*. However, the auditors identified three significant deficiencies in internal control over compliance that were required to be reported under the *Uniform Guidance*. 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. The significant deficiencies are described on pages 70 to 75 of the report.

Link to the complete report:
https://files.hawaii.gov/auditor/Reports/2025_Audit/AG2025.pdf

KKDLY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Department of the Attorney General
State of Hawaii

Financial Statements, Supplementary Information, and
Single Audit Reports
(With Independent Auditors' Report Thereon)

June 30, 2025

Submitted by

THE AUDITOR
STATE OF HAWAII

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Financial Statements, Supplementary Information, and Single Audit Reports

June 30, 2025

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DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Financial Statements, Supplementary Information, and Single Audit Reports

June 30, 2025

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PART I

INTRODUCTION SECTION

December 17, 2025

The Auditor
State of Hawaii:

We have completed our audit of the financial statements of the Department of the Attorney General, State of Hawaii (the Department), as of and for the year ended June 30, 2025. We have also audited the Department's compliance with the requirements applicable to each of its major federal programs for the year ended June 30, 2025. We transmit herewith our reports pertaining to our audit of the Department's financial statements and its major federal programs.

Audit Objectives

The objectives of the audit were as follows:

1. To provide opinions on the fair presentation of the Department's financial statements and the schedule of expenditures of federal awards in accordance with accounting principles generally accepted in the United States of America.

2. To consider the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements.

3. To perform tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts.

4. To consider the Department's internal control over compliance with requirements that could have a direct and material effect on each of its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance.

5. To provide an opinion on the Department's compliance with applicable laws, regulations, contracts, and grants that could have a direct and material effect on each of its major federal programs.

Scope of Audit

Our audit of the Department's financial statements, the schedule of expenditures of federal awards, and the Department's compliance with the requirements applicable to each of its major federal programs was performed 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 (*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* (the Uniform Guidance).

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Organization of Report

This report has been organized into four parts as follows:

1. The Introduction Section describes briefly the objectives and scope of our audit and the organization and contents of this report.

2. The Financial Section includes management's discussion and analysis (unaudited), the Department's financial statements and related notes as of and for the year ended June 30, 2025, the schedule of expenditures of federal awards and related notes for the year ended June 30, 2025, and our independent auditors' report thereon.

3. The Internal Control Over Financial Reporting and Compliance Section contains our independent auditors' report on the Department's 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*.

4. The Compliance and Internal Control Over Federal Awards Section contains our independent auditors' report on compliance for each of the Department's major federal programs and on internal control over compliance required by the Uniform Guidance, and a schedule of findings and questioned costs.

* * * * * * *

We would like to take this opportunity to express our appreciation for the courtesy and assistance extended to us by the personnel of the Department during the course of our engagement. Should you wish to discuss any of the matters contained herein, we will be pleased to meet with you at your convenience.

Very truly yours,

KKDLY LLC

PART II

FINANCIAL SECTION

Independent Auditors' Report

The Auditor
State of Hawaii:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary activities of the Department of the Attorney General, State of Hawaii (the Department), as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary activities of the Department as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with 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*). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Emphasis of Matters

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Department adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, effective July 1, 2024. Our opinions are not modified with respect to this matter.

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Relationship to the State of Hawaii

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the fiduciary activities of the State of Hawaii that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2025, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, 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 amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison statements and notes to budgetary comparison statements, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KKDLY LLC

Honolulu, Hawaii
December 17, 2025

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Management's Discussion and Analysis (Unaudited)

June 30, 2025

The Department of the Attorney General, State of Hawaii (the Department), was created in 1959 by the Hawaii State Government Reorganization Act of 1959 (Act 1, Second Special Session Laws of Hawaii 1959). The primary function of the Department is to provide legal and other services to the State of Hawaii (the State), including agencies, offices, and employees of the Executive, Legislative, and Judicial branches of the State's government.

As management of the Department, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Department for the year ended June 30, 2025. This discussion and analysis is designed to assist the reader in the analysis of the Department's financial statements based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the financial statements which follows this section.

Overview of the Financial Statements

The financial and compliance audit report consists of the following: Management's Discussion and Analysis, which discusses the Department's financial performance during the fiscal year; a financial section which presents the Department's financial statements, notes to financial statements, required supplementary information, and supplementary information; reports on internal control and compliance; and the schedule of findings and questioned costs.

Government-Wide Financial Statements

The government-wide financial statements report information about the Department as a whole using accounting methods similar to those used by private sector companies. The *Statement of Net Position* provides both short-term and long-term information about the Department's financial position, which reflects the Department's financial condition at the end of the fiscal year.

The *Statement of Net Position* presents the Department's assets and liabilities with the difference between the two reported as "net position." The *Statement of Activities* reflects the operations of the Department during the fiscal year and the resultant change in the net position. All of the current fiscal year's revenues and expenses are accounted for in the *Statement of Activities* on the accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide detailed information about the Department's significant funds. A fund is a grouping of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are either reported as a major or non-major fund.

The Department has two types of funds:

Governmental Funds:

The Department maintains a general fund and four special revenue funds: the Child Support Enforcement, Legal Services, Crime Prevention and Justice Assistance, and Criminal Justice Data Center special revenue funds. The financial information for each fund is presented separately in the

governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purposes. Special revenue funds were established to account for the federal funds that are subject to grant restrictions and funds used for attorney services contracted by other State departments.

Fiduciary Funds:

Custodial Funds – The custodial funds are used to account for assets held by the Department in a fiduciary capacity for other parties outside of the Department. Custodial funds are presented separately and are not reflected in the government-wide financial statements because the funds are not rightfully the Department's funds to use for its operations.

Notes to Financial Statements

The notes to financial statements provide additional disclosures for the information reflected in the financial statements, which is essential to understanding the financial data provided in the government-wide and fund financial statements.

Financial Highlights

- The Department ended with a net position of $595,264,000 at June 30, 2025, which is an increase of $579,173,000 from the prior year.

- Total assets amounted to $633,630,000, which is an increase of $557,892,000 from the prior year. The increase is due primarily to the additional funds from the Plavix settlement, which amounted to approximately $556,658,000 at June 30, 2025.

- Total liabilities amounted to $38,366,000, which is a decrease of $11,775,000 or 23.5% due primarily to a decrease in legislative relief claims payable of $10,689,000 and a decrease in liabilities for temporary hazard pay of $10,548,000, offset by an increase in accrued compensated absences of $10,209,000, (which includes an adjustment to beginning accrued compensated absences of $9,506,000 for GASB Statement No. 101 as described in Note 7).

- Total revenues were $728,537,000 for the year ended June 30, 2025, which is an increase of $520,910,000 from the prior year. The increase is primarily due to the receipt of Plavix settlement funds amounting to approximately $556,658,000 during fiscal year 2025. The increase is partially offset by appropriations in fiscal year 2024 of $65,000,000 authorized by Act 10, SLH 2024 to fund the State's contribution to the one ohana bank trust account.

- Total expenses were $149,364,000 for the year ended June 30, 2025, which is a decrease of $71,932,000 or 32.5% from the prior year primarily due to a fiscal year 2024 payment to the one ohana bank trust account of $65,000,000 and fiscal year 2024 expenses for temporary hazard pay of approximately $10,548,000.

Change in Accounting Principle

Effective July 1, 2024, the Department adopted the provisions of GASB Statement No. 101, *Compensated Absences* (Statement No. 101). The primary objective of the statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled,

As further discussed in Note 2 to the financial statements, the cumulative effect of applying the provisions of this statement has been reported as a restatement of the beginning net position for the year ended June 30, 2025. Specifically, the adoption of Statement No. 101 had the effect of decreasing net position as of June 30, 2024 by $9,506,000. The restatement of the comparative financial data for the prior period presented was not practical due to the unavailability of requisite information.

Government-Wide Financial Analysis

The statement of net position reflects the Department's financial position at the end of the fiscal year on the accrual basis of accounting. The following presents a summarized comparison of the Department's net position as of June 30, 2025 and 2024.

Summary Statements of Net Position
June 30, 2025 and 2024
(Rounded to nearest $1,000)

	2025	2024
Assets:		
Current assets	$ 620,222,000	$ 66,143,000
Capital assets, net	13,408,000	9,595,000
Total assets	633,630,000	75,738,000
Liabilities:		
Current liabilities	21,533,000	41,261,000
Long-term liabilities	16,833,000	8,880,000
Total liabilities	38,366,000	50,141,000
Net Position:		
Net investment in capital assets	10,939,000	7,472,000
Restricted	3,711,000	5,153,000
Unrestricted	580,614,000	12,972,000
Total net position	$ 595,264,000	$ 25,597,000

Current assets amounted to $620,222,000 at June 30, 2025, which is an increase of $554,079,000 from the prior year. The increase is due primarily to the additional funds from the Plavix settlement, which amounted to approximately $556,658,000 at June 30, 2025.

Capital assets, net of depreciation and amortization, amounted to $13,408,000 at June 30, 2025, which is an increase of $3,813,000 or 39.7% from the prior year. The increase is due primarily to due to the development of the KROM system for the Child Support Enforcement Agency and MBS hardware refreshes for the Criminal Justice Data Center.

Current liabilities amounted to $21,533,000 at June 30, 2025, which is a decrease of $19,728,000 or 47.8% from the prior year. The decrease is primarily attributable to an accrued liability at June 30, 2024 for temporary hazard pay of approximately $10,548,000 and a liability at June 30, 2024 for legislative relief claims payable of approximately $10,689,000.

