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DEPT. COMM. NO. 408

June 17, 2026

VIA EMAIL

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

VIA EMAIL

The Honorable Nadine K. Nakamura
Speaker, House of Representatives
415 South Beretania Street
Hawaiʻi State Capitol, Room 431
Honolulu, Hawaiʻi 96813

Re: ***2025 Annual Report***

Dear President Kouchi and Speaker Nakamura:

Please find attached a copy of our *2025 Annual Report*, which includes summaries of the performance and financial audit reports that were issued from July 1, 2024 to December 31, 2025.

The report is accessible through our website at:
https://files.hawaii.gov/auditor/Reports/2025/2025AnnualReport.pdf.

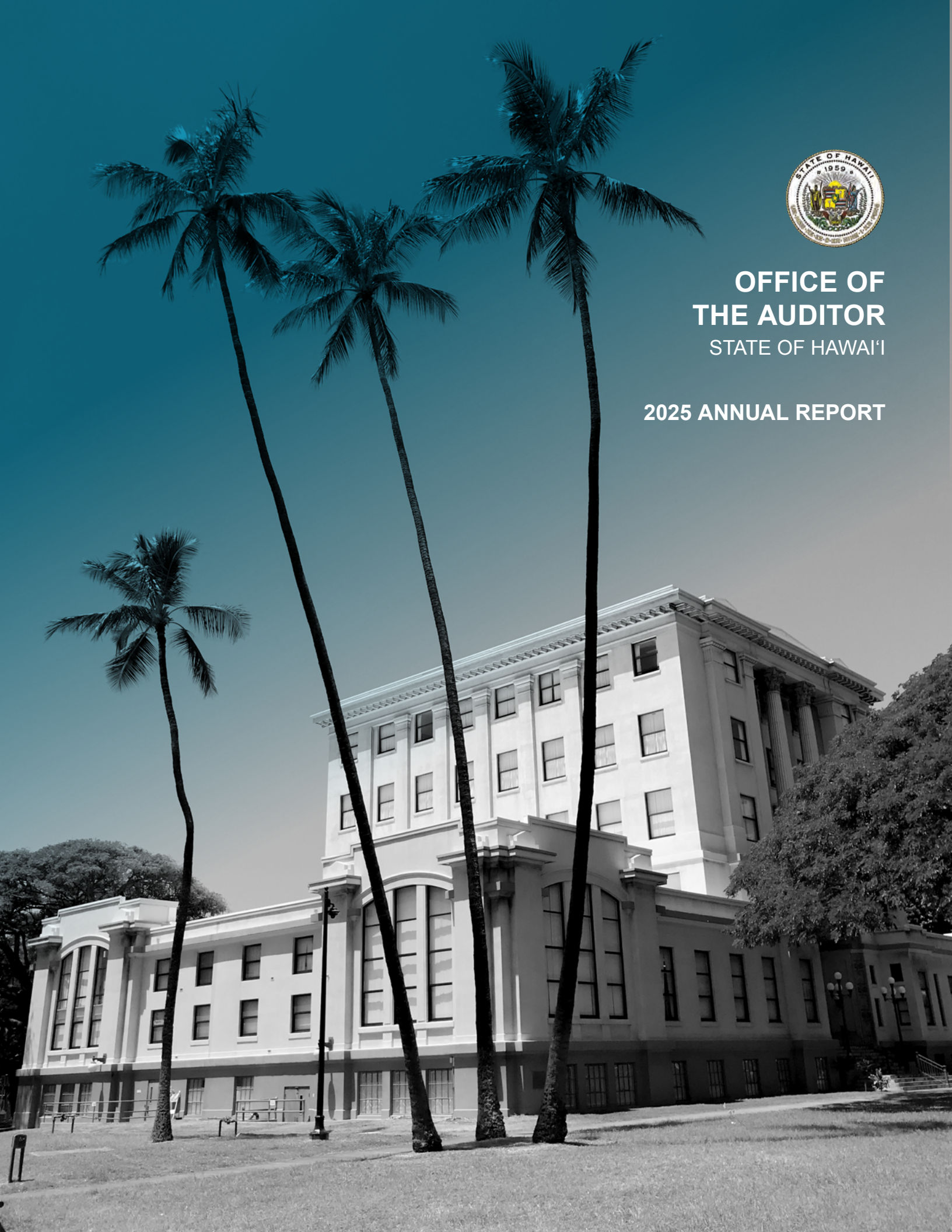
If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

Attachment

cc/attach: Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk



OFFICE OF THE AUDITOR

STATE OF HAWAIʻI

2025 ANNUAL REPORT

OFFICE OF THE AUDITOR
STATE OF HAWAI‘I

Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawai‘i State Constitution, theOffice of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

The Auditor’s position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

Hawai‘i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

Our Mission

To improve government through independent and objective analyses.

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

Our Work

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

Additionally, we perform procurement audits, sunrise analyses and sunset evaluations of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, revolving and trust funds, and special studies requested by the Legislature.

We report our findings and make recommendations to the governor and the Legislature to help them make informed decisions.

For more information on the Office of the Auditor, visit our website:
https://auditor.hawaii.gov

PHOTO: OFFICE OF THE AUDITOR

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Message from the Auditor



PHOTO: MICHAEL KEANY

Welcome to this annual report, which highlights the Office of the Auditor's work from July 1, 2024 to December 31, 2025.

Our work during this period included performance audits of the State's driver education programs and the Hawai'i Tourism Authority, as well as follow-up reports on our audit recommendations from 2019 to 2023. The office also issued 28 financial, single audit, and related reports, including the State of Hawai'i Annual Comprehensive Financial Report and State Single Audit Report.

Other reporting included a review of the Department of Education's heat abatement efforts to account for $100 million spent on the department's Cool Classrooms Initiative, which began in 2016. That report also reviewed the School Directed AC program, which the department initiated in 2019.

We provided the Legislature with studies to inform decision-making on mandatory health insurance coverage for medically necessary biomarker testing and step therapy requirements for stage 2 through stage 5 cancer. We also conducted a sunset analysis of the regulation of the midwifery profession.

To provide the Legislature insight on non-general fund balances, we reviewed special funds, revolving funds, and trust funds held by the departments of the Attorney General; Land and Natural Resources; and Business, Economic Development, and Tourism. We additionally issued two reports on tax provisions – one reviewing certain income tax provisions and the other reviewing certain general excise tax and use tax provisions.

We thank the agencies that participated in our work and acknowledge our staff for their dedication and diligence in helping the Legislature and the public understand how state programs are performing and how state resources are being managed.

Mission of the Office of the Auditor

Improving government through independent and objective analyses.



Getting Educated About Driver Education in Hawai‘i

We expected our audit of the State’s driver education programs to be relatively straightforward, but the involvement of two departments – one lacking program structure administrative rules, the other lacking oversight of key employees – highlighted the risk in letting relatively small state programs operate without structure or supervision.

IN 1966, the Legislature established a statewide driver education program open to all residents aged 15 through 18 – authorizing the Department of Education (DOE) to provide both classroom instruction and behind-the-wheel training outside of school hours at all its high schools. The premise was simple – teaching young drivers safe driving skills was an “urgent” matter aimed at reducing needless traffic fatalities.

The Legislature didn’t dictate how DOE should establish and administer its driver education program; instead, it directed the department to set prerequisites and priorities for student enrollment and establish requirements for instructors through administrative rules. But DOE never went through the rulemaking process to complete the structure of its driver education program, including how it intended to provide driver education statewide, leaving schools to decide for themselves whether to provide driver education courses and how they would operate.

The lack of structural framework became more pronounced in 1999, when completion of a driver education course became a prerequisite for anyone under 18 to obtain a driver’s license in Hawai‘i, effective January 2001. Yet DOE’s practices did not change in anticipation of higher demand, and more significantly, DOE still did not promulgate

The department had no way to assess demand; schools had no uniform enrollment process or standardized method to track how many students were turned away, such as the use of waitlists; and it was unclear how students interested in enrolling were made aware that a school intended to offer driver education and how to enroll in the course.

rules to provide the necessary structure to its program. During our audit, 35 of 68 DOE high schools offered driver education – a decision made at principals' discretion, not based on demand or geography. In fact, the department had no way to assess demand; schools had no uniform enrollment process or standardized method to track how many students were turned away, such as the use of waitlists; and it was unclear how students interested in enrolling were made aware that a school intended to offer driver education and how to enroll in the course. Although DOE is not the only driver education provider in Hawai‘i, it is by far the largest and most affordable, charging $10 compared to commercial offerings that can cost up to $550.

Families struggled to find classes

By 2022, the Legislature was hearing from frustrated families who were unable to enroll their children in DOE driver education. This was particularly challenging on neighbor islands, to the point that some students had resorted to traveling to O‘ahu to complete the required courses. So, lawmakers requested an audit to understand why many students attempting to enroll in DOE driver education were turned away. Specifically, the Legislature requested an examination of DOE's backlog of driver education opportunities and programs, including insufficient instructors and courses. House Concurrent Resolution No. 125 (2022 Regular Session) also requested an examination of the Department of Transportation's (DOT) administration of its own driver education program, established by the Legislature in 1999. The 1999 measure did not change DOE's responsibility to provide driver education at its high schools, but it placed DOT in charge of certifying both DOE and private instructors.

Unlike DOE, DOT promulgated administrative rules that described its duties with respect to driver education. Those rules require the DOT Director to convene task forces to recommend instructor and student curricula, and to certify curricula for those tasked with training the driver education instructors – both those that teach for DOE and those who teach at commercial driving schools.

DOT oversight goes off course

We found the DOT Director failed to convene task forces, certify curriculum, or formally delegate those duties – effectively and unintentionally ceding control of the department's driver education program to a single employee – a Highway Safety Specialist (specialist). An absence of policies and procedures, as well as insufficient supervision, created an environment where the specialist's unauthorized decision-making often went unchecked.

Inattention from DOT management allowed the specialist to operate well outside her authority. Her assigned duties should have been largely ministerial, limited to verifying that instructors submitted all required materials for certification and renewal. She performed these tasks arbitrarily and untimely, excusing some instructors for providing materials late and suspending others for missing deadlines. Students were also impacted by her overreach; for instance, the specialist told county examiners to deny road tests to anyone presenting a student certificate of completion from a suspended instructor – even if the instructor's certificate had been current when the certificate was signed. And if county examiners discovered minor issues on a student's certificate (for example, a missing middle name), the specialist suspended the instructor, even though identifying information including a DOT issued permit number and date of birth matched official DOT records.

Ultimately it came down to internal controls, or the lack thereof, including policies and procedures to guide program performance and ensure compliance with statutory responsibilities and safeguard state resources.

Arbitrary decisions affected DOE teachers and students

Her actions interfered with DOE's teachers, who complained to DOT management about the specialist's intrusions. For example, the specialist refused to let DOE use substitute instructors – even other certified driver education instructors – to cover absences (or suspensions), even if in doing so they resulted in delays or students having to start the course over from the beginning. When a DOE master trainer stepped in to assist students who had been refused road tests due to another instructor's suspension, the specialist terminated the teacher's certification – a penalty later overturned by the DOT Director. Over time, and under authority of her own invention, the specialist effectively decertified 11 DOE master trainers and replaced them with three master trainers who ultimately determined who could, and could not, teach driver education in Hawai‘i. The master trainers she selected, one of whom she purchased a house with in 2023, were paid to train all driver education instructors across the state (DOE and those with commercial schools) and additionally collected up to $200 per participant for "refresher courses" the specialist created to penalize instructors. While the specialist asserted the refresher courses were an alternative to suspensions, instructors were not allowed to resume classes until the refresher course was completed. Her supervisor had endorsed the refresher courses without understanding the cost or the consequence until the issue was raised in an audit interview.

Small programs still need structure

The specialist's actions demonstrate the risk when state programs are operated by a single individual with little oversight. Left to her own devices, the specialist invented rules that impacted the livelihood of DOE teachers, while enriching her master trainers, who were not employed by DOT. She allowed her trainers to set their own rates for courses and create advertisements imprinted with the State Seal and DOT logo to promote commercial activities, which is against the law if done without authorization.

Those issues (and more, detailed in our report) are for DOT and the Department of the Attorney General to act on as they may see appropriate. As auditors, our role was to understand how DOT could allow one employee to limit student access to driver education in the state. And ultimately it came down to internal controls, or the lack thereof, including policies and procedures to guide program performance and ensure compliance with statutory responsibilities and safeguard state resources. With the department also lacking engaged management to reinforce rules and requirements, DOT was unable to curb the Highway Safety Specialist's unauthorized actions and keep the program on track.



Summary of Reports
July 1, 2024 to December 31, 2025

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2024/24-06.pdf



PHOTO: ISTOCK.COM

Review of General Excise and Use Tax Provisions Pursuant to Section 23-76, Hawai‘i Revised Statutes

Report No. 24-06, August 2024

This report assesses nine exemptions under the Hawai‘i's General Excise Tax (GET) and Use Tax laws. Section 23-71 et seq., Hawai‘i Revised Statutes (HRS), require the Auditor to review GET and Use Tax provisions annually, on a 10-year recurring cycle.

Specifically, this report reviews the following nine exemptions:

- GET exemption for employee benefit plans, Section 237-24.3(4), HRS;
- GET exemption for food stamps and vouchers under the Special Supplemental Nutrition Program for Women, Infants, and Children, Section 237-24.3(5), HRS;
- GET exemption for prescriptions and prosthetics, Section 237-24.3(6), HRS;
- GET exemption for merchants association dues for advertising or promotion, Section 237-24.3(8), HRS;
- GET exemption for labor organization real property leases, Section 237-24.3(9), HRS;
- GET exemption for reimbursements to the Hawai‘i Convention Center operator from the Hawai‘i Tourism Authority, Section 237-24.75(2), HRS;
- GET exemption for wage and fringe benefit reimbursements to professional employer organizations, Section 237-24.75(3), HRS; and
- Two GET exemptions for Enterprise Zones, regarding both qualified Enterprise Zone businesses and Enterprise Zone construction contractors, Section 209E-11, HRS.

We determined that six GET exemptions are meeting their stated or inferred purposes. We could not determine whether three GET exemptions were achieving their purposes. As we explain in the report, making conclusions as to whether purposes are being met is challenging when amounts claimed are not tracked or where no benchmarks or metrics are set forth in statute to assess whether a provision is achieving its intended purpose.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2024/24-07.pdf



PHOTO: OFFICE OF THE AUDITOR

Review of Income Tax Provisions Pursuant to Section 23-95, Hawai‘i Revised Statutes

Report No. 24-07, November 2024

This report assesses four credits and three deductions allowable under Hawai‘i’s Income Tax laws. Section 23-91 et seq., Hawai‘i Revised Statutes (HRS), require the Auditor to review income tax provisions annually, on a five-year recurring cycle.

Specifically, this report reviews the following tax provisions:

- Deduction for individual housing account deposits, Section 235-5.5, HRS;
- Deduction for property losses due to a natural disaster, Section 235-7(f), HRS;
- Credit for cesspool upgrades, conversions, or connections, Section 235-16.5, HRS;
- Deduction for the maintenance of an exceptional tree, Section 235-19, HRS;
- Credit for the employment of a vocational rehabilitation referral, Section 235-55.91, HRS;
- Credit for in-kind services contributions for public school repair and maintenance, Section 235-110.2, HRS; and
- Credit for ownership of a low-income housing building, Sections 235-110.8 and 241-4.7, HRS.

We determined that three provisions accomplish their purposes and two do not. However, we were unable to determine whether one other provision achieved the primary purpose for which it was adopted and could not analyze the achievement of purpose of one provision that had been repealed. The inability to draw conclusions with respect to one provision stemmed primarily from a lack of data regarding its utilization. Determining whether purposes have been met was also frustrated by a lack of claim tracking or statutorily identified benchmarks or metrics. With respect to some provisions, our analysis of underlying bills or their legislative histories could not determine what outcomes the Legislature had intended to achieve.

We recommend that the Legislature retain four provisions and modify two. We recommend that the Legislature remove from future reviews the seventh provision, the credit for cesspool upgrades, conversions, or connections (Section 235-16.5, HRS). That credit was repealed on December 31, 2020.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2024/24-08.pdf



PHOTO: DEPPARTMENT OF LAND AND NATURAL RESOURCES

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Land and Natural Resources

Report No. 24-08, September 2024

Our review of 19 special funds, two revolving funds, nine trust funds, and seven trust accounts of the Department of Land and Natural Resources (DLNR) found four special funds, two trust funds, and two trust accounts did not meet the criteria for special funds, trust funds, and trust accounts, respectively, and should be closed or reclassified.

Section 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review all existing special, revolving, and trust funds every five years. Reviews are scheduled so that each department’s funds are reviewed once every five years. Although not mandated by statute, we included trust accounts as part of our review. This is our seventh review of DLNR’s revolving funds, trust funds, and trust accounts. It is our third review of the special funds held by DLNR since Act 130, Session Laws of Hawai’i 2013, amended Section 23-12, HRS, to require review of special funds along with revolving funds and trust funds.

We used criteria developed by the Legislature and by our office based on public finance and accounting literature. For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We did not audit the financial data, which is provided for informational purposes. We do not present conclusions about the effectiveness of programs or their management, or whether the programs should be continued.

Accurate and complete reporting will greatly improve the Legislature’s oversight and control of these funds.

Reporting shortfall

We noted that DLNR did not file statutorily required reports for non-general funds totaling approximately $6.1 million, administratively created non-general funds totaling approximately $372,000, non-general funds with balances totaling approximately $57.7 million under the program measures reporting requirement, and non-general funds with balances totaling approximately $52.8 million under the cost element reporting requirement. Accurate and complete reporting will greatly improve the Legislature’s oversight and control of these funds.

Agency response

DLNR concurred with our recommendations for reclassification and/or closure for two trust funds and two trust accounts and will consider our recommendations for two special funds after further review. DLNR noted that one of the special funds that did not meet criteria is necessary to separate revenues from the harvest of non-native forest products from the forest reserves. DLNR also noted that one of the trust accounts that did not meet criteria is a clearing account for certain holders of revocable permits for the use of State waters and stream gauging services provided by the United States Geological Survey, both non-state agencies. We maintain our assessment that these funds do not meet criteria for those types of funds established by the Legislature. The special fund is not being used for the purpose for which it was established, and the trust account functions more like a trust fund. DLNR stated that it will take appropriate measures to ensure compliance with all statutory reporting requirements but they disagreed with our findings related to reporting requirements pursuant to Sections 37-48 and 37-49, HRS.

We maintain our assessment that these funds and accounts should have been reported pursuant to Sections 37-48 and 37-49, HRS, as there are no exceptions to the reporting requirements based on fund type or budget status.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2024/24-09.pdf



PHOTO: OFFICE OF THE AUDITOR

Report on the Implementation of State Auditor's Recommendations 2019 – 2022

Report No. 24-09, November 2024

Every year, we follow up on recommendations made in our audit reports. We ask agencies to provide us with the status of their implementation of the recommendations made as part of our audit starting a year after the report was issued. After two or three years, we conduct a more rigorous follow-up review. Those reviews, which we refer to as "active reviews," include interviewing selected personnel from the agency and examining the agency's relevant policies, procedures, records, and documents to assess whether action on recommendations has been taken. Our efforts are limited to reviewing and reporting on an agency's implementation of recommendations made in the original audit report. We do not explore new issues or revisit issues from the report unrelated to our original recommendations.

From 2019 to 2022, we made 118 audit recommendations. Based on information self-reported by the agencies and information from active reviews, 91 of those recommendations have been partially or fully implemented.

We based our scope and methodology on guidelines published by the United States Government Accountability Office (GAO) – formerly the General Accounting Office – including *How to Get Action on Audit Recommendations and Government Auditing Standards*, as well as on Hawai'i Revised Statutes, Section 23-7.5.

According to the GAO, saving tax dollars, improving programs and operations, and providing better service to the public represent audit work's "bottom line." Recommendations are the vehicles by which these objectives are sought. However, it is action on recommendations – not the recommendations themselves – that helps government work better. Effective follow-up is essential to realizing the full benefits of audit work.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-01.pdf



PHOTO: ISTOCK.COM

Assessment of Proposed Mandatory Health Insurance Coverage For Medically Necessary Biomarker Testing

Report No. 25-01, January 2025

We were requested by the Legislature through House Concurrent Resolution No. 53 (2024 Regular Session), to assess the social and financial effects of mandating health insurance coverage for medically necessary biomarker testing as proposed in House Bill No. 2223, House Draft 1 (2024 Regular Session) (HB 2223, HD 1) and in accordance with Sections 23-51 and 23-52, Hawai‘i Revised Statutes (HRS). HB 2223, HD 1 proposed that every individual or group policy or medical service plan contract issued or renewed in Hawai‘i on or after January 1, 2025 provide coverage for medically necessary “biomarker testing.”

Biomarker testing is the analysis of a patient’s tissue, blood, or other bodily fluid to identify a biomarker or group of biomarkers. A biomarker is a biological characteristic indicative of a particular disease, condition, or treatment response. Biomarkers can help health providers diagnose, treat, and monitor a patient’s disease or condition.