Long-term liabilities amounted to $16,833,000 at June 30, 2025, which is an increase of $7,953,000 or 89.6% from the prior year. This increase is primarily attributable to the increase in the noncurrent portion of accrued compensated absences due to the adoption of GASB Statement No. 101 in the current year.

The statement of activities reflects the Department's revenues, expenses, and transfers on the accrual basis of accounting. The following presents a summarized comparison of the Department's change in net position for the years ended June 30, 2025 and 2024.

Summary Statements of Activities
Years Ended June 30, 2025 and 2024
(Rounded to nearest $1,000)

	2025	2024
Revenues:		
Program revenues:		
Charges for services	$ 599,017,000	$ 33,242,000
Operating grants and contributions	41,107,000	36,106,000
General revenues	88,413,000	138,279,000
Total revenues	728,537,000	207,627,000
Expenses:		
General administrative and legal services	108,749,000	176,788,000
Child support enforcement	23,299,000	26,956,000
Crime prevention and justice assistance	9,450,000	9,745,000
Criminal justice data center	7,866,000	7,807,000
Total expenses	149,364,000	221,296,000
Excess (deficiency) of revenues over (under) expenses before transfers	579,173,000	(13,669,000)
Transfers out	-	16,000
Change in net position	579,173,000	(13,653,000)
Net Position, beginning of the year, as previously reported	25,597,000	39,250,000
Adjustment for change in accounting principle	(9,506,000)	-
Net Position, beginning of the year, as restated	16,091,000	39,250,000
Net Position, end of the year	$ 595,264,000	$ 25,597,000

The Department's total revenues increased by $520,910,000 from 2024. The increase is primarily due to the receipt of Plavix settlement funds amounting to approximately $556,658,000 during fiscal year 2025. The increase is partially offset by appropriations in fiscal year 2024 of $65,000,000 to fund the State's contribution to the one ohana bank trust account.

Total expenses decreased by $71,932,000 or 32.5% from 2024. The decrease is primarily due to a fiscal year 2024 payment to the one ohana bank trust account of $65,000,000 and fiscal year 2024 expenses for temporary hazard pay of approximately $10,548,000.

General Fund Budgetary Analysis

The annual budget for the Department is based on appropriations from the State to support its governmental activities as detailed in the required supplementary information. For the year ended June 30, 2025, revenues were $3,242,000 or 4.6% under budget, and total expenditures were $5,732,000 or 7.9% under budget.

Special Revenue Funds Budgetary Analysis

For the year ended June 30, 2025, revenues were $496,140,000 or 362.4% over budget, and total expenditures were $27,659,000 or 27.5% under budget. The differences reflect the timing of restricted cash received versus expenditures and budget allotments.

Capital Assets

As of June 30, 2025 and 2024, the Department had $13,408,000 and $9,595,000, respectively, in capital assets, net of accumulated depreciation and amortization. The 2025 amount represents a net increase of $3,813,000 or 39.7% from 2024. For the year ended June 30, 2025, there was $5,420,000 in net additions to capital assets. Depreciation and amortization expense for capital assets totaled $1,607,000 for the year ended June 30, 2025.

Included in capital assets were right-to-use lease assets (lease assets) reported in accordance with GASB Statement No. 87 and intangible assets – software reported in accordance with GASB Statement No. 96. Lease and subscription assets at June 30, 2025 were $2,263,000, which was net of accumulated amortization of $1,925,000.

Net capital assets (rounded to nearest $1,000) as of June 30, 2025 and 2024 are as follows:

	2025	2024
Capital assets:		
Buildings and improvements	$ 20,767,000	$ 20,996,000
Furniture and equipment	11,492,000	11,381,000
Lease assets	2,711,000	2,171,000
Subscription assets	1,478,000	1,478,000
Construction working in progress	6,214,000	2,798,000
Less accumulated depreciation and amortization	(29,254,000)	(29,229,000)
Capital assets, net	$ 13,408,000	$ 9,595,000

Currently Known Decisions and Facts

In June 2025 the Department received net proceeds of $556,657,532 pursuant to a settlement agreement between the State and Bristol-Myers Squibb and units of French pharmaceutical company Sanofi over the prescription drug Plavix. The funds were deposited into the Litigations Deposits Trust Account pursuant to §28-16(a), HRS. As there is no other state statute or court order that specifically provides for the deposit or use of moneys received through the action, the funds are to be transferred to the credit of the State General Fund in fiscal year 2026, which will result in a significant decrease to the Department's fund balance.

Payroll costs for fiscal year 2026 may be higher than the prior fiscal year for four primary reasons 1) collective bargaining increases for bargaining units 03 and 13 equal to across the board increases of 3.5% for BU03 and 2.12% for BU13; 2) merit raises for deputy attorneys general and other exempt managerial positions; 3) salary increases for the Attorney General and the First Deputy Attorney General based on the salary increase schedule recommended by the 2025 Commission on Salaries; and 4) retroactive payment for certain positions in the Child Support Enforcement Agency pursuant to an Order from the Merit Appeals Board.

Additionally, the Department was appropriated an additional $3,000,000 for fiscal year 2026 to increase the Department's line-item budget for litigation expenses.

Finally, the effects of ongoing litigation, policy changes, and other actions by the federal government, and government shutdown, remains to be seen. Impacts to discretionary federal grants and other federal funding are expected, though the degree of which and timing is undetermined.

Request for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed in writing to the Department of the Attorney General, State of Hawaii, 425 Queen Street, Honolulu, Hawaii 96813 or by email at hawaiiag@hawaii.gov. General information about the Department can be found on the State's website, *https://ag.hawaii.gov/.*

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Statement of Net Position – Governmental Activities

June 30, 2025

Assets:	
Current assets:	
Cash and cash equivalents	$ 607,670,599
Due from grantor - Federal	11,255,179
Due from other State agencies	1,296,474
Total current assets	620,222,252
Capital assets, net	13,407,641
Total assets	633,629,893
Liabilities:	
Current liabilities:	
Vouchers and contracts payable	2,960,923
Deferred revenue	7,616,760
Accrued wages and employee benefits	4,355,478
Accrued compensated absences	5,897,986
Lease payable	355,190
Subscription payable	298,336
Due to State of Hawaii	48,210
Total current liabilities	21,532,883
Long-term liabilities:	
Accrued compensated absences, less current portion	15,018,001
Lease payable, less current portion	1,327,202
Subscription payable, less current portion	487,930
Total long-term liabilities	16,833,133
Total liabilities	38,366,016
Net Position:	
Net investment in capital assets	10,938,983
Restricted	3,711,101
Unrestricted	580,613,793
Total net position	$ 595,263,877

See accompanying notes to financial statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Statement of Activities – Governmental Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Revenue (Expense) and Changes in Net Position
Governmental activities:				
General administrative and legal services	$ 108,749,202	$ 594,947,797	$ 2,416,883	$ 488,615,478
Child support enforcement	23,298,534	-	25,667,445	2,368,911
Crime prevention and justice assistance	9,450,257	-	9,451,747	1,490
Criminal justice data center	7,866,308	4,068,798	3,571,211	(226,299)
Total governmental activities	$ 149,364,301	$ 599,016,595	$ 41,107,286	490,759,580
General Revenues:				
State appropriations, net				66,694,871
Non-imposed employee fringe benefits				21,717,673
Total general revenues				88,412,544
Change in net position				579,172,124
Net Position, beginning of year, as previously reported				25,597,656
Adjustment for change in accounting principle				(9,505,903)
Net Position, beginning of year, as restated				16,091,753
Net Position, end of year				$ 595,263,877

See accompany notes to financial statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Balance Sheet – Governmental Funds

June 30, 2025

	General Fund	Child Support Enforcement	Legal Services	Crime Prevention and Justice Assistance	Criminal Justice Data Center	Total
Assets:						
Cash and cash equivalents	$ 1,760,564	$ 13,058,327	$584,493,118	$ 3,021,862	$ 5,336,728	$607,670,599
Due from grantor - Federal	-	11,113,336	81,429	60,414	-	11,255,179
Due from other State agencies	10,319	-	1,286,155	-	-	1,296,474
Total assets	$ 1,770,883	$ 24,171,663	$585,860,702	$ 3,082,276	$ 5,336,728	$620,222,252
Liabilities:						
Vouchers and contracts payable	$ 590,663	$ 1,043,950	$ 1,184,302	$ 55,592	$ 74,215	$ 2,948,722
Deferred revenue	-	7,616,760	-	-	-	7,616,760
Accrued wages and employee benefits	2,526,255	539,254	1,136,500	20,995	132,474	4,355,478
Due to State of Hawaii	-	-	48,210	-	-	48,210
Total liabilities	3,116,918	9,199,964	2,369,012	76,587	206,689	14,969,170
Deferred Inflows of Resources:						
Unavailable revenue	-	-	606,958	-	-	606,958
Total liabilities and deferred inflows of resources	3,116,918	9,199,964	2,975,970	76,587	206,689	15,576,128
Fund Balances (Deficit):						
Restricted	-	-	679,224	3,005,689	26,188	3,711,101
Committed	-	-	582,205,508	-	5,103,851	587,309,359
Assigned	1,574,562	1,198,159	-	-	-	2,772,721
Unassigned	(2,920,597)	13,773,540	-	-	-	10,852,943
Total fund balances (deficit)	(1,346,035)	14,971,699	582,884,732	3,005,689	5,130,039	604,646,124
Total liabilities and fund balances	$ 1,770,883	$ 24,171,663	$585,860,702	$ 3,082,276	$ 5,336,728	$620,222,252