We found that health insurance policies issued in the State of Hawai‘i currently provide coverage for medically necessary biomarker testing. Hawai‘i’s Patients’ Bill of Rights and Responsibilities Act, Chapter 432E, HRS, mandates coverage for health interventions that are medically necessary, which include medically necessary biomarker testing. All insurers that responded to our survey agreed that their policies are already required to include coverage for medically necessary biomarker testing. We determined that there will be no social or financial impacts caused by the mandate requiring that health insurance policies provide coverage for medically necessary biomarker testing, as proposed in HB 2223, HD 1.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-02.pdf



PHOTO: ISTOCK.COM

Study of Proposed Mandatory Health Insurance Coverage Regarding Step Therapy Requirements for Stage 2 Through Stage 5 Cancer

Report No. 25-02, January 2025

We were requested by the Legislature through House Concurrent Resolution No. 225 (2024 Regular Session) to assess the social and financial effects of prohibiting insurers from requiring an insured diagnosed with stage 2 through stage 5 cancer to undergo step therapy prior to covering the drugs prescribed by the insured's health care provider, as proposed in Senate Bill No. 2316 (2024 Regular Session) (SB 2316).

SB 2316 defines step therapy as "a protocol that requires an insured to use a prescription drug or sequence of prescription drugs, other than the drug that the insured's health care provider recommends for the insured's treatment, before the insurer provides coverage for the recommended prescription drug." The bill will require insurers to provide coverage for drugs prescribed by the insured's health care provider that are: (1) investigational new drugs; or (2) FDA-approved drugs whose use is consistent with best practices for the treatment of that stage of cancer and is on the insurer's prescription drug formulary. Investigational new drugs are new drugs or biological drugs that are not yet FDA-approved. Investigational new drugs are available through clinical trials and, with the drug manufacturer's approval, can be obtained through the manufacturer's expanded access programs.

We, however, did not assess the impacts of the proposed mandate relating to coverage of investigational drugs. Based on our research about investigational drugs and information from insurers that we surveyed, we were unable to reasonably estimate the likelihood that an insured diagnosed with stage 2 to stage 5 cancer can access an investigational drug and, if the insured does receive an investigational drug, the cost of that drug to the insured. Without that information, neither we nor the insurers could meaningfully assess the social or financial impacts of mandating coverage of investigational drugs for insureds diagnosed with stage 2 to stage 5 cancer.

What we found

Five insurers responded to our survey about the proposed mandate. Four of those insurers represented that they do not use step therapy protocols in covering prescription drug treatment for cancer. Those insurers provide health insurance coverage for about 80 percent of Hawai‘i's residents. The fifth insurer stated that its network of providers applies appropriate guidelines developed by the American Society of Clinical Oncology and National Comprehensive Cancer Network that use sequential and escalating medication recommendations, which are, "in a form, step

therapy." However, that insurer said that those guidelines are "very, very infrequently enforced" when a provider does not follow the therapeutic recommendations and cited two instances of such denials annually from 2021 through 2023.

With respect to the insurers that do not use step therapy protocols in covering drugs for insureds diagnosed with stage 2 to stage 5 cancer, we do not expect any material change to their current operations; we do not expect any material social or financial impacts to the insurers or their insureds. For those insurers, SB 2316 will serve to mandate the status quo.

The only insurer that currently uses step therapy protocols for treatment of cancer did not foresee any social impacts associated with the mandate in SB 2316. Similarly, that insurer did not believe that SB 2316 will result in any financial impacts.

Based on those responses to our survey, we conclude that there are no material social or financial impacts that will result from the health insurance mandate proposed in SB 2316.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-03.pdf



PHOTO: ISTOCK.COM

Sunset Analysis: Regulation of Midwives

Report No. 25-03, February 2025

Chapter 457J, Hawai‘i Revised Statutes (HRS), created a licensing framework for non-nurse midwives in 2019, which was set to sunset on June 30, 2025. In accordance with the Hawai‘i Regulatory Licensing Reform Act, Chapter 26H, HRS, the Office of the Auditor assessed, prior to the sunset date, whether the regulatory program complied with the State's policies for the regulation of professions and whether the public interest requires that the law establishing the regulatory program be reenacted, modified, or permitted to expire.

Midwives provide a range of health care services, including care during pregnancy, childbirth, and the postpartum period – emphasizing highly personalized care that incorporates a whole family approach. Midwives are the primary caregivers in out-of-hospital birth settings, such as home births, but midwives also work in hospitals and birthing centers, typically assisting low-risk pregnancies, specializing in natural childbirth, and seeking to limit medical interventions. These varied roles differ in education, training, and scope of practice. However, regulatory changes in 1998 moved nurse midwives under the Hawai‘i State Board of Nursing, recognizing them as advanced practice registered nurses. In doing so, the State also removed a prohibition on non-nurse midwives practicing in Hawai‘i – allowing them to practice without state licensure until 2019.

What we found

Our assessment of the regulatory scheme and our review of the profession found nothing to suggest that the Legislature's findings about the practice of midwifery in 2019 – specifically, the risk to the health, safety, and welfare of the mother, the newborn, or both – were erroneous then or today. Pregnancy and childbirth inherently carry certain risks to mothers and newborns, and midwives can significantly influence maternal and neonatal health outcomes. We found that the licensing requirements do not unreasonably restrict entry to the midwifery profession and recommended the regulatory program be retained.

We further recommended the Department of Commerce and Consumer Affairs promulgate administrative rules to offer practitioners and consumers greater clarity about how the department interprets and implements licensing requirements.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-04.pdf



PHOTO: OFFICE OF THE AUDITOR

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Attorney General

Report No. 25-04, February 2025

Our review of five special funds, three revolving funds, four trust funds, and five trust accounts of the Department of the Attorney General (AG) found two revolving funds, one trust fund, and two trust accounts did not meet the criteria for revolving funds, trust funds, and trust accounts, respectively, and should be closed or reclassified.

Section 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review all existing special, revolving, and trust funds every five years. Reviews are scheduled so that each department's funds are reviewed once every five years. Although not mandated by statute, we included trust accounts as part of our review. This is our seventh review of AG's revolving funds, trust funds, and trust accounts. It is our third review of the special funds held by AG since Act 130, Session Laws of Hawai'i 2013, amended Section 23-12, HRS, to require review of special funds along with revolving funds and trust funds.

We used criteria developed by the Legislature and by our office based on public finance and accounting literature. For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We did not audit the financial data, which is provided for informational purposes. We do not present conclusions about the effectiveness of programs or their management, or whether the programs should be continued

Reporting shortfall

We noted that AG did not file statutorily required reports for non-general funds totaling approximately $4.7 million, administratively created non-general funds totaling approximately $1.8 million, non-general funds with balances totaling approximately $4.7 million under the program measures reporting requirement, and non-general funds with balances totaling approximately $4.7 million under the cost element reporting requirement. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds.

Agency response

AG concurred with our recommendations for reclassifications for two revolving funds and one trust fund and will consider our recommendations for two trust accounts after further review. AG stated that it will take appropriate measures to ensure compliance with all statutory reporting requirements.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-05.pdf

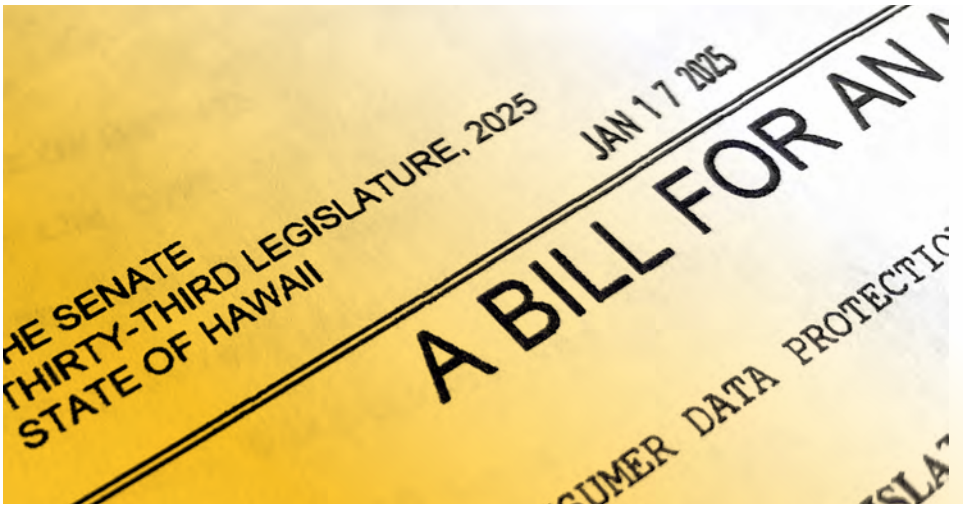


PHOTO: OFFICE OF THE AUDITOR

Analyses of Proposed Special and Revolving Funds 2025

Report No. 25-05, March 2025

We reviewed 127 House and Senate bills proposing 82 special and revolving funds during the 2025 legislative session of which none met criteria.

Only about half of the money the State spends each year comes from its main financial account, the General Fund. The other half of expenditures are financed by special, revolving, federal, and trust funds. Between 2008 and 2012, the number of these non-general funds and the amount of money contained in them substantially increased. Much of that upward trend had been caused by an increase in special funds, which are funds set aside by law for a specified object or purpose.

In 2013, the Legislature amended Section 23-11, Hawai‘i Revised Statutes (HRS), after the Auditor recommended changes to stem a trend in the proliferation of special and revolving funds over the past 30 years. Such funds erode the Legislature's ability to control the State budget through the general fund appropriation process. General funds, which made up about two-thirds of state operating budget outlays in the late 1980s, had dwindled to about half of outlays.

By 2011, special funds amounted to $2.48 billion, or 24.3 percent, of the State's $10.2 billion operating budget. Also ballooning were revolving funds, which are used to pay for goods and services and are replenished through charges to users of the goods and services or transfers from other accounts or funds. By 2011, revolving funds made up $384.2 million, or 3.8 percent, of the State's operating budget. Further hampering the Legislature's control over the budget process was a 2008 court case. In Hawai‘i Insurers Council v. Linda Lingle, Governor of the State of Hawai‘i, the Hawai‘i Supreme Court determined that under only certain conditions could the Legislature "raid" special funds to balance the State budget. In 2013, in order to gain more control over the budget process, the Legislature built new safeguards into the criteria for establishing special and revolving funds.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-06.pdf



PHOTO: ISTOCK.COM

Audit of the Department of Education and the Department of Transportation's Administration of Driver Education Programs

Report No. 25-06, April 2025

Teens under 18 have been required to complete State-certified driver education to qualify for driver's licenses since January 2001. However, as noted in House Concurrent Resolution No. 125 (2022 Regular Session), many students have been unable to enroll in driver education – particularly students from neighbor islands. According to the resolution, limited opportunities have led some neighbor island students to travel to O'ahu to take driver education, while other prospective drivers delay getting their licenses until after they turn 18. The resolution asked the Auditor to examine the backlog of driver education opportunities and programs, including insufficient instructors and courses, to determine why many teens are unable to enroll in driver education, considering the Department of Education (DOE) offers driver education at public high schools throughout the state. Driver education courses are also available through commercial driving schools, but at a much higher cost: DOE charges $10 for classroom instruction and behind-the-wheel training, while commercial schools can charge as much as $550 to teach the same curriculum.