See accompanying notes to financial statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position

June 30, 2025

Total fund balances - governmental funds	$ 604,646,124
Amounts reported for governmental activities that are different in the statement of net position due to:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds	13,407,641
Deferred inflows of resources represents amounts that are not available to fund current expenditures, and therefore, are not reported in governmental funds as revenue	606,958
Compensated absences not reported in the governmental funds	(20,915,987)
Lease payable not reported in the governmental funds	(1,682,392)
Subscription payable not reported in the governmental funds	(786,266)
Accrued interest on leases and subscriptions not reported in the governmental funds	(12,201)
Total net position - governmental activities	$ 595,263,877

See accompanying notes to financial statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended June 30, 2025

	General Fund	Child Support Enforcement	Legal Services	Crime Prevention and Justice Assistance	Criminal Justice Data Center	Total
Revenues:						
State appropriations, net	$ 66,694,871	$ -	$ -	$ -	$ -	$ 66,694,871
Special fund revenues	-	23,056,632	33,905,449	-	-	56,962,081
Intergovernmental	-	-	2,416,883	9,334,702	3,571,211	15,322,796
State revenue for non-imposed employee fringe benefits	21,717,673	-	-	-	-	21,717,673
Fees and other	-	190	560,435,390	117,045	4,068,799	564,621,424
Share of TANF collections	-	2,610,623	-	-	-	2,610,623
Total revenues	88,412,544	25,667,445	596,757,722	9,451,747	7,640,010	727,929,468
Expenditures:						
Current:						
General administrative and legal services	74,056,128	-	34,386,363	-	-	108,442,491
Child support enforcement	7,406,262	17,750,918	-	-	-	25,157,180
Crime prevention and justice assistance	-	-	-	9,411,571	-	9,411,571
Criminal justice data center	2,818,411	-	-	-	6,955,056	9,773,467
Total expenditures	84,280,801	17,750,918	34,386,363	9,411,571	6,955,056	152,784,709
Excess of revenues over expenditures	4,131,743	7,916,527	562,371,359	40,176	684,954	575,144,759
Other Financing Sources (Uses):						
Leases issued	497,427	157,385	-	-	-	654,812
Transfers in/(out)	-	-	-	(25,029)	25,029	-
Net change in fund balances	4,629,170	8,073,912	562,371,359	15,147	709,983	575,799,571
Fund Balances (Deficit), beginning of year	(5,975,205)	6,897,787	20,513,373	2,990,542	4,420,056	28,846,553
Fund Balances (Deficit), end of year	$ (1,346,035)	$ 14,971,699	$ 582,884,732	$ 3,005,689	$ 5,130,039	$ 604,646,124

See accompanying notes to financial statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2025

Total net change in fund balances - governmental funds		$575,799,571
Amounts reported for governmental activities that are different in the statement of net position due to:		
Capital asset outlays, net of transfers and disposals	$ 5,419,482	
Depreciation and amortization expense	(1,606,528)	
		3,812,954
Revenues in the statement of activities that do not meet the availability criteria for revenue recognition and, therefore, are not reported as revenues in the governmental funds.		606,958
Expenses reported in the government-wide financial statements that do not use current financial resources and therefore are not reported as expenditures in the governmental funds.		
Changes in accrued interest related to leases and subscription payables	1,481	
Changes in compensated absences	(703,063)	
Change in lease payable and subscription payables	(345,777)	
		(1,047,359)
Change in net position of governmental activities		$579,172,124

See accompanying notes to financial statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2025

	Custodial Funds
Assets:	
Cash and cash equivalents	$ 11,298,953
Total assets	11,298,953
Net Position:	
Restricted for individuals, organizations, and other governments	11,298,953
Total net position	$ 11,298,953

See accompanying notes to financial statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year ended June 30, 2025

	Custodial Funds
Additions:	
Child support collections	$ 94,818,729
Forfeited and seized funds	194,218
Total additions	95,012,947
Deductions:	
Child support disbursements	95,679,531
Forfeitures disbursed	220,891
Total deductions	95,900,422
Net decrease in fiduciary net position	(887,475)
Net Position, beginning of year	12,186,428
Net Position, end of year	$ 11,298,953

See accompanying notes to financial statements.

(1) Organization

The Department of the Attorney General, State of Hawaii (the Department), administers and renders legal services, including furnishing written legal opinions to the Governor, State Legislature, and such state departments and offices as the Governor may direct; represents the State of Hawaii (the State) in all civil actions in which the State is a party; approves as to legality and form all documents relating to the acquisition of any land or interest in land by the State; and unless otherwise provided by law, prosecutes cases involving agreements, uniform laws, or other matters which are enforceable in the courts of the State.

The Department is part of the Executive Branch of the State. The Department's financial statements reflect only its portion of the activities attributable to the Department. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP). The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which includes the Department's financial activities.

The accompanying financial statements reflect the financial position and changes in financial position of the following divisions of the Department:

Administrative Services Office – The Administrative Services Office provides fiscal, personnel, data processing, library, messenger, reception, and other support services to the Department and its operating divisions.

Office of Child Support Hearings – The Office of Child Support Hearings is an office funded with State and Federal funds that provides a fair and impartial forum for expeditious resolution of child support disputes. Once a part of the Child Support Enforcement Agency, the office has been a separate office of the Department since 1992. The office has concurrent jurisdiction with the court in proceedings in which a support obligation is established, modified, or terminated. Attorney hearings officers issue orders establishing, modifying, terminating, and enforcing child support obligations.

Child Support Enforcement Agency – The Child Support Enforcement Agency (CSEA) provides assistance to children by locating parents, establishing paternity and support obligations (both financial and medical), and enforcing those obligations.

Hawaii Criminal Justice Data Center – The Hawaii Criminal Justice Data Center (HCJDC) is responsible for the statewide Criminal Justice Information System, the statewide Automated Fingerprint Identification System, and the statewide sex offender registry.

Investigations Division – The Investigations Division conducts investigations in support of the Department's civil, criminal, and administrative cases. These investigations involve such areas as homeland security; internet crimes against children; high technology computer crimes; drug nuisance abatement; environmental crimes; tobacco tax enforcement; airport, harbors, and highways; cold homicide cases; and other criminal and civil matters.

Crime Prevention and Justice Assistance Division – The Crime Prevention and Justice Assistance Division serves as a central point for obtaining, disseminating, and maintaining information regarding available financial (Federal and state funds) and non-financial resources to assist in improving the coordination of programs of the criminal justice and juvenile justice systems and agencies. It administers grants, provides training and technical assistance, engages in multi-agency and statewide planning efforts, conducts crime prevention programs, researches and analyzes crime issues, develops and maintains a computerized juvenile offender information system, assists in locating, recovering, and reuniting missing children and runaways with their families, and supports the Hawaii Sexual Assault Response and Training program and the statewide standards related to the sexual assault evidence collection kit.

Legal Services –

- *Administration Division*: The Administration Division is principally responsible for commercial-related and financial-related legal issues. The division provides legal advice and litigation support to various departments and offices, including the Office of the Governor; the Office of the Lieutenant Governor; the Department of Accounting and General Services (including the State Foundation on Culture and the Arts, the Stadium Authority, and the State Procurement Office); the Department of Budget and Finance (including advice regarding bond matters and advice to the Employees' Retirement System, the Employer-Union Health Benefits Trust Fund, and the Office of the Public Defender); the Judiciary (including the Commission of Judicial Conduct, the Office of Disciplinary Counsel, the Judiciary Personnel Appeals Board, the Judicial Selection Commission; general consultation with and advice to the staff attorney's office, and representation of judges in writs and civil lawsuits); the Hawaii State Land Use Commission; the Hawaii State Commission on the Status of Women; the Campaign Spending Commission; and the Office of Elections.

- *Civil Recoveries Division*: Civil Recoveries Division systematically recovers and collects monies ranging from accounts receivable, dishonored checks, delinquent loans, salary and benefit overpayments, complex delinquent child support cases, civil judgments, delinquent patient accounts, property damage claims, lease rents, construction litigation, contract disputes, and miscellaneous fees owed to the State and its agencies. In addition, it represents the State in major contract or construction disputes.

- *Civil Rights Litigation*: The Civil Rights Litigation Division provides legal defense to all State departments and agencies that are sued for monetary damages in cases that may involve an element of personal injury, but primarily arise from allegations of constitutional/civil rights violations.

- *Commerce and Economic Development Division*: The Commerce and Economic Development Division provides legal services and litigation support to the Department of Commerce and Consumer Affairs (including the Professional and Vocational Licensing Boards), the Department of Business, Economic Development, and Tourism (including the Aloha Tower Development Corporation, the Hawaii Strategic Development Corporation, the Hawaii Tourism Authority, the High Technology Development Corporation, and the Natural Energy Laboratory of Hawaii Authority), and the Department of Agriculture (including the Agribusiness Development Corporation). The division also enforces the antitrust laws, administers the laws providing for the commissioning of notaries public, and provides legal services to the Board of Trustees of the State's Deferred Compensation Plan and to other state agencies involved in administering tax deferral programs.

- *Commission to Promote Uniform Legislation*: The Commission to Promote Uniform Legislation was placed in the Department to provide advice on matters relating to the promotion of uniform legislation in accordance with Hawaii Revised Statutes (HRS) Chapter 3 (Uniformity of Legislation) and Section 26-7. The commission consists of five members appointed by the Governor and confirmed by the State Senate, who serve without compensation for a term of four years.

- *Criminal Justice Division*: Criminal Justice Division: The Criminal Justice Division performs prosecutorial functions on behalf of the State in areas such as welfare fraud, tax fraud, unemployment fraud, unauthorized practice of law, and public corruption. The division is also responsible for prosecuting Internet crimes against children, high technology crimes, violations of state tobacco laws, drug nuisance, environmental crimes, cold homicide cases, and conflict cases from the four county prosecutor offices. The division's Medicaid Fraud Control Unit conducts a statewide program for the investigation and prosecution of cases of provider fraud against the Medicaid Program, fraud in the administration of the Medicaid Program, and cases of abuse or neglect of Medicaid beneficiaries and residents of board and care facilities throughout the State.

- *Education Division*: The Education Division principally provides legal advice and support to the Department of Education and the Board of Education. Other clients include the Charter School Administrative Office and the Charter Schools; the Hawaii Teacher Standards Board; the Research Corporation of the University of Hawaii; and the Hawaii State Public Library System.

- *Employment Law Division*: The Employment Law Division provides legal representation and advice to the Department of Human Resources Development and to all state departments and agencies on employment-related issues. The division represents all state employers in mandatory arbitration hearings, administrative agency hearings, and civil litigation involving disputes over employment matters with the State's employees.

- *Family Law Division*: The Family Law Division handles all state litigation under the jurisdiction of Family Court, such as child and adult protection, guardianships, truancy, adolescent mental health cases, and involuntary civil mental commitment hearings. Clients include the Department of Health, the Department of Human Services, the Department of Education, and the Office of the Public Guardian. The division also provides support to the Child Support Enforcement Agency.

- *Health and Human Services Division*: The Health and Human Services Division provides the principal legal services and support to the Department of Health and the Department of Human Services. The division enforces the State's environmental laws, provides legal advice to all Department of Health and Department of Human Services programs, takes appeals to circuit court from administrative decisions, defends actions against the State in both State and Federal court, and handles some appeals in both the State and Federal appellate systems.

- *Labor Division*: The Labor Division provides legal services and litigation support to the Department of Labor and Industrial Relations and boards and agencies administratively attached to that department, including the State Fire Council. In connection with its enforcement of the various labor laws, the division also collects penalties, fines, and reimbursements.

- *Land/Transportation Division*: The Land/Transportation Division provides legal services to both the Department of Land and Natural Resources (DLNR) and the Department of Transportation (DOT). These assignments include servicing all divisions of the DLNR (Aquatic Resources, Boating, Conservation and Resources Enforcement, Forestry and Wildlife, Land, State Historic Preservation, State Parks, and Water Resource Management) and the DOT (Airports, Harbors, and Highways). The division also provides services to the following attached commissions, boards, or agencies:

  Kaho'olawe Island Reserve Commission, Natural Area Reserves System Commission, Bureau of Conveyances, the four island Burial Councils, Hawaii Historic Places Review Board, Hawaii Invasive Species Council, Commission on Transportation, State Highway Safety Council, and Medical Advisory Board. Most tort litigation involving the DLNR or the DOT is handled by another division, but the Land/Transportation Division handles a number of cases involving the State as a landlord and as a source of permits or as regulator. The division is responsible for all quiet title actions involving the State and virtually all state eminent domain actions, the bulk of which are done on behalf of the State highways program. The division

prepares land disposition documents for the DLNR and the DOT and prepares office leases for the Department of Accounting and General Services when state agencies rent private property as tenants. The division reviews for legality its clients' contracts and administrative rules. The litigation that the division handles includes enforcement actions for violations of the State Historic Preservation law and the law governing land use in conservation districts and actions for damage to natural resources of the State. The division works on the DOT's complex construction cases.

- *Legislative Division*: The Legislative Division provides legal services on matters pertaining to legislation and to proposed administrative rules. The division coordinates the preparation and review of all legislative bills proposed by the executive branch agencies and coordinates the review, monitoring, and evaluation of all legislative bills during and after each session of the Legislature. In addition, the division coordinates, monitors, and reviews the preparation of administrative rules of the Department. This division also performs the final review of the formal opinions issued by the Attorney General and performs the initial review of complaints involving the Sunshine Law.

- *Public Safety, Hawaiian Home Lands, and Housing Division*: The Public Safety, Hawaiian Home Lands, and Housing Division provides legal services and support to the Department of Public Safety, the Department of Hawaiian Home Lands, the Hawaii Public Housing Authority, and the Hawaii Community Development Agency. The division is responsible for reviewing pardon applications and extradition documents, and responding to petitions for release from inmates under Rule 40 of the Hawaii Rules of Penal Procedure.

- *Tax and Charities Division*: The Tax and Charities Division provides legal representation and advice to the Department of Taxation and other state departments and agencies, primarily in the areas of tax litigation, legislation, rules, investigations, and opinions and advice. The division includes an informal bankruptcy unit devoted to handling all bankruptcy cases for the Department of Taxation, and occasionally assists other agencies in bankruptcy matters. The division represents the Attorney General in the oversight and enforcement of laws pertaining to charitable trusts, public charities, public benefit corporations, and private foundations. The division is also responsible for the Department's registration and bonding function for professional solicitors and professional fundraising counsels under HRS Chapter 467B, and enforcement of the State's charitable solicitation laws. The division is the custodian of certifications by charities that issue charitable gift annuities under HRS § 431:204(b).

- *Tort Litigation Division*: The Tort Litigation Division provides legal defense to personal injury lawsuits and claims made against the State and its departments and agencies. The division does not have primary responsibility for giving advice and counsel to any state department or agency, to provide representation in criminal matters, or to collect monies owed to the State. In general, the services provided by the division include accepting service of legal complaints for the Attorney General, answering legal complaints made against state departments and agencies, investigating claims, conducting discovery on claims, and representing the State's interests in arbitrations, mediations, and trials.

(2) Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Department's significant accounting policies are described below.

Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State, the financial statements of the Department are included in the financial statements of the State.

Basis of Presentation

The financial activities of the Department are reported in the governmental and fiduciary activities in the State's Annual Comprehensive Financial Report (ACFR). A brief description of the Department's government-wide and fund financial statements is as follows:

Government-wide Financial Statements: The government-wide statement of net position and statement of activities report the overall financial activity of the Department. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are identifiable with a specific function. Program revenues include (a) charges to customers who purchase, use or directly benefit from goods or services provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a

particular function. Taxes and other items not included in program revenues are reported as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government (indirect) expenses to other functions.

Net Position

In the government-wide financial statements, net position is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation and amortization, less the outstanding balances of any leases, subscriptions, bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Net position is restricted when legally enforceable enabling legislation places restrictions or when restrictions are externally imposed by citizens and/or public interest groups. Additionally, restricted net position is reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the government has other cause for reconsideration. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the Department that are reported in the accompanying fund financial statements have been classified into the following major governmental funds:

General Fund – This fund is used to account for the portion of the State's General Fund that is administered by the Department.

Child Support Enforcement Special Revenue Fund – This fund is used to account for the programs related to providing assistance to children by locating parents, establishing paternity and support obligations (both financial and medical), and enforcing those obligations.

Legal Services Special Revenue Fund – This fund is used to account for activities related to the various legal services provided to all state departments and agencies.

Crime Prevention and Justice Assistance Special Revenue Fund – This fund is used to account for programs of the criminal justice and juvenile justice systems and agencies.

Criminal Justice Data Center Special Revenue Fund – This fund is used to account for programs related to the statewide Criminal Justice Information System (CJIS- Hawaii), the statewide Automated Fingerprint Identification System (AFIS), and the statewide sex offender registry.

The Child Support Enforcement Special Revenue Fund, Legal Services Special Revenue Fund, Crime Prevention and Justice Assistance Special Revenue Fund, and Criminal Justice Data Center Special Revenue Fund are reported as part of the Administrative Support Special Revenue Fund in the State's ACFR.

The Department also administers the following fiduciary fund type:

Custodial Fund – This is used to account for assets held by the Department in a fiduciary capacity. These assets include funds for recipients of child support obligations and a revolving fund set up and restricted under HRS §712A-10(4) and (9) for the administrative forfeiture of property other than real property seized by the Department. These assets can only be used or applied if certain requirements are met. The Department's fiduciary activities are reported in the separate statement of fiduciary net position and statement of changes in fiduciary net position. These activities are excluded from the Department's basic financial statements because the Department cannot use these assets to finance its operations.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current

period. For this purpose, the Department considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the fiscal year.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when available and entitlement occurs, which is generally within 12 months of the end of the current fiscal year. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred and funds are available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Encumbrances are recorded obligations in the form of purchase orders or contracts. The Department records encumbrances at the time purchase orders or contracts are awarded and executed. Encumbrances outstanding at fiscal year-end are reported as restrictions, assignments, or commitments of fund balances since they do not constitute expenditures or liabilities.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above.

Cash and Cash Equivalents

The Department classifies its investments in the State's investment pool (the Pool) as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the Department can withdraw amounts from the Pool without penalty or notice. All other highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

Interfund and Intrafund Transfers

The Department has the following types of interfund transactions between Department's funds and funds of other state agencies:

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds.