The resolution points out that two agencies are involved in high school driver education – DOE provides classroom instruction and behind-the-wheel training to students, and the Department of Transportation (DOT) certifies the curriculum used in those courses and the instructors (DOE teachers and instructors teaching at commercial driving schools) qualified to teach it. Because the two departments have distinctly different roles and responsibilities in the State's driver education program, we audited them separately, although our analyses address certain issues relevant to both departments.

DOE's driver education program is incomplete, a loosely organized and inconsistent collection of school-level practices, that is incapable of being meaningfully evaluated.

DOE has offered driver education to Hawai'i teenagers for more than a half-century. When it established a statewide driver education program in 1966, the Legislature deemed the need for such instruction to be a "matter of urgency," a legislative "imperative," citing the "needless loss of human life on the highways" and noting that there is clear-cut evidence that driver education and training can reduce such loss.

The Legislature authorized DOE to establish and administer a driver education program "at each public high school in the State" through Act 42,

Session Laws of Hawai‘i (SLH) 1966. Such courses must be open to all state residents under age 19, including public and private school students, home-schooled teenagers, and age-eligible residents who have already graduated or are no longer in school. But the concisely worded act included none of the details necessary for the department to oversee the program. Instead, the Legislature instructed the department to provide those details, filling in the broad program outlined in the act through administrative rules.

What we found

We found, nearly 60 years later, DOE has yet to act as the Legislature directed – and expected. It has neither promulgated administrative rules that would complete the program, nor developed comprehensive internal regulations or procedures to guide its internal operations. Notably, DOE did not promulgate rules after the enactment of Act 175, SLH 1999, which changed its voluntary high school driver education program into a mandatory course for prospective drivers, thereby increasing demand. As a result, DOE's high school driver education program is incomplete, lacking adequate direction and detail. The failure to adopt rules compromises program transparency, accountability, consistency, and fairness. For example, during our audit, 35 of DOE's 68 public high schools offered driver education courses, and we found there were 35 different ways that the instruction is made available to interested students.

We additionally found DOE has no way to measure demand for its courses, which prevents the department from meeting its mandate to employ "necessary instructors" who have met all certification requirements. To calculate the number of necessary instructors, DOE would first need to set targets for how many students it intends to teach and how many classes are needed to accommodate them, as well as take into consideration areas where the classes are needed. That policy needs to be developed through rulemaking.

Why do these problems matter?

Without a complete program, there is no centralized administration and leadership. DOE has yet to establish how it intends and expects driver education to be offered at its high schools. For instance, there are no policies and procedures describing how schools ensure enrollment in the driver education program is equitable to all eligible residents, including those who do not attend the school offering the course.

The absence of consistent guidance has left schools to figure out for themselves whether to offer driver education. Surveys and interviews with principals, school-level coordinators, and driver education instructors, as well as reviews of school websites, revealed an array of different strategies for enrolling students. The distributed nature of the program has rendered DOE unable to estimate the demand for driver education, or to identify and quantify a backlog of students wanting to enroll in a driver education class.

We recommend, among other things, that DOE promulgate administrative rules that articulate the department's policy with respect to driver education in its high schools, including how it intends to provide instruction to age-eligible students, the priorities and prerequisites for enrollment, how individuals apply to enroll in a course, and consistent application procedures, including how to maintain waitlists.

A lack of meaningful management oversight and interest in DOT's driver education program resulted in an unequal certification process for instructors and impeded efforts to expand access to students statewide.

Act 175, SLH 1999, gave DOT new responsibilities related to high school driver education, tasking the department with ensuring instruction was appropriate and standardized, and certifying driver education instructors who have fulfilled all legal requirements. DOT promulgated administrative rules that outline how student, instructor, and master trainer curricula are to be selected and certified, which went into effect in 2006. Among other things, the rules require the DOT Director to appoint task forces to select and recommend student and instructor curricula for certification, while the DOT Director has sole discretion for certifying curricula used to teach master trainers who train new instructors.

DOT is also responsible for certifying driver education instructors who have met all requirements in accordance with the department's rules, which include completion of a DOT-certified course for new instructors. DOT also processes instructors' annual and 5-year renewal applications.

What we found

Not only has the DOT Director neglected to form the required task forces, during the audit period, the director had not certified any driver education course curricula – not the student curriculum; not the instructor curriculum; and not the master trainer curriculum. The curricula are fundamental to and necessary for the department to perform its primary responsibility of certifying instructors and ensuring students receive appropriate driver education instruction. Without any certified course curricula, DOT cannot fully comply with other legal requirements, such as issuing certificates to driver education instructors who have "successfully completed a training class certified or subsequently certified by the department."

The lack of certified curricula created a void that a lower-level Highway Safety Specialist (specialist) stepped in to fill. A lack of internal controls – along with inaction and inattention from management – enabled the specialist to perform tasks assigned explicitly to the director, exercising authority well-beyond that conferred to the department. For instance, the specialist created requirements for master trainers that effectively eliminated DOE's internal training program, then designated three other individuals to be master trainers despite the absence of a DOT Director-certified curriculum. We were told one of the three trainers was romantically involved with the specialist; property records show the two purchased a home together in 2023.

From 2022 until the specialist abruptly resigned in August 2024, those three trainers, along with the specialist, controlled who could, and could not, teach driver education in Hawai‘i. This limited DOE's ability to have new instructors trained, and inflated DOE's costs to do so. The specialist also intruded on how DOE could offer instruction, such as prohibiting the use of substitute teachers and imposing a 14-student cap on virtual classes. House Concurrent Resolution No. 125 specifically called out DOT's flexibility – or lack thereof – regarding virtual classes that could expand access to driver education courses, especially for neighbor island residents.

We found insufficient supervision allowed for unequal treatment of instructors seeking renewed certificates; instructors were suspended for late renewals, or for making minor mistakes on student certificates, and were required to take a paid course from one of the specialist's designated trainers for reinstatement. In addition to suspending instructors, the specialist directed county examiners of drivers to turn away students who presented certificates issued by suspended instructors – even certificates that had been issued while an instructor's certification was current. When a DOE coordinator attempted to assist students whose certificates of completion had been voided, the specialist responded by first suspending, then terminating the coordinator. After a delayed and flawed proceeding,

the coordinator's termination was reversed by the DOT Director without explanation.

Why do these problems matter?

The Highway Safety Specialist's unauthorized and unsupervised activities created havoc at both DOT and DOE. Her unequal treatment of instructors seeking renewed certificates led to reduced income for some driver education instructors, and financial gains for the three individuals she chose to be master trainers. As we reported, the Highway Safety Specialist required instructors she disciplined to pay her designated master trainers up to $200 for refresher courses to continue their driver education jobs. The Highway Safety Specialist's actions against instructors also impacted students who had completed a driver education under a certified instructor who was subsequently suspended, delaying their ability to obtain a driver's license.

The Highway Safety Specialist also impeded DOE's ability to increase driver education opportunities by eliminating its internal master training program, which forced DOE to pay the DOT master trainers for new instructor training. This raised DOE's costs for training new instructors, which is paid out of the driver education fund, a special fund that uses $2 collected from each insured vehicle in Hawai‘i to support DOE's driver education and traffic safety programs.

While DOT claimed to have tried to rein in its employee, we recommend defining clearly, in writing, the roles, responsibilities, and limits of authority, as well as the Motor Vehicle Safety Office Administrator's supervisory responsibilities over anyone administering the program.

The Highway Safety Specialist's misuse of her position undermined the integrity of the program; however, just as damaging and maybe more concerning is the DOT administration's lack of presence and awareness, which allowed her to operate unchecked for so long.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-07.pdf



PHOTO: ISTOCK.COM

Audit of the Hawai‘i Tourism Authority

Report No. 25-07, April 2025

In 2020, as it entered its third decade, the Hawai‘i Tourism Authority (HTA or the Authority) concluded that a continuous drive to increase visitor numbers had taken a toll on Hawai‘i’s natural environment and people. What was needed was a “re-balancing” of priorities, and for that reason, “destination management” would be the Authority’s main focus and at the heart of the new strategic plan.

In its 2020 – 2025 Strategic Plan (its current plan), HTA defined destination management as: “attracting and educating responsible visitors; advocating for solutions to overcrowded attractions, overtaxed infrastructure, and other tourism-related problems; and working with other responsible agencies to improve natural and cultural assets valued by both Hawai‘i residents and visitors.” The plan also explained that destination concerns, such as attention to community benefits, Native Hawaiian culture, and workforce training, had always been a part of the Authority’s strategic plans; however, this time, HTA would be putting a greater emphasis on and devoting additional resources to that effort.

As part of its “greater emphasis” on destination management, and with a goal of rebuilding, redefining, and resetting the direction of tourism over a three-year period, HTA developed three-year Destination Management Action Plans (DMAPs) for six islands, all of which terminated in 2024. Actions and sub-actions vary in the individual DMAPs, such as protecting and preserving culturally significant places and tourist “hotspots”; increasing communication, engagement and outreach efforts with the community, visitor industry, and other sectors; increasing enforcement and active management of sites and trails; advocating/creating more funding sources to improve infrastructure; and developing regenerative tourism initiatives.

What We Found

In Report No. 25-07, Audit of the Hawai‘i Tourism Authority, we assessed HTA’s achievement of its 2016 and 2020 – 2025 strategic plans’ destination management goals. We also evaluated the effectiveness of the agency’s DMAPs. We found that HTA’s new emphasis on destination management is not materially different from its prior efforts. Although not referred to as “destination management,” a large part of HTA’s previous strategic plan had outlined – and highlighted – the same goals as its current strategic plan. We concluded that HTA’s destination management effort is largely a reshuffling of past and continuing programs, done without changes in policies and procedures or proposed organizational adjustments. In addition, HTA’s self-described refocusing doesn’t seem to have involved any increased financial commitment; overall spending on destination management efforts remained generally level.

What didn't change from previous audit findings was HTA's inability or disinterest in reporting on its own performance against its strategic plan goals. HTA's last three annual reports to the Legislature lacked analysis or reporting of the Authority's own Key Performance Indicators and its progress toward achieving its destination management goals. In our review, we found that performance against two of these Key Performance Indicators, when adjusted for inflation, has not improved since 2019, calling into question whether the Authority's destination management efforts were effective.

We also found that HTA's DMAP effort was largely ineffective. Most of the plans' actions and sub-actions did not address hotspots, were underway or already completed, or were impractical. HTA funded many actions and sub-actions that seem unrelated to destination management, which HTA defines, generally, to mean attracting and educating responsible visitors and advocating for solutions to overcrowded attractions, overtaxed infrastructure, and other tourism-related problems. Moreover, we found that HTA's tracking of the progress towards advancement of the hotspot-related sub-actions involved little more than filling out a to-do list. And, in the last year of the DMAPs, the Authority stopped tracking all DMAP actions and sub-actions altogether.