Services provided and used – sales and purchases of goods and services between funds for a price approximation of their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Capital Assets

Capital assets of the Department include buildings and improvements, and furniture and equipment with estimated useful lives greater than one year and acquisition costs greater than the following amounts:

Buildings and improvements	$	100,000
Furniture and equipment	$	5,000

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Transfers are recorded at cost, net of the depreciation which would have been charged had the asset been directly acquired by the Department. Major outlays for capital assets and improvements are capitalized as projects are constructed to the extent the State's capitalization thresholds are met. Interest incurred during the construction phase of the capital assets is reflected in the capitalized value of the asset constructed, net of interest earned, on the invested proceeds over the same period. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts, and any resulting gain or loss is recognized in the statement of activities.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Useful Life
Buildings and improvements	15-30 years
Furniture and equipment	5-7 years

Capital assets also include right-to-use lease assets (lease assets) and right-to-use subscription assets (subscription assets). Refer to *Leases – As Lessee* section and *Subscription-Based*

Information Technology Arrangements section below for the Department's accounting policy for lease assets and subscriptions assets, and related amortization.

Leases – As Lessee

The Department recognizes a lease liability and right-to-use lease assets (lease assets) in the government-wide financial statements. The Department recognizes lease liabilities with an initial, individual value of $100,000 or more for land and building leases and $25,000 or more for equipment and others, with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the Department initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Department has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the Department determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Department uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Department generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price, if any, that the Department is reasonably certain to exercise.

The Department monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are included with other capital assets (see Note 4) and lease liabilities are reported as lease payable (see Note 5) in the accompanying statement of net position – governmental activities.

Subscription-Based Information Technology Arrangements

The Department recognizes a subscription liability and a right-to-use subscription asset (subscription assets) in the government-wide financial statements. The Department recognizes subscription liabilities with an initial, individual value of $500,000 or more with a subscription term greater than one year. Variable payments based on future performance of the Department, usage of the underlying information technology (IT) asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a subscription-based information technology arrangement (SBITA), the Department initially measures the subscription liability at the present value of payments expected to make during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, plus any payments made to the SBITA vendor before the commencement of the subscription term and capitalizable initial implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- *Preliminary project stage* – Outlays are expensed as incurred.
- *Initial implementation stage* – Outlays are capitalized as an addition to the subscription asset.
- *Operation and additional implementation stage* – Outlays are expensed as incurred unless they meet specific capitalization criteria.

Subscription assets are reported in capital assets (see Note 4) and subscription liabilities are reported as subscription payable (see Note 6) in the accompanying statement of net position – governmental activities.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the Department has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

Key estimates and judgments related to SBITAs include how the Department determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Department uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Department generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

- The subscription term includes the noncancelable period of the SBITAs. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and the purchase option price, if any, that the Department is reasonably certain to exercise.

The Department monitors changes in circumstances that would require a remeasurement of its subscription.

Compensated Absences

It is the Department's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits, as well as participate in the leave donation pool and the direct sharing programs (collectively, compensated absences). A liability is recognized only for leave that is (a) attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used, paid, or settled. The liability for vacation and compensatory time leave is measured using the pay or salary rates in effect at the financial statement date, including shortage differentials. The measurement also includes fringe benefits associated with payments made for vacation leave. The liability for sick leave that is more likely than not to be used, paid, or settled through cash or noncash means is measured using the historical average use approach. This method is based upon the Department's historical experience with sick leave usage through payouts over the last five years, and considers past trends to determine the amount of sick leave expected to be used or paid in the future. The liability of the leave donation pool is measured using the average rate of entitled employees utilizing the leave donation as of the financial statement date. The liability for the direct sharing program is measured using the rate of the employee utilizing the leave as of the financial statement date. All leave is accrued when incurred in the government-wide financial statements and presented under the caption accrued compensated absences in the accompanying statement of net position – governmental activities. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Due to State of Hawaii

Under HRS Sec. 28-15C, funds in the Tobacco Enforcement special revenue fund in excess of $750,000 at June 30 of each year shall lapse to the credit of the State general fund. At June 30, 2025, amounts in excess was $48,210.

Deferred Compensation Plan

The State offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all state employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All Plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the Plan, but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the accompanying basic financial statements.

Fund Balances

In governmental fund types, the Department classifies fund balances based primarily on the extent to which a government is bound to follow constraints on how resources can be spent in accordance with GAAP. Classifications include:

Nonspendable – Represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The Department has no nonspendable fund balance.

Restricted – Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments. Sources of these externally enforceable legal restrictions include creditors, grantors or other government.

Committed –Balances that can only be used for specific purposes pursuant to constraints imposed by formal action (i.e., legislation) of the State's Legislature, the highest level of decision-making authority. Legislation is required to modify or rescind a fund balance commitment.

Assigned – Balances that are constrained by management to be used for specific purposes, as authorized by the Hawaii Revised Statutes, but are not restricted or committed. For the general fund only, encumbrances balances at fiscal year-end are classified as assigned.

Unassigned – Residual balances that are not contained in the other classifications.

The Department spends restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Department would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

At June 30, 2025, the Department's governmental fund financial statements reported fund balances (deficit) as follows:

	General Fund	Child Support Enforcement	Legal Services	Crime Prevention and Justice Assistance	Criminal Justice Data Center	Total
Restricted for:						
Federal grants	$ -	$ -	$ -	$ 3,005,689	$ 26,188	$ 3,031,877
Tobacco enforcement fund	-	-	678,583	-	-	678,583
Other	-	-	641	-	-	641
	-	-	679,224	3,005,689	26,188	3,711,101
Committed to:						
Medicaid investigation recovery fund	-	-	5,785,598	-	-	5,785,598
DNA registry	-	-	97,748	-	-	97,748
Litigation services	-	-	679,061	-	-	679,061
Enforcement for charitable solicitations	-	-	5,379,469	-	-	5,379,469
Criminal forfeiture fund	-	-	452,743	-	-	452,743
Criminal history record revolving fund	-	-	-	-	5,103,851	5,103,851
Settlements	-	-	559,321,515	-	-	559,321,515
Other	-	-	10,489,374	-	-	10,489,374
	-	-	582,205,508	-	5,103,851	587,309,359
Assigned to:						
Encumbrances	1,574,562	1,198,159	-	-	-	2,772,721
Unassigned	(2,920,597)	13,773,540	-	-	-	10,852,943
Total fund balances	$ (1,346,035)	$ 14,971,699	$ 582,884,732	$ 3,005,689	$ 5,130,039	$ 604,646,124

Risk Management

The Department is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; workers' compensation; and acts of terrorism. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss is reasonably estimable.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued or Adopted Accounting Pronouncements

GASB Statement No. 101

During fiscal year 2025, the Department implemented GASB Statement No. 101, *Compensated Absences*. The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled. Implementation of this statement had a significant effect on the Department's financial statements for the fiscal year ended June 30, 2025.

Upon implementation of this statement, the beginning net position balance has been restated to reflect the cumulative effect of the statement. The impact of the changes is summarized as follows:

Beginning net position, as previously reported	$ 25,597,656
Adjustment for GASB Statement No. 101	(9,505,903)
Beginning net position, as restated	$ 16,091,753

GASB Statement No. 102

During fiscal year 2025, the Department implemented GASB Statement No. 102, *Certain Risk Disclosures*. The primary objective of this statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability.

GASB Statement No. 103

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for reporting periods beginning after June 15, 2025. The Department is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 104

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025. The Department is currently evaluating the impact that this statement will have on its financial statements.

(3) Cash and Cash Equivalents and Investments

Cash at June 30, 2025 consisted of the following:

	Governmental Funds	Custodial Funds
Cash in State Treasury	$ 597,201,634	$ 718,156
Cash held outside of State Treasury	10,468,965	10,580,797
	$ 607,670,599	$ 11,298,953

The Department's cash held in State Treasury is pooled with cash from other State agencies and departments. Cash that is not required for immediate payments is invested by the Department of Budget and Finance, State of Hawaii. Cash accounts that participate in the investment pool accrue interest based on average weighted cash balances.

Detailed information relating to cash and investments held in the State Treasury and related insurance, collateral and risks relating to interest rate, credit, custodial, and concentration are further described in the State's ACFR. The State's ACFR can be obtained at the DAGS' website: *http://hawaii.gov/dags/rpts*.

The Department also maintains certain funds in three interest bearing accounts in a Hawaii bank which are held separately from the State Treasury. One bank account is used primarily for CSEA transactions. As of June 30, 2025, the carrying amount of this account was $10,580,797. This account is presented as cash and cash equivalents in the statement of fiduciary net position.

The second bank account, opened in fiscal year 2003, is used solely to account for the Federal share of child support payment collections retained by CSEA under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and the Temporary Assistance for Needy Families (TANF) program. As of June 30, 2025, the carrying amount of this bank account was $3,155,664. This account is presented as cash and cash equivalents in the governmental fund balance sheet under the special revenue fund for Child Support Enforcement.

The third bank account, opened in fiscal year 2023, is used to account for CSEA incentive payments. As of June 30, 2025, the carrying amount and related bank balance of this bank account was $7,313,301.

With respect to the cash held outside the State Treasury, the Federal Deposit Insurance Corporation provided insurance coverage limited to $250,000 per depositor. At June 30, 2025, the uninsured amount totaled approximately $20,815,000.