Why Did These Problems Occur?

HTA rushed its DMAP effort without a clear idea of what they were intended to achieve and how their actions would be prioritized. The Authority had no process or criteria for choosing who was on each steering committee. Similarly, HTA did not systematically choose how the DMAP actions and sub-actions would be implemented. There was also no criteria or process for choosing which projects would be funded to advance the DMAP goals. And, the Authority delegated much of the creation, management, and assessment of the DMAPs to third-party contractors, the community, and the island steering committees. Instead of leading this important aspect of tourism planning, HTA deferred to others. In the end, all proposed projects were accepted.

More generally, HTA management is not held accountable by its board to meaningfully achieve the goals and objectives of HTA's strategic plan. HTA lacks meaningful milestones and measures to track its progress against its strategic initiatives. HTA's Key Performance Indicators, which it uses to track performance, are the same broad metrics that HTA used to measure its success before it adopted the current strategic plan with its "emphasis" on destination management. Those indicators are not meaningful in measuring, for instance, the impacts of tourism on infrastructure and natural resources. And, none of the Key Performance Indicators seem designed to gauge progress in addressing resident concerns about visitor impacts, generally, and about hot spots, specifically.

Why Do These Problems Matter?

Without adequate HTA leadership and oversight, the DMAP actions and sub-actions were efforts that were dubious or impractical, little more than elaborate tourism to-do lists and rosters of various, unconnected actions. For instance, "hotspots," determined by the various island steering committees, are locations where visitors and residents compete for access, and where mitigating congestion and overcrowding could increase resident support for tourism. HTA did not adequately identify or vet hot spots or the community concerns about them. As a result, relatively few of the resultant actions and sub-actions addressed hot spots and their perceived issues.

However, HTA's most persistent issue may be its most concerning. The Authority's continued inability or reluctance to demonstrate its overall effectiveness for meeting its tourism goals undermines its credibility with the public and policymakers, as well as its ability to effectively make evidence-driven decisions and allocate resources to its destination management efforts.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-08.pdf



PHOTO: ISTOCK.COM

Financial and Program Audit of the Department of Health's Deposit Beverage Container Program, June 30, 2024

Report No. 25-08, May 2025

Section 342G-107, Hawaii Revised Statutes (HRS), requires the Auditor to conduct a management and financial audit of the Department of Health's (DOH) Deposit Beverage Container Program (Program) in even-numbered fiscal years, after the initial audit for the fiscal year ended June 30, 2005. We contracted KMH LLP, a certified public accounting firm, to conduct this financial and program audit for the fiscal year ended June 30, 2024. This is the Auditor's tenth review of the Program.

The Legislature established the Deposit Beverage Container Program (Program) in 2002 to increase recycling of specific types of beverage containers, reduce litter, and provide a connection between beverage container manufacturing decisions and Program management. The Deposit Beverage Container Deposit Special Fund (Special Fund) was created to hold fees, deposits, and accrued interest – moneys that are used to pay deposit beverage container refunds and handling fees and Program-related expenses.

Review of Prior Findings

Our initial review, issued in 2005, found DOH's reliance on self-reported numbers from distributors and certified redemption centers exposed the Program to possible fraud and abuse. Six subsequent audits issued between 2008 and 2018 found those initial findings remained relevant; the department had taken no meaningful action to address the chronic issues. Specifically, we have pointed out that distributors and redemption centers have financial incentive to under- or over-report the amounts that the distributors must pay into the Special Fund and amounts that the redemption centers may claim for reimbursement from the Special Fund. For example, in 2015 we reported that a distributor, Whole Foods Market, Inc., had substantially underpaid the department for years by depositing $0.06 per case of beverages rather than $0.06 for each individual container. In 2018, auditors identified two instances of actual fraud at a redemption center by comparing receipts received for redeeming containers against the cash receipt log submitted to DOH to support the center's claim for reimbursement; the amounts the redemption center claimed – and DOH reimbursed – were significantly higher than the auditors had received for redeeming containers. DOH took no action against the redemption center and reimbursed the inflated amounts.

In 2021, instead of repeating the same, unaddressed findings, we adopted a new approach to examine why DOH had not taken meaningful action to address chronic issues by implementing controls or making other changes. We found the Program viewed our biennial audits as a replacement for internal controls and expected the Auditor to

review records and identify errors in the amounts received from distributors or claimed by redemption centers. The following year, the Legislature passed Act 12, Session Laws of Hawai‘i 2022, codified as Section 342G-121.5, HRS, to compel DOH to develop and implement procedures to verify the accuracy and completeness of the data reported by beverage distributors and redemption centers, as we repeatedly recommended.

Given the relatively short period between the passage of Act 12 and our 2023 review, as well as DOH's representation that it was in the process of implementing changes, we switched our approach again in 2023. We asked DOH to submit the required financial information and provide an update on steps the Program had taken to address the 2021 audit findings. This report again assessed the implementation of those recommendations, as well as DOH's compliance with Section 342G-121.5, HRS.

What We Found in 2024

In 2024, we examined relevant documents and records, interviewed Program personnel, and evaluated whether DOH's actions addressed our 2021 recommendations. We found DOH still has made no progress on implementing prior recommendations, including those codified by the Legislature in Section 342G-121.5, HRS. Specifically, we found DOH has not implemented any of our eight recommendations, including one the department did not agree with and did not intend to implement. Since the requirement to implement those recommendations was codified in HRS, DOH is not in compliance with its legal mandate.

Financial highlights

For the fiscal year ended June 30, 2024, the special fund reported total revenues of $33.57 million and total expenditures of $23.03 million, resulting in a change of fund balance of $10.54 million. Total revenues consisted of (1) deposit beverage container fees of $10.37 million, (2) unredeemed deposits of $20.81 million, and (3) investment income of $2.38 million, and (4) nonimposed employee fringe benefits of $7,390. Total expenditures consisted of (1) handling and redemption fees of $21.01 million, (2) operating expenditures of $2 million, and (3) administrative expenditures of $28,587.

As of June 30, 2024, total assets were $85.79 million and total liabilities were $7.93 million. Total assets were comprised of (1) cash and cash equivalents of $76.33 million, (2) accounts receivable of $9.24 million, and (3) interest receivable of $226,842. Total liabilities were comprised of (1) vouchers and contracts payable of $4.37 million; (2) accrued wages and employee benefits of $124,548; and (3) beverage container deposits of $3.43 million.

Auditor's Opinion

The special fund received an unmodified opinion that its financial statements presented fairly, in all material respects, the financial position of the fund as of June 30, 2024, in accordance with generally accepted accounting principles.

Findings

One material weakness was reported – some vouchers payable were not recorded, resulting in an overstated fund balance. Management accepted a proposed adjustment of approximately $733,000 to increase vouchers payable and expenditures.

One significant deficiency was also reported, relating to over-reliance on third party certifications. As we found in prior audits, the Program continued to rely on self-reporting from beverage distributors and redemption centers. This overreliance may result in underpayments on deposits and related container payments DOH receives to administer the Program, overpayments of deposit refunds and handling fees to redemption centers, and an overstated redemption rate. An overstated redemption rate could result in a misstatement in DOH's financial statements, as well as higher fees for consumers.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-09.pdf



PHOTO: ISTOCK.COM

An Update on the Department of Education's Heat Abatement Efforts

Report No. 25-09, August 2025

Nearly a decade ago, in response to public outcry about sweltering conditions in some public-school classrooms, Hawai'i's political leaders responded by making air conditioning a top priority. In January 2016, Governor David Ige announced in his State of the State speech that he was working to cool 1,000 classrooms by the end of the year. "The classroom is a sacred learning space, but students will fail to learn the lessons of their teachers when temperatures soar to over 100 degrees," Governor Ige told lawmakers and top government officials who had gathered at the Hawai'i State Capitol for his speech.

That May, the Hawai'i Legislature approved $100 million in general funds to cool 1,000 public school classrooms by the end of that calendar year. The Department of Education's (DOE) plan would later be referred to as the "Cool Classrooms Initiative."

Report No. 25-09, An Update on the Department of Education's Heat Abatement Efforts, is an extensive review and assessment of the legislative and funding history of this initiative to account for the $100 million. We also reviewed DOE's subsequent heat abatement efforts. In doing so, we fully expected that DOE would be able to verify what was spent, where it was spent, and what it was spent on. The department was unable to do so with complete confidence or certainty because of poor record keeping, its transition to a new database for project documentation, and the departure of key employees. Because of this inconsistent, incomplete, and sometimes contradictory information, the total cost and the breakdown of the amounts expended under the Cool Classrooms Initiative that we report are estimates.

What we found

We found that rushed planning and poor decisions early on – as well as instructions not to add to the energy load – contributed to DOE moving forward with expensive and complex solar-powered air conditioning systems (solar AC systems) that ultimately didn't work very well, eliciting a new round of complaints from teachers. In the end, we were able to reasonably verify that the Cool Classrooms Initiative cooled 838 classrooms at a cost of about $105 million.

We also found that the solar AC systems installed under the initiative are often in need of repair, some have been completely scrapped, and overall, they've cost millions to salvage, fix, and grid connect. Despite spending, on average, more than $120,000 per classroom, some school principals report that the poorly performing air-conditioning systems have not done much to relieve the heat. Early on, teachers reported that the units didn't work or failed to cool their classrooms to a comfortable level and that the limited period of time – only five hours a day – in

which the solar AC systems were intended to be operable often left classrooms sweltering during the rest of the school day. A decision by DOE to seal jalousie windows with plexiglass to create more airtight classrooms to maximize the efficiency of the systems exacerbated the heat problems during periods when the air conditioning was off, blocking trade winds that would normally cool classrooms.

We also reviewed DOE's subsequent approach to air conditioning classrooms, called the School Directed AC program, which the department announced in 2019. Unlike the initial heat abatement initiative, which was a one-time effort led by the department, the School Directed AC program gave schools the authority to air condition classrooms themselves, with minimal department involvement. A former DOE Administrator said the School Directed AC program grew out of parents "dropping off window AC units at the curb" out of concern for their children struggling to learn in warm classrooms. Under the School Directed AC program, at a school's request, DOE arranges and pays for schools' electrical assessments to help schools understand their capacity for added air conditioning units. In exchange, schools provide the department with an inventory of existing air conditioners. DOE noted in its press release that AC units could be paid for by the school, received as a donation from the community, or obtained through the department's legislative budget request.

We found that the department has provided minimal structure and oversight over the program; for instance, DOE intended that schools report their current inventory of air conditioning units before the assessment, but a department memo outlining the installation process does not list inventory reporting as a requirement. The memo does require that schools provide notice of installation and closeout to the department's project tracking website; however, the website does not include reporting on those requirements. Overall, we found DOE's knowledge of and involvement in the School Directed AC program to be so incomplete and limited that we were unable to assess it. Finally, at the end of our audit, we were informed by the Procurement and Distribution Specialist II, who also serves as Acting Branch Administrator for the Office of Facilities and Operations, that the department had recently rescinded schools' authority to execute construction, which the DOE official said effectively ended the program. He would later provide us with the memo announcing the policy change but did not provide us with the official policy itself.[1]

Why Did These Problems Occur?

Facing a tight timeline to cool 1,000 classrooms by year's end and under a mandate to be net-zero in energy usage by 2035 in its Cool Classrooms Initiative, DOE contracted for solar AC systems that appeared to be a possible solution to both. Instead of a thoughtful, well-planned approach, which may have included the passive (and much less costly) cooling strategies that DOE's consultant had recommended in the past, the department rushed to contract with multiple contractors, installing equipment from multiple manufacturers. As a result, the complex, unfamiliar, and costly solar AC systems were sometimes incorrectly installed, resulting in equipment failures and user misunderstandings at rollout. These systems are often in need of repair, some have been completely scrapped, and overall, they've cost millions to salvage, repair, and maintain.

In addition, DOE did not develop criteria to determine which classrooms were to be cooled in the initiative, and department officials and a senior principal could not explain how classrooms were chosen. Some classrooms chosen for air conditioning were inappropriate for solar AC

1. On July 30, 2025, more than six weeks after we had provided the draft report to the department for its review and comment, the department provided us with a memo dated January 20, 2025 to complex area superintendents and principals, which describes "procedural changes" for the School Directed AC program. Among other changes, schools are responsible for the cost of electrical assessments and the department's Office of Facilities and Operations is responsible for any design work and installation of the units. Schools are also required to "fully fund" the air conditioning upgrades, including the cost of the units as well as other associated installation costs.

systems, such as portable classrooms under the canopies of large trees.

Regarding the School Directed AC program, DOE's knowledge of and involvement in the program is limited. Employees directly involved in establishing the School Directed AC program no longer work at DOE or are in different positions that have no responsibility over the program. Some of the employees who currently have responsibility over the program, including the Interim Assistant Superintendent of the Office of Facilities and Operations, are relatively new to their positions. However, none of these current DOE officials could provide us with basic program information such as how many schools had participated in the School Directed AC program, which featured electrical assessments paid for by the department or the number of air conditioners that have been installed under the program.

DOE officials were even unclear on the few policies and procedures that guided the program, including whether schools are required to obtain an electrical assessment before installation of additional air conditioning.

Why Do These Problems Matter?

The objectives of this follow-up effort were seemingly straightforward: Report on how DOE expended $100 million that was appropriated through Act 47, SLH 2016, for the Cool Classrooms Initiative; describe DOE's process to air condition classrooms under the School Directed AC program.

They were not, far from it.

For both follow-up efforts, we found that DOE could not provide straightforward answers to our seemingly straightforward questions. As previously mentioned, because the department provided us with inconsistent, incomplete, and sometimes contradictory information, the total cost and the breakdown of the amounts expended under the Cool Classrooms Initiative that we report are estimates, the best achievable accounting – by us, not DOE – of the amounts DOE spent. Paradoxically, the more information that we were able to gather from DOE and its contractors, the less clarity there was about how much was spent, where it was spent, and what it was spent on.

Similarly, at the start of our follow-up of the School Directed AC program, we made what we thought was a simple request: Please provide us with a list of schools that have participated in the School Directed AC program. DOE, however, was never able to provide us with such a list or other basic details about the program, such as its budget. We did learn that DOE had limited participation in and knowledge of the program.

At the end of our fieldwork, the present and the future of DOE's heat abatement efforts were unclear. Has the School Directed AC program been officially rescinded? If so, what policy replaces it? We don't know the answers to those questions, and at the time, it didn't appear DOE knew either.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-10.pdf



PHOTO: ISTOCK.COM

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Business, Economic Development and Tourism

Report No. 25-10, October 2025

Our review of 17 special funds, 15 revolving funds, 8 trust funds, and 12 trust accounts of the Department of Business, Economic Development and Tourism (DBEDT) found three special funds, five revolving funds, one trust fund, and four trust accounts did not meet the criteria for special funds, revolving funds, trust funds, and trust accounts, respectively, and should be closed or reclassified.

Section 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review all existing special, revolving, and trust funds every five years. Reviews are scheduled so that each department's funds are reviewed once every five years. Although not mandated by statute, we included trust accounts as part of our review. This is our seventh review of DBEDT's revolving funds, trust funds, and trust accounts. It is our third review of the special funds held by DBEDT since Act 130, Session Laws of Hawai'i 2013, amended Section 23-12, HRS, to require review of special funds along with revolving funds and trust funds.

We used criteria developed by the Legislature and by our office based on public finance and accounting literature. For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We did not audit the financial data, which is provided for informational purposes. We do not present conclusions about the effectiveness of programs or their management, or whether the programs should be continued.

Reporting shortfall

We noted that DBEDT did not file statutorily required reports for non-general funds totaling approximately $4 million, administratively created non-general funds totaling approximately $961,000, non-general funds with balances totaling approximately $27.5 million under the program measures reporting requirement, and non-general funds with balances totaling approximately $100.3 million under the cost element reporting requirement. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds.

Agency response

DBEDT concurred with our findings and will take appropriate corrective action as recommended.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025/25-11.pdf



PHOTO: OFFICE OF THE AUDITOR

Report on the Implementation of State Auditor's Recommendations 2021 – 2023

Report No. 25-11, November 2025

Every year, we follow up on recommendations made in prior audit reports; in 2025, we reviewed agencies' progress on 88 audit recommendations made between 2021 and 2023. Based on information self-reported by the audited entities and information from live reviews, we determined that 74 of those recommendations have been partially or fully implemented.[1]

The 14 recommendations that were not implemented include 6 that the Agribusiness Development Corporation said were no longer applicable after changes to Section 163D, Hawai'i Revised Statutes. The Office of Language Access reported that it had acted on 73 percent of our 26 recommendations, citing challenges in implementing 4 recommendations and disagreeing that it had the enforcement authority, expertise, and/or capacity to implement another[3]. The Office of Hawaiian Affairs disagreed with 1 of 22 recommendations, arguing that current and proposed policies regarding its land holdings already addressed our recommendation to develop and adopt policies to guide real property decisions in alignment with its strategic plan.

We based our scope and methodology on guidelines published by the United States Government Accountability Office (GAO) – formerly the General Accounting Office – including *How to Get Action on Audit Recommendations* and *Government Auditing Standards*, as well as on Hawai'i Revised Statutes, Section 23-7.5.

According to the GAO, saving tax dollars, improving programs and operations, and providing better service to the public represent audit work's "bottom line." Recommendations are the vehicles by which these objectives are sought. However, it is action on recommendations – not the recommendations themselves – that helps government work better. Effective follow-up is essential to realizing the full benefits of audit work.

1. This report does include recommendations from a series of 2020 limited scope reviews and financial reports that were specifically applicable to COVID-19 pandemic-related issues and no longer warrant follow up.



Summary of Financial Audits
July 1, 2024 to December 31, 2025

Summary of 2025 Financial Audits

The Office of the Auditor contracts with independent certified public accountants for the financial audits of certain departments, agencies, and programs as well as the State of Hawai'i's Annual Comprehensive Financial Report. We strongly support the independent audits of departments, agencies, and programs' financial statements. Among other things, independent audits provide assurance that their respective financial statements are presented fairly in accordance with generally accepted accounting principles. State departments, agencies, and programs must be accountable for their use of public funds, and the financial audit is one aspect of that accountability.

The following summary includes financial audits completed after July 1, 2024. To give the reader a "bigger picture" of the State's financial position, we present statewide summaries first; summaries of financial statements for departments and any programs or agencies associated with that department follow.

STATEWIDE AUDITS

Financial Audit of the Annual Comprehensive Financial Report (ACFR) of the State of Hawai'i Financial Statements, Fiscal Year Ended June 30, 2024

The State of Hawai'i provides a range of services in the areas of education (both lower and higher), welfare, transportation (including highways, airports, and harbors), health, hospitals, public safety, housing, culture and recreation, economic development, and conservation of natural resources.

The State's ACFR includes the audited financial statements of the State's governmental activities (functions of the state that are typically supported by taxes and intergovernmental revenues) and its business-type activities (which rely to a significant extent on fees and charges for support). The State's business-type activities include the Department of Transportation's Airports Division, the Department of Transportation's Harbors Division, and the Unemployment Compensation Fund. These functions are intended to recover all or a significant portion of their costs through user fees and charges. The activities of seven legally separate component units (the Hawai'i Community Development Authority, the Hawai'i Health Systems Corporation, the Hawai'i Housing Finance and Development Corporation, the Hawai'i Hurricane Relief Fund, the Hawai'i Public Housing Authority, Hawai'i Tourism Authority, and the University of Hawai'i) are also included.

For the fiscal year ended June 30, 2024, total revenues were $18.9 billion and total expenses were $17.6 billion, resulting in an increase in net position of $1.3 billion. Approximately 55 percent of the State of Hawai'i's total revenues came from taxes of $10.4 billion, 30 percent from grants and contributions of $5.7 billion, and 15 percent from charges for various goods and services of $2.8 billion. Total tax revenues of $10.4 billion consisted of general excis e taxes of $4.8 billion, net income taxes of $3.8 billion, and other taxes of $1.8 billion. The largest expenses were for welfare at $4.9 billion, lower education at $4.2 billion, higher education at $1.1 billion, health at $1.3 billion, and general government at $1.5 billion. Other expenses totaled $4.6 billion.

As of June 30, 2024, total assets and deferred outflows of resources of $33.8 billion exceeded total liabilities and deferred inflows of resources of $31 billion, resulting in a net position of $2.8 billion. Of this amount, $4.1 billion was for the State's net investment in capital assets, $2.1 billion was restricted for specific programs, and a negative $3.4 billion was unrestricted assets. The State of Hawai'i received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Single Audit of Federal Financial Assistance Programs of the State of Hawai‘i Financial Statements, Fiscal Year Ended June 30, 2024

Each year, the federal government provides over $400 billion dollars in grants to state and local governments. Single audits provide assurance to the federal government that state agencies and programs receiving federal funds are expending those funds properly and in accordance with federal requirements. This report included the total federal expenditures and findings for the following departments: Labor and Industrial Relations, Budget and Finance, Public Safety, Law Enforcement, Agriculture, Accounting and General Services, Business, Economic Development and Tourism, Land and Natural Resources, Defense, and the Office of the Governor. Federal expenditures for these departments totaled approximately $726.5 million, a decrease of $70.5 million over FY2023. Federal expenditures and findings for other departments, including the Department of Health and Department of Transportation, are reported in individual single audit reports.

The auditors identified one material weakness and two significant deficiencies in internal controls over financial reporting that are required to be reported in accordance with *Government Auditing Standards*.