(4) Capital Assets

Capital assets activities for the governmental activities of the Department for the year ended June 30, 2025 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Building and improvements	$ 20,995,704	$ -	$ (229,098)	$ 20,766,606
Accumulated depreciation	(17,666,230)	(364,569)	179,458	(17,851,341)
Building and improvements, net	3,329,474	(364,569)	(49,640)	2,915,265
Furniture and equipment	11,381,146	1,085,550	(974,412)	11,492,284
Accumulated depreciation	(9,862,077)	(511,835)	896,626	(9,477,286)
Furniture and equipment, net	1,519,069	573,715	(77,786)	2,014,998
Lease assets	2,170,909	1,045,643	(505,780)	2,710,772
Accumulated amortization	(1,163,535)	(461,434)	505,780	(1,119,189)
Lease assets, net	1,007,374	584,209	-	1,591,583
Subscription assets	1,477,792	-	-	1,477,792
Accumulated amortization	(537,378)	(268,690)	-	(806,068)
Subscription asset, net	940,414	(268,690)	-	671,724
Construction in progress	2,798,356	3,415,715	-	6,214,071
Capital assets, net	$ 9,594,687	$ 3,940,380	$ (127,426)	$ 13,407,641

Depreciation and amortization expense was charged to functions of the Department in the statement of activities as follows:

Governmental activities:		
General administrative and legal services	$	595,907
Child support enforcement		68,150
Crime prevention and justice assistance		412,359
Criminal justice data center		530,112
Total governmental activities depreciation and amortization expense	$	1,606,528

(5) Lease Payable

The Department has entered into six leases for the use of certain office facilities (see Note 12). The terms of the agreements range from 3 to 10 years. The calculated interest rate ranged between 2.87% and 5%.

Principal and interest payments to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2026	$ 355,190	$ 73,578	$ 428,768
2027	382,389	56,990	439,379
2028	225,067	42,520	267,587
2029	244,004	30,685	274,689
2030	104,167	21,659	125,826
Thereafter	371,575	33,581	405,156
	$ 1,682,392	$ 259,013	$ 1,941,405

(6) Subscription Payable

The Department has entered into a SBITA involving a message switch system (see Note 12). The current agreement term expires on December 2027. The calculated interest rate used was 3.96%. The total costs of the Department's subscription assets are recorded as $1,477,792, less accumulated amortization of $806,068 as of June 30, 2025.

Principal and interest payments to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2026	$ 298,336	$ 26,664	$ 325,000
2027	320,411	14,589	335,000
2028	167,519	2,481	170,000
	$ 786,266	$ 43,734	$ 830,000

(7) Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2025 were as follows:

	Balance July 1, 2024		Additions		Reductions	Balance June 30, 2025	Due within One Year
Compensated absences	$ 20,212,924	(a)	$ 703,063	(b)	$ -	$ 20,915,987	$ 5,897,986
Lease payable (See Note 5)	1,059,506		1,039,604		(416,718)	1,682,392	355,190
Subscription payable (See Note 6)	1,063,375		-		(277,109)	786,266	298,336
	$ 22,335,805		$ 1,742,667		$ (693,827)	$ 23,384,645	$ 6,551,512

(a) Restatement of beginning balance of accrued compensated absences:

Accrued compensated absences as of June 30, 2024, as previously reported	$ 10,707,021
Adjustment for GASB Statement No. 101 (See Note 2)	9,505,903
Accrued compensated absences balance as of July 1, 2024, as restated	$ 20,212,924

(b) The change in accrued compensated absences is presented as a net change

(8) Non-imposed Employee Fringe Benefits

Payroll fringe benefit costs of the Department's employees funded by State appropriations (general fund) are assumed by the State and are not paid by the Department's operating funds. These costs, totaling $21,717,673 for the year ended June 30, 2025, have been reported as revenues and expenditures in the Department's general fund in the statement of revenues, expenditures, and changes in fund balances and in the Department's statement of activities.

(9) Interfund Balances and Activity

Balances Due to/from Other Funds

The following balances as of June 30, 2025 represent amounts due from other state agencies and due to the State of Hawaii:

Fund	Due from Other State Agencies	Due to State of Hawaii	Description/Purpose
General	$ 10,319	$ -	Due from other state departments and agencies for legal services provided.
Legal Services	1,286,155	-	Due from other state departments and agencies for legal services provided.
Legal Services	-	48,210	Due to State of Hawaii general fund for funds in the Tobacco Enforcement special revenue fund in excess of $750,000 at June 30, 2025.
	$ 1,296,474	$ 48,210	

Transfers in/out Other Funds

Interfund transfers in for the year ended June 30, 2025 were as follows:

Fund	Transfers In From Other Department Funds	Description/Purpose
Criminal Justice Data Center	$ 25,029	Transfers in from Crime Prevention and Justice Assistance funds for federal grant payments.

Interfund transfers out for the year ended June 30, 2025 were as follows:

Fund	Transfers Out To Other Department Funds	Description/Purpose
Crime Prevention and Justice Assistance	$ 25,029	Transfers out to Criminal Justice Data Center for federal grant payments.

(10) Related Party Transactions

Certain Department employees perform services for other State departments and agencies. The Department bills those departments and agencies for such services and records revenues in the special fund to which the payroll costs were actually charged. Revenues totaled approximately $17,344,000 for the fiscal year ended June 30, 2025, and the amount due from other State agencies totaled approximately $1,296,000 at June 30, 2025.

(11) Retirement Benefits

Pension Plan

Plan Description

Generally, all full-time employees of the State and counties, which includes the Department, are required to be members of the Employees' Retirement System of the State of Hawaii (the ERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State's pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS's issues a publicly available financial report that can be obtained at ERS's website: *http://ers.ehawaii.gov/resources/financials*.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability, and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class.

Noncontributory Class

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with 10 years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or surviving dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least 10 years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

  Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 60.

- *Disability and Death Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. 10 years of credited service is required for ordinary disability.

  Death benefits for contributory plan members hired after June 30, 2012 are generally the same as those for contributory plan members hired June 30, 2012 and prior.

Hybrid Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

- *Death Benefits* – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

  Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.

- *Disability and Death Benefits* – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least 10 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every three years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2025 was 24% for general employees. The Department's share of the pension expense is expended by the Department of Budget and Finance and is not reflected in the Department's financial statements.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Measurement of the actuarial valuations of the pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension is made for the State as a whole and is not separately computed for the individual State departments and agencies such as the Department. The State allocates the pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension only to component units and proprietary funds that are reported separately in the State ACFR. Accordingly, the Department's proportionate share of the State's pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension is not reported in the accompanying financial statements.

Additional disclosures and required supplementary information pertaining to the State's net pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension can be found in the State's ACFR.

Postemployment Health Care and Life Insurance Benefits

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH of 2001, the State contributes to the Hawaii Employer-Union Health Benefits Trust Fund (the EUTF), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public at *http://eutf.hawaii.gov/reports/*. The report may also be obtained by writing to the EUTF at 201 Merchant Street, Suite 1700, Honolulu, Hawaii 96813.

For employees hired before July 1, 1996, the State pays the entire monthly contribution for employees retiring with 10 years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than 10 years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. The employer is required to make all contributions for members. The Department's share of the non-pension post-retirement benefits is expended by the Department of Budget and Finance and is not reflected in the Department's financial statements.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Measurement of the actuarial valuation of the OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB is made for the State as a whole and is not separately computed for the individual State departments and agencies such as the Department. The State allocates the OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OEB only to component units and proprietary funds that are reported separately in the State ACFR. Accordingly, the Department's proportionate share of the State's OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB are not reported in the accompanying financial statements.

Additional disclosures and required supplementary information pertaining to the State's net OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB can be found in the State's ACFR.

(12) Commitments and Contingencies

Lease Commitment

The Department leases office facilities expiring at various dates through January 2033, the expenditures of which are reported in the general fund and special revenue funds. In addition to the minimum rent, certain leases also provide for the payment of operating costs and general excise taxes. See Notes 4 and 5 for reported lease assets and lease payable, respectively, related to these leases.

SBITA Commitment

The Department entered into a SBITA for a message switch, the expenditures of which are reported in the general and special revenue funds. See Notes 4 and 6 for reported subscription asset and subscription payable, respectively, related to this SBITA.

(13) Risk Management

The State records a liability for risk financing and insurance-related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies, except as noted below. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past 10 fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance

The State has an insurance policy with various insurers for property coverage. The limit of loss per occurrence is $200,000,000, except for terrorism losses, which has a $100,000,000 per occurrence limit. The deductible for losses such as windstorms, tsunamis, floods, and earthquakes are 3% of the replacement costs to the property subject to a $1,000,000 per occurrence minimum. The deductible for all other losses, except for terrorism, is $1,000,000 per occurrence. The deductible for terrorism is $10,000 per occurrence.

Crime Insurance

The State also has a crime insurance policy for various types of coverages with a limit of loss of $10,000,000 per occurrence with a $500,000 deductible per occurrence. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services, and losses not covered by insurance are paid from the State's General Fund.

Casualty and Professional Liability

From July 1, 2024 to November 30, 2024, the State had an effective general liability insurance policy that provided $5,000,000 of coverage with a $7,500,000 deductible. As of December 1, 2024, the State does not have any liability insurance policy. Therefore, the State is self-insured thereafter. Liability claims up to $25,000 are handled by the Risk Management Office. All other claims are handled by the Department and funded from legislative appropriations of the State's General Fund.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit of up to $10,000,000 with self-insured retention of $1,000,000. This policy covers all departments and divisions except for the University of Hawaii and the State's community hospitals and includes (with sub-limits) media content liability, PCI-DSS assessment coverage, reputational risk response, reputational loss coverage, E-discovery consultant services, data recovery amendatory system failure non – physical damage loss of use (bricking), system failure coverage, criminal reward expense, claim avoidance expense, crypto jacking coverage, fraudulent impersonation and telecommunication fraud coverage, court attendance cost coverage, company definition amendatory-scheduled entities with varying co-insurance (tier 1 & 2).

Self-Insured Risks

The State generally self-insures its liability, automobile no-fault, and workers' compensation losses. Automobile and liability losses up to $25,000 per claim are administered by the Risk Management Office. The State administers its workers' compensation losses via the Department of Human Resources and Development.