The auditors expressed a qualified opinion on certain major programs and identified three material weaknesses and two significant deficiencies over compliance with major federal programs that are required to be reported in accordance with the *Uniform Guidance*.

DEPARTMENT OF THE ATTORNEY GENERAL

Financial and Compliance Audit of the Department of the Attorney General Financial Statements, Fiscal Year Ended June 30, 2024

The Department of the Attorney General (AG) administers and renders legal services, including furnishing written legal opinions to the Governor, State Legislature, and the heads of state departments and offices as the Governor may direct; represents the State in all civil actions in which the State is a party; and approves as to legality and form all documents relating to the acquisition of any land or interest in the State. AG's Child Support Enforcement Agency provides assistance to children by locating parents, establishing paternity and support obligations, and enforcing those obligations.

For the fiscal year ended June 30, 2024, AG reported total revenues of $207.6 million and total expenses of $221.3 million, resulting in a decrease in net position of approximately $13.7 million. Revenues include general revenues of $138.3 million, primarily state appropriations; program revenues consisting of charges for services of $33.2 million; and operating grants and contributions of $36.1 million. Expenses of $221.3 million consisted of $176.8 million for general administrative and legal services; $27 million for child support enforcement; $9.7 million for crime prevention and justice assistance; and $7.8 million for criminal justice data center activities.

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*. There were no material weaknesses in internal control over financial reporting that were 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*.

Financial and Compliance Audit of the Department of the Attorney General Financial Statements, Fiscal Year Ended June 30, 2025

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 $108.7 million for general administrative and legal services; $23.3 million for child support enforcement; $9.4 million for crime prevention and justice assistance; and $7.9 million for criminal justice data center activities.

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*. There were no material weaknesses in internal control over financial reporting that were 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*.

DEPARTMENT OF BUDGET AND FINANCE

Financial Audit of the Employees' Retirement System of the State of Hawai'i Financial Statements, Fiscal Year Ended June 30, 2023

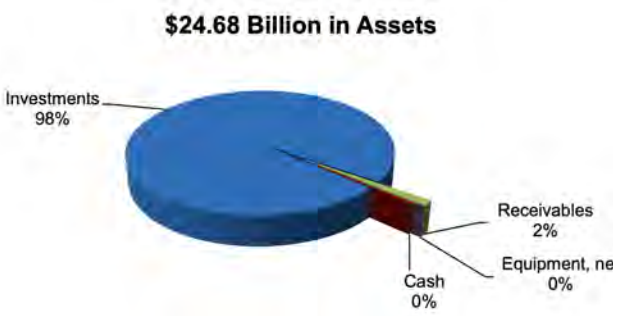
The Employees' Retirement System (ERS) administers a pension benefits program for all state and county employees, including teachers, professors, police officers, firefighters, correction officers, judges, and elected officials.

For the fiscal year ended June 30, 2023, ERS reported total net additions of approximately $2.41 billion. Additions consisted of $1.58 billion from contributions and $827 million in net investment income. Total deductions of approximately $1.84 billion consisted of $1.79 billion for benefit payments; $19 million for administrative expenses; and $26 million for refund of member contributions. As of June 30, 2023, assets totaled $23.15 billion and liabilities totaled $727 million, leaving a net position balance of $22.42 billion. Total assets included investments of $22.86 billion; receivables of $200 million; cash of $92 million; and net equipment of $4 million.

ERS received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Financial Audit of the Employees' Retirement System of the State of Hawai'i Financial Statements, Fiscal Year Ended June 30, 2024

For the fiscal year ended June 30, 2024, ERS reported total net additions of approximately $3.2 billion. Additions consisted of $1.74 billion from contributions and $1.46 billion in net investment income. Total deductions of approximately $1.92 billion consisted of $1.88 billion for benefit payments; $18 million for administrative expenses; and $28.5 million for refund of member contributions. As of June 30, 2024, assets totaled $24.68 billion and liabilities totaled $978 million, leaving a net position balance of $23.7 billion. Total assets included investments of $24.26 billion; receivables of $352 million; cash of $67 million; and net equipment of $3 million.



SOURCE: OFFICE OF THE AUDITOR

ERS received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Financial Audit of the Hawai'i Employer-Union Health Benefits Trust Fund Financial Statements, Fiscal Year Ended June 30, 2024

The Hawai'i Employer-Union Health Benefits Trust Fund (EUTF) is a state agency that provides eligible State of Hawai'i and county (Honolulu, Hawai'i, Maui, and Kaua'i) employees and retirees and their eligible dependents with health and life insurance benefits. Active employee healthcare benefits and other postemployment benefits (OPEB) for retirees (including their respective beneficiaries) are reported separately for accounting purposes. EUTF is administratively attached to the State of Hawai'i Department of Budget and Finance.

The fund for active employee healthcare benefits. For the fiscal year ended June 30, 2024, revenues totaled $122.1 million and expenses totaled $128 million, resulting in a net loss of $5.9 million. Revenues consisted of premium revenue self-insurance of $104.5 million, experience refunds of $1.2 million, and investment earnings and other revenues of $16.4 million. Expenses consisted of benefit claims expenses of $116 million, administrative operating expenses of $8.9 million, depreciation of $2.6 million, and other operating expenses of $500,000. Assets and deferred outflows of resources totaled $270.6 million and liabilities and deferred inflows of resources totaled $79.5 million, resulting in a net position of $191.1 million.

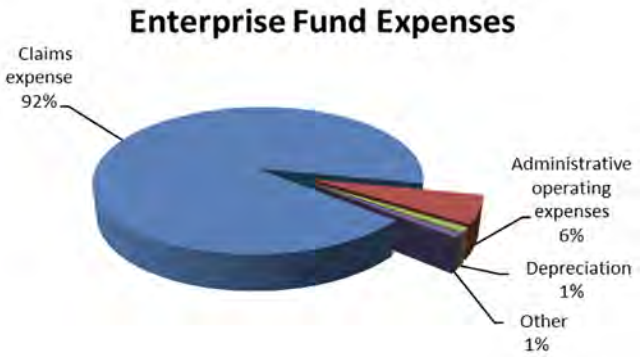
The OPEB Trust Fund.[1] For the fiscal year ended June 30, 2024, total additions of $1.8 billion, included $1.14 billion from employer contributions, $656.2 million from net investment earnings, and $200,000 from other sources. Total deductions were $564.4 million, resulting in a change of fiduciary net position of $1.24 billion. As of June 30, 2024, the OPEB Trust Fund net position balance totaled $8.37 billion. The OPEB Trust Fund held $8.49 billion in assets and $120.9 million in liabilities.

1. The OPEB trust fund was established by the EUTF Board of Trustees in 2013 to receive employer contributions to pre-fund OPEB for retirees and their beneficiaries.

EUTF received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Financial Audit of the Hawai‘i Employer-Union Health Benefits Trust Fund Financial Statements, Fiscal Year Ended June 30, 2025

The fund for active employee healthcare benefits. For the fiscal year ended June 30, 2025, revenues totaled $135.9 million and expenses totaled $142.4 million, resulting in a net loss of $6.5 million. Revenues consisted of premium revenue self-insurance of $122.7 million, experience refunds of $2.2 million, and investment earnings and other revenues of $11 million. Expenses consisted of benefit claims expenses of $130.4 million, administrative operating expenses of $9 million, depreciation of $2 million, and other operating expenses of $1 million. Assets and deferred outflows of resources totaled $270.8 million and liabilities and deferred inflows of resources totaled $86.7 million, resulting in a net position of $184.1 million.



SOURCE: OFFICE OF THE AUDITOR

The OPEB Trust Fund. For the fiscal year ended June 30, 2025, total additions of $1.75 billion, included $1.14 billion from employer contributions and $608.8 million from net investment earnings. Total deductions were $600 million, resulting in a change of fiduciary net position of $1.15 billion. As of June 30, 2025, the OPEB Trust Fund net position balance totaled $9.52 billion. The OPEB Trust Fund held $9.64 billion in assets and $120 million in liabilities.

EUTF received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM

Financial Audit of the Hawai‘i Community Development Authority Financial Statements, Fiscal Year Ended June 30, 2024

The Hawai‘i Community Development Authority (HCDA) was established in 1976 by Chapter 206E, Hawai‘i Revised Statutes, to establish community development plans in community development districts, to determine community development programs and to cooperate with private enterprises and various components of federal, state, and county governments to bring community plans to fruition. HCDA is administratively attached to the Hawai‘i Department of Business, Economic Development and Tourism.

For the fiscal year ended June 30, 2024, HCDA reported total revenues of $139.2 million and total expenses of $7.3 million resulting in an increase in net position of $131.9 million. Revenues consisted of leasing and management activities of $3.3 million, community redevelopment activities of $1.6 million, investment earnings of $1.3 million,

net state appropriations of $132.3 million, and other revenue of $700,000. Total assets and deferred outflows of resources of $293.4 million exceeded total liabilities and deferred inflows of resources of $34.1 million resulting in a net position of $259.3 million. Of the net position balance of $259.3 million, $32.6 million is unrestricted and may be used to meet ongoing expenses, $129.6 million is restricted for capital projects, and $97.1 million is invested in net capital assets. The agency reported total assets and deferred outflows of resources comprised of net capital assets of $97.6 million, cash of $35.2 million, and receivables, other assets, and deferred outflows of resources of $160.6 million.

HCDA received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Financial Audit of the Hawai‘i Community Development Authority Financial Statements, Fiscal Year Ended June 30, 2025

For the fiscal year ended June 30, 2025, HCDA reported total revenues of $25.3 million and total expenses of $7.8 million resulting in an increase in net position of $17.5 million. Revenues consisted of leasing and management activities of $3.4 million, community redevelopment activities of $1.3 million, investment earnings of $1.4 million, net state appropriations of $6.3 million, and other revenue of $13 million. Total assets and deferred outflows of resources of $328.2 million exceeded total liabilities and deferred inflows of resources of $51.8 million resulting in a net position of $276.4 million. Of the net position balance of $276.4 million, $35.2 million is unrestricted and may be used to meet ongoing expenses, $125.7 million is restricted for capital projects, and $115.4 million is invested in net capital assets. The agency reported total assets and deferred outflows of resources comprised of net capital assets of $116 million, cash of $55.8 million, and receivables, other assets, and deferred outflows of resources of $156.4 million.

HCDA received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Special-Purpose Financial Audit of the Hawai‘i Convention Center Financial Statements, Fiscal Year June 30, 2024

The Hawai‘i Convention Center (Center) offers approximately 350,000 square feet of rentable space, including 51 meeting rooms, for events including conventions and trade shows, public shows, and spectator events. The Hawai‘i Tourism Authority is responsible for its operation, management, and maintenance and is reported as a special revenue fund of the Hawai‘i Tourism Authority. HTA is placed within the Department of Business, Economic Development and Tourism for administrative purposes.