(14) Welfare Reform Act

The enactment of Public Law 104-193, the PRWORA, implemented changes in the availability of Federal funding and in the information required to compute State grant awards. PRWORA made effective the TANF Program under Title IV-A of the Social Security Act and repealed the Aid to Families With Dependent Children Program under Title IV-A of this Act.

(15) Subsequent Events

The Department has evaluated subsequent events from the balance sheet date through December 17, 2025, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Required Supplementary Information (Unaudited)

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) – General Fund

Year ended June 30, 2025

	Original & Final Budget	Actual (Budgetary Basis)	Variance - Positive (Negative)
Revenues:			
State appropriations	$ 69,936,540	$ 66,694,871	$ (3,241,669)
Total revenues	69,936,540	66,694,871	(3,241,669)
Expenditures:			
Personal services	40,147,362	37,635,801	2,511,561
Other	32,234,959	29,014,203	3,220,756
Total expenditures	72,382,321	66,650,004	5,732,317
Excess (deficiency) of revenues over (under) expenditures	(2,445,781)	44,867	2,490,648
Transfers in	7,862,833	-	(7,862,833)
Excess of revenues and transfers over expenditures	$ 5,417,052	$ 44,867	$ (5,372,185)

See accompanying independent auditors' report and notes to budgetary comparison statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Required Supplementary Information (Unaudited)

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) -
Child Support Enforcement Special Revenue Fund

Year ended June 30, 2025

	Original & Final Budget	Actual (Budgetary Basis)	Variance - Positive (Negative)
Revenues:			
Special funds and others	$ 37,908,144	$ 18,471,793	$ (19,436,351)
Total revenues	37,908,144	18,471,793	(19,436,351)
Expenditures:			
Personal services	14,075,203	13,720,384	354,819
Other	11,293,601	4,754,596	6,539,005
Total expenditures	25,368,804	18,474,980	6,893,824
Excess (deficiency) of revenues over (under) expenditures	$ 12,539,340	$ (3,187)	$ (12,542,527)

See accompanying independent auditors' report and notes to budgetary comparison statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Required Supplementary Information (Unaudited)

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) -
Legal Services Special Revenue Fund

Year ended June 30, 2025

	Original & Final Budget	Actual (Budgetary Basis)	Variance - Positive (Negative)
Revenues:			
Special funds and others	$ 59,716,669	$ 597,365,623	$ 537,648,954
Total revenues	59,716,669	597,365,623	537,648,954
Expenditures:			
Personal services	26,745,737	23,040,187	3,705,550
Other	14,222,646	14,591,416	(368,770)
Total expenditures	40,968,383	37,631,603	3,336,780
Excess of revenues over expenditures	18,748,286	559,734,020	540,985,734
Transfers in	1,819,775	-	(1,819,775)
Excess of revenues and transfers over expenditures	$ 20,568,061	$ 559,734,020	$ 539,165,959

See accompanying independent auditors' report and notes to budgetary comparison statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Required Supplementary Information (Unaudited)

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) -
Crime Prevention and Justice Assistance Special Revenue Fund

Year ended June 30, 2025

	Original & Final Budget	Actual (Budgetary Basis)	Variance - Positive (Negative)
Revenues:			
Special funds and others	$ 23,506,311	$ 9,456,270	$ (14,050,041)
Total revenues	23,506,311	9,456,270	(14,050,041)
Expenditures:			
Personal services	826,589	448,732	377,857
Other	22,214,217	9,008,209	13,206,008
Total expenditures	23,040,806	9,456,941	13,583,865
Excess (deficiency) of revenues over (under) expenditures	465,505	(671)	(466,176)
Transfers out	-	(25,029)	(25,029)
Excess (deficiency) of revenues over (under) expenditures and transfers	$ 465,505	$ (25,700)	$ (491,205)

See accompanying independent auditors' report and notes to budgetary comparison statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Required Supplementary Information (Unaudited)

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) -
Criminal Justice Data Center Special Revenue Fund

Year ended June 30, 2025

	Original & Final Budget	Actual (Budgetary Basis)	Variance - Positive (Negative)
Revenues:			
Special funds and others	$ 15,783,981	$ 7,761,696	$ (8,022,285)
Total revenues	15,783,981	7,761,696	(8,022,285)
Expenditures:			
Personal services	2,920,877	2,880,299	40,578
Other	8,357,703	4,553,828	3,803,875
Total expenditures	11,278,580	7,434,127	3,844,453
Excess of revenues over expenditures	4,505,401	327,569	(4,177,832)
Transfers in	-	25,029	25,029
Excess of revenues and transfers over expenditures	$ 4,505,401	$ 352,598	$ (4,152,803)

See accompanying independent auditors' report and notes to budgetary comparison statements.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Notes to Budgetary Comparison Statements (Unaudited)

June 30, 2025

(1) Budgeting and Budgetary Control

The Department of the Attorney General, State of Hawaii's (the Department) budget is established through the State's budgetary process.

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services, and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented, and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

The general fund and special revenue funds have legally appropriated annual budgets. All expenditures of appropriated funds are made pursuant to the appropriations in the biennial budget.

Amounts reflected as budgeted revenues in the budgetary comparison statement for the general fund are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act, Supplemental Appropriations Act, and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various State Legislative Hearings.

The final legally adopted budget in the accompanying budgetary comparison statements for the general fund and special revenue funds represents the original appropriations, transfers, and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Department of Accounting and General Services.

To the extent not expended or encumbered, the general fund and special revenue funds appropriations generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse dates and any other contingencies which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the general fund and special revenue funds are presented in the respective budgetary comparison statement. The State's annual budget is prepared on the cash basis of accounting except for the encumbrance of purchase order and contract obligations (basis difference), which represent departures from GAAP.

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Notes to Budgetary Comparison Statements (Unaudited)

June 30, 2025

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2025 follows:

	General	Child Support Enforcement	Legal Services	Crime Prevention and Justice Assistance	Criminal Justice Data Center
Excess of revenues over expenditures and other financing sources, GAAP basis	$ 4,629,170	$ 8,073,912	$ 562,371,359	$ 15,147	$ 709,983
Increase (decrease) in revenues:					
Current year receivables	-	(11,113,336)	(1,367,584)	(60,414)	-
Prior year receivables	-	4,429,119	1,368,523	64,938	109,455
Current year deferred revenue	-	7,616,760	-	-	-
Prior year deferred revenue	-	(8,128,197)	-	-	-
Current year deferred inflows of resources	-	-	606,958	-	-
	-	(7,195,654)	607,897	4,524	109,455
Increase (decrease) in expenditures:					
Current year accrued liabilities	(3,116,918)	(1,583,204)	(2,369,013)	(76,586)	(206,689)
Prior year accrued liabilities	8,915,093	3,844,325	4,924,449	121,957	673,529
Current year encumbrances, net of adjustments	1,574,562	1,198,159	689,800	-	31,396
Expenditures for liquidation of prior year encumbrances	(2,788,434)	(2,577,835)	-	-	(31,396)
	4,584,303	881,445	3,245,236	45,371	466,840
Excess (deficiency) of revenues over (under) expenditures, budgetary basis	$ 44,867	$ (3,187)	$ 559,734,020	$ (25,700)	$ 352,598

SUPPLEMENTARY INFORMATION

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Grant Number	Program or Award Amount	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Justice:					
Sexual Assault Services Formula Program:	16.017	15JOVW-22-GG-00353-SASP	$ 554,207	$ 100,091	$ 100,091
		15JOVW-23-GG-00625-SASP	798,606	518,187	519,363
			1,352,813	618,278	619,454
Hawaii ICAC Task Force	16.543	2020-MC-FX-K017	1,025,814	-	49,740
		15PJDP-23-GK-05174-MECP	389,236	-	385,407
			1,415,050	-	435,147
State Justice Statistics Program for Statistical Analysis Centers:	16.550	15PBJS-23-GK-00693-BJSB	67,570	-	25,900
		15PBJS-24-GK-01836-BJSB	71,070	-	24,325
			138,640	-	50,225
National Criminal History Improvement Program:	16.554	2020-RU-BX-K016	753,230	-	412,891
		15PBJS-21-GK-00146-NCHI	984,300	-	258,819
		15PBJS-22-GK-01032-NCHI	2,224,899	-	657,612
		15PBJS-23-GK-01434-NCHI	639,414	45,690	51,763
		15PBJS-24-GK-02358-NCHI	1,222,927	-	112,959
			5,824,770	45,690	1,494,044
Crime Victim Assistance:	16.575	2020-V2-GX-0055	7,502,120	278,386	278,386
		15POVC-21-GG-00621-ASSI	4,783,838	470,830	472,988
		15POVC-22-GG-00730-ASSI	6,547,786	3,022,365	3,280,258
		15POVC-23-GG-00437-ASSI	6,156,448	1,211,890	1,221,976
			24,990,192	4,983,471	5,253,608
STOP Violence Against Women Formula Grants:	16.588	15JOVW-21-GG-00576-STOP	1,103,635	6,811	11,012
		15JOVW-22-GG-00419-STOP	1,058,285	115,961	217,048
		15JOVW-23-GG-00569-STOP	1,189,006	762,581	780,199
			3,350,926	885,353	1,008,259
Residential Substance Abuse Treatment for State Prisoners:	16.593	15PBJA-21-GG-00054-RSAT	175,290	136,951	140,015
		2020-J2-BX-0003	164,066	17,170	21,232
			339,356	154,121	161,247
Edward Byrne Memorial Justice Assistance Grant Program:	16.738	2019-DJ-BX-0069	810,917	29,466	29,466
		2020-DJ-BX-0048	748,592	46,605	46,605
		15PBJA-21-GG-00244-JAGX	956,688	423,284	443,571
		15PBJA-22-GG-00653-JAGX	928,484	198,139	265,300
			3,444,681	697,494	784,942

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

(Continued)

DEPARTEMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Schedule of Expenditures of Federal Awards (continued)

Year ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Grant Number	Program or Award Amount	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Justice (Continued):					
SORNA Sex Offender Registration and Notification Act	16.738	15PBJA-21-GG-00299-JAGS	$ 50,621	$ -	$ 4,894
		15PBJA-22-GG-00591-JAGS	51,921	-	20,135
			102,542	-	25,029
Paul Coverdell Forensic Sciences Improvements Grant Program:	16.742	15PBJA-21-GG-02900-COVE	296,966	78,710	78,937
		15PBJA-22-GG-01954-COVE	293,954	152,506	152,811
		15PBJA-23-GG-00949-COVE	312,708	17,015	17,015
			903,628	248,231	248,763
Support For Adam Walsh Act Implementation Grant Program:	16.750	2020-AW-BX-0003	388,585	-	3,485
		15PSMA-21-GG-02526-AWAX	380,526	-	163,703
		15PSMA-22-GG-00986-AWAX	345,270	-	226,118
			1,114,381	-	393,306
NICS Act Record Improvement (NARIP):	16.813	2020-NS-BX-K004	828,510	196,730	196,730
		15PBJS-22-GK-01004-NARI	1,575,000	52,321	1,410,321
		15PBJS-23-GK-02358-NARI	169,728	80,782	80,782
			2,573,238	329,833	1,687,833
John R. Justice Prosecutors And Defenders Incentive Act:	16.816	15PBJA-23-GG-04119-JRJX	73,624	-	73,624
Total U.S. Department of Justice			45,623,841	7,962,471	12,235,481
U.S. Department of Treasury					
Passed through Executive Office of the State of Hawaii COVID-19 Coronavirus State Fiscal Recovery Fund	21.027	SLFRP0134	9,600,000	-	2,072,040
Total U.S. Department of Treasury			9,600,000	-	2,072,040
U.S. Department of Health and Human Services:					
Child Support Enforcement Title IV-D:	93.563	2301HICSES	14,532,027	-	1,395,242
		2402HICSES	15,807,106	-	3,770,956
		2502HISCSS	22,171,981	-	14,100,411
			52,511,114	-	19,266,609
Medicaid Cluster:					
State Medicaid Fraud Control Units:	93.775	01-2301-HI-5050	2,207,312	-	371,329
		01-2401-HI-5050	2,753,220	-	1,614,783
Total Medicaid Cluster			4,960,532	-	1,986,112
Total U.S. Department of Health and Human Services			57,471,646	-	21,252,721

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

(Continued)

DEPARTMENT OF ATTORNEY GENERAL
STATE OF HAWAII

Schedule of Expenditures of Federal Awards (continued)

Year ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Grant Number	Program or Award Amount	Provided to Subrecipients	Total Federal Expenditures
Executive Office of the President					
High Intensity Drug Trafficking	95.001	G23HI0007A	$ 944,995.00	$ -	$ 476,173.00
Areas Program:		G24HI0007A	1,078,326	-	575,844
Total Executive Office of the President			2,023,321	-	1,052,017
U.S. Department of Homeland Security					
Passed through Hawaii Department of Defense:					
Homeland Security Grant Program:	97.067	EMW-2021-SS-00030	124,000	-	33,845
Total U.S. Department of Homeland Security			124,000	-	33,845
Total Expenditures of Federal Awards			**$ 114,842,808**	**$ 7,962,471**	**$ 36,646,104**

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

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Notes to Schedule of Expenditures of Federal Awards

June 30, 2025

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Department of the Attorney General, State of Hawaii (the Department), under programs of the federal government for the year ended June 30, 2025. The information in the Schedule is presented in accordance 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* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position and changes in net assets of the Department.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual 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 Department has not elected to use the de minimis indirect cost rate allowed under the Uniform Guidance.

PART III

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

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*

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, each major fund, and the fiduciary activities of the Department of the Attorney General, State of Hawaii (the Department), as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department'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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KKDLY LLC

Honolulu, Hawaii
December 17, 2025

PART IV

COMPLIANCE AND INTERNAL CONTROL OVER FEDERAL AWARDS

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance 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 Department of the Attorney General, State of Hawaii's (the Department) 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 Department's major federal programs for the year ended June 30, 2025. The Department'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 Department 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, 2025.

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 (*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* (the 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 Department 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 Department'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 Department'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 Department'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 auditing standards generally accepted in the United States of America, *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 Department's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *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 Department'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 Department'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 Department'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. 2025-001 through 2025-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Department's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 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. 2025-001 through 2025-003 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 auditor to perform limited procedures on the Department's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.



Honolulu, Hawaii
December 17, 2025

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	**Unmodified**
Internal control over financial reporting:	
• Material weakness(es) identified?	___ Yes ___✓___ No
• Significant deficiency(ies) identified?	___ Yes ___✓___ None reported
Noncompliance material to financial statements noted?	___ Yes ___✓___ No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	___ Yes ___✓___ No
• Significant deficiency(ies) identified?	___✓___ Yes ___ None reported
Type of auditors' report issued on compliance for major federal programs:	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	___✓___ Yes ___ No

DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
16.554	U.S. Department of Justice – National Criminal History Improvement Program
16.575	U.S. Department of Justice – Crime Victim Assistance
16.813	U.S. Department of Justice – NICS Act Record Improvement (NARIP)

Dollar threshold used to distinguish between Type A and Type B programs: $1,099,383

Auditee qualified as low-risk auditee? ✓ Yes ___ No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2025-001
Subrecipient Monitoring

U.S. Department of Justice
NICS Act Record Improvement
Federal Assistance Listing Number 16.813

Criteria

A pass-through entity (PTE) must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals. In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.

2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE.

Condition

We noted that the Department did not perform desk reviews or on-site visits for the subaward under grant number 2020-NS-BX-K004. The Department also did not perform a risk assessment of the subrecipient as is required by Department policies.

Cause

The Department did not adhere to subrecipient monitoring required by the Uniform Guidance and Department policies.

Effect

The Department is not in compliance with the Uniform Guidance requirements regarding the monitoring of subrecipients for the year ended June 30, 2025.

Recommendation

We recommend that the Department perform subrecipient monitoring procedures in compliance with the Uniform Guidance and Department policies. This should include the preparation of risk assessments to determine the extent of subrecipient monitoring procedures and perform desk reviews or on-site visits.

Views of Responsible Officials and Planned Corrective Action

The Hawaii Criminal Justice Data Center (the HCJDC) will perform a desk review for its two subrecipients for grant number 202-NS-BX-K004 by June 30, 2026. The desk reviews will be performed virtually and will include a risk assessment and review of project performances and outcomes.

Finding No. 2025-002
Suspension and Debarment

U.S. Department of Justice
NICS Act Record Improvement
Federal Assistance Listing Number 16.813

Criteria

Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Covered transactions include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR 180.215.

Prior to entering into a covered transaction with an entity, non-federal entities must verify that the entity is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) or (2) collecting a certification from the entity that they are not suspended or debarred from doing business with the federal government.

Condition

During our audit of procurement, we noted two instances where the Department did not verify that entities were neither suspended nor debarred prior to contract execution.

Cause

The Department does not have established policies and procedures requiring the verification that entities were neither suspended nor debarred prior to contract execution.

Effect

The Department is not in compliance with the Uniform Guidance requirements pertaining to suspension and debarment for the year ended June 30, 2025.

Recommendation

We recommend that the Department establish policies and procedures to ensure compliance with the Uniform Guidance requiring that the verification of an entities' suspension and debarment status prior to entering into a contract with that entity. This verification should be documented and maintained in the Department's contract file.

Views of Responsible Officials and Planned Corrective Action

The HCJDC will add to its subrecipients procedures to verify an active SAM.gov registration and that the subrecipient is not suspended or debarred prior to executing a memorandum of agreement for subaward funding. A copy of the verification will be kept in the subrecipient's file.

Finding No. 2025-003
Suspension and Debarment

U.S. Department of Justice
National Criminal History Improvement Program
Federal Assistance Listing Number 16.554

Criteria

Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Covered transactions include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR 180.215.

Prior to entering into a covered transaction with an entity, non-federal entities must verify that the entity is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the SAM Exclusions maintained by the GSA or (2) collecting a certification from the entity that they are not suspended or debarred from doing business with the federal government.

Condition

During our audit of procurement, we noted one instance where the Department did not verify that entity was neither suspended nor debarred prior to contract execution.

Cause

The Department does not have established policies and procedures requiring the verification that entities were neither suspended nor debarred prior to contract execution.

Effect

The Department is not in compliance with the Uniform Guidance requirements pertaining to suspension and debarment for the year ended June 30, 2025.

Recommendation

We recommend that the Department establish policies and procedures to ensure compliance with the Uniform Guidance requiring that the verification of an entities' suspension and debarment status prior to entering into a contract with that entity. This verification should be documented and maintained in the Department's contract file.

Views of Responsible Officials and Planned Corrective Action

The HCJDC will add to its subrecipients procedures to verify an active SAM.gov registration and that the subrecipient is not suspended or debarred prior to executing a memorandum of agreement for subaward funding. A copy of the verification will be kept in the subrecipient's file.