For the fiscal year ended June 30, 2024, the Center reported total revenues of $28.9 million, total expenses of $26.2 million, and $12.3 million in net contributions from the Hawai‘i Tourism Authority, which resulted in a decrease in net assets of $600,000. Revenues consisted of $17.9 million from food and beverage; $4.7 million from rental income; $4.7 million from events; and $1.6 million from other revenues. Expenses consisted of $8.8 million for personnel services; $5.2 million for building-related expenses; $6.8 million for cost of goods sold; and $5.4 million for other costs. As of June 30, 2024, the Center’s total assets of $48.9 million were comprised of cash of $38.7 million; amounts due from Hawai‘i Tourism

Authority of $6.1 million; accounts receivable of $3.9 million; and other assets of $200,000. Total liabilities of $9.7 million were comprised of accounts payable of $8.4 million; advance deposits of $800,000; and other liabilities of $500,000.

The Center received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with the management agreement between the Hawai‘i Tourism Authority and ASM, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Financial and Compliance Audit of the Hawai‘i Housing Finance and Development Corporation Financial Statements, Fiscal Year Ended June 30, 2024

The mission of the Hawai‘i Housing Finance and Development Corporation (HHFDC) is to increase the supply of workforce and affordable homes by providing tools and resources to facilitate housing development, such as housing tax credits, low-interest construction loans, equity gap loans, and developable land and expedited land use approvals. The agency is administratively attached to the Hawai‘i Department of Business, Economic Development and Tourism.

HHFDC has two types of funds – governmental funds and proprietary funds. HHFDC's governmental funds for the fiscal year ended June 30, 2024, include the General Fund, the General Obligation Bond Fund, the HOME Investment Partnership Program, the Housing Trust Fund Program, and the Homeowners Assistance Fund Program.

HHFDC's proprietary funds operate similarly to business-type activities and are used to account for those activities for which the intent of management is to recover (primarily through user charges) the cost of providing services to customers. HHFDC's proprietary funds include the Rental Housing Revolving Fund, the Dwelling Unit Revolving Fund, the Single Family Mortgage Purchase Revenue Bond Fund, the Housing Finance Revolving Fund, and several other non-major enterprise funds.

For the fiscal year ended June 30, 2024, HHFDC reported total program revenues of $103 million and total program expenses of $39.5 million. In addition, HHFDC reported state-allotted appropriations, net of lapses, of $506.4 million for the fiscal year ended June 30, 2024. Together with program revenues and expenses, this resulted in an overall increase in net position of $569.7 million. As of June 30, 2024, the agency reported total assets and deferred outflows of resources of $2.39 billion, comprised of cash of $1.1 billion, investments of $17.6 million, notes and loans receivable of $110.4 million, moneys due from the State of $5.7 million, net capital assets of $139.6 million, and other assets and deferred outflows of resources of $1 billion. The agency reported total liabilities and deferred inflows of resources of $61.4 million, comprised of revenue bonds payable of $3.2 million, unearned income of $20.4 million, moneys due to other state departments of $1.5 million, and other liabilities and deferred inflows of resources of $36.3 million.

HHFDC received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. HHFDC also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance that are required to be reported under the *Uniform Guidance*.

Financial and Compliance Audit of the Hawai‘i Housing Finance and Development Corporation Financial Statements, Fiscal Year Ended June 30, 2025

HHFDC has two types of funds – governmental funds and proprietary funds. HHFDC's governmental funds for the fiscal year ended June 30, 2025, include the General Fund, the General Obligation Bond Fund, the HOME Investment Partnership Program, and the Housing Trust Fund Program.

HHFDC's proprietary funds operate similarly to business-type activities and are used to account for those activities for which the intent of management is to recover (primarily through user charges) the cost of providing services to customers. HHFDC's proprietary funds include the Rental Housing Revolving Fund, the Dwelling Unit Revolving Fund, the Single Family Mortgage Purchase Revenue Bond Fund, the Housing Finance Revolving Fund, and other non-major enterprise funds.

For the fiscal year ended June 30, 2025, HHFDC reported total program revenues of $89.9 million and total program expenses of $29.5 million. In addition, HHFDC reported State-allotted appropriations, net of lapses, of $266.2 million for the fiscal year ended June 30, 2025. Together with program revenues and expenses, this resulted in an overall increase in net position of $326.7 million. As of June 30, 2025, the agency reported total assets and deferred outflows of resources of $2.71 billion, comprised of cash of $939.6 million, investments of $15.9 million, notes and loans receivable of $110.1 million, moneys due from the State of $235.9 million, net capital assets of $142 million, and other assets and deferred outflows of resources of $1.27 billion. The agency reported total liabilities and deferred inflows of resources of $59 million, comprised of revenue bonds payable of $2.7 million, unearned income of $21.2 million, moneys due to other state departments of $600,000, and other liabilities and deferred inflows of resources of $34.5 million. HHFDC received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. HHFDC also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance that are required to be reported under the *Uniform Guidance*.

Financial and Compliance Audit of Hawai‘i Tourism Authority Financial Statements, Fiscal Year Ended June 30, 2024

The Hawai‘i Tourism Authority (HTA) is responsible for developing and implementing a strategic tourism marketing plan and developing measures of effectiveness to assess the overall benefits and effectiveness of its marketing plan and its progress toward achieving the agency's strategic plan goals. HTA is also responsible for the Hawai‘i Convention Center. The primary source of funding for HTA's operations is the Transient Accommodations Tax (TAT) collected by the State. HTA is governed by a board of directors comprised of 12 voting members, each of whom is appointed by the Governor. HTA is placed within the Department of Business, Economic Development and Tourism for administrative purposes.

For the fiscal year ended June 30, 2024, HTA reported total revenues of $113.9 million, along with $5 million in transfers from other state departments, and total expenses of $114.8 million. Revenues consisted of $70.1 million from state allotted appropriations, net of lapses; $2.5 million from federal grants; $11 million from TAT; $29 million from charges for services; and $1.3 million from interest and other revenues. Total expenses of $114.8 million consisted of $102 million for contracts, $8.6 million for depreciation, and $4.2 million for payroll, administrative, and other expenses.



SOURCE: OFFICE OF THE AUDITOR

Total assets and deferred outflows of resources of $309.1 million exceeded total liabilities and deferred inflows of resources of $24.4 million, resulting in a net position of $284.7 million. Total assets and deferred outflows of resources included cash of $73.2 million, land and net capital assets of $189.5 million, and other assets and deferred outflows of resources of $46.4 million.

HTA received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. HTA received a qualified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were two material weaknesses in internal control over compliance that were required to be reported in accordance with the *Uniform Guidance*.

Financial Audit of the Stadium Authority Financial Statements, Fiscal Year Ended June 30, 2024

The Stadium Authority (Authority) is responsible for the operation, management, and maintenance of Aloha Stadium, located in Honolulu, Hawai‘i. Effective July 1, 2022, the Authority is placed within the State of Hawai‘i’s Department of Business, Economic Development and Tourism for administrative purposes.

For the fiscal year ended June 30, 2024, the Authority reported total revenues of $7.4 million and total expenses of $9.4 million, resulting in a net operating loss of $2 million. Revenues consisted of $6 million from rentals from attractions, $200,000 from food and beverage concessionaire commissions, $500,000 in parking fees, and $700,000 in other revenues. The Authority’s net loss was partially offset by $4.7 million in capital contributions, which represents the portion of Aloha Stadium capital improvement costs that were paid by the State of Hawai‘i. In addition, the Authority received net transfers of $46.8 million, resulting in an increase in net position of $49.5 million. Expenses consisted of $100,000 for depreciation, $3.1 million for personnel services, $600,000 for utilities, and $4.5 million for initial direct costs for a public-private partnership. Additional expenses totaled $1.1 million and included State central services assessments as well as security, professional services, repairs and maintenance, and other costs. As of June 30, 2024, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources, resulting in a net position of $62.3 million.

The Authority received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no material weaknesses in internal control over financial reporting that were required to be reported under *Government Auditing Standards*.

Financial Audit of the Stadium Authority Financial Statements, Fiscal Year Ended June 30, 2025

For the fiscal year ended June 30, 2025, the Authority reported total revenues of $8.5 million and total expenses of $11.1 million, resulting in a net operating loss of $2.6 million. Revenues consisted of $6.1 million from rentals from attractions, $200,000 from food and beverage concessionaire commissions, $200,000 in parking fees, and $2 million in other revenues. The Authority's net loss was partially offset by $6.5 million in capital contributions, which represents the portion of Aloha Stadium capital improvement costs that were paid by the State of Hawai'i. In addition, the Authority had net transfers out of $1.4 million, resulting in an increase in net position of $2.5 million. Expenses consisted of $100,000 for depreciation, $2.8 million for personnel services, $600,000 for utilities, and $6.4 million for initial direct costs for a public-private partnership. Additional expenses totaled $1.2 million and included State central services assessments as well as security, professional services, repairs and maintenance, and other costs. As of June 30, 2025, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources, resulting in a net position of $64.5 million.

The Authority received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no material weaknesses in internal control over financial reporting that were required to be reported under *Government Auditing Standards*.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

Financial Audit of the Department of Commerce and Consumer Affairs Financial Statements, Fiscal Year June 30, 2024

The mission of the state's Department of Commerce and Consumer Affairs (DCCA) is to protect Hawai'i's consumers and service its business community with respect and fairness to the interests of both. The DCCA is made up of nine public-facing divisions: Business Registration Division, Cable Television Division, Division of Consumer Advocacy, Division of Financial Institutions, Insurance Division, Office of Administrative Hearings, Office of Consumer Protection, Professional and Vocational Licensing Division, and Regulated Industries Complaints Office. Also included are the Hawaii Post-Secondary Education Authorization Program and the Public Utilities Commission (an administratively attached agency). DCCA is a specially funded agency that strives to operate under a self-sufficiency model. Fees and revenues collected are to be used for the regulation of the contributing industries.

For the fiscal year ended June 30, 2024, the DCCA reported total revenues of $76.6 million and total expenses of $79.4 million resulting in a decrease in net position of $2.8 million. Revenues consisted of charges for services of $61.4 million, operating grants and contributions of $9.7 million, and general revenues of $5.5 million. Total expenses of $79.4 million consisted of $39.8 million for regulation of services, $19.4 million for enforcement of fair business practices, and $20.2 million for general support.

DCCA received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DEPARTMENT OF EDUCATION

Financial and Compliance Audit of the Department of Education Financial Statements, Fiscal Year Ended June 30, 2024

The Department of Education (DOE) administers the statewide system of public schools and public libraries. DOE is also responsible for administering state laws regarding regulation of private school operations through a program of inspection and licensing and the professional certification of all teachers for every academic and noncollege type of school. Federal grants received to support public school and public library programs are administered by DOE on a statewide basis.

For the fiscal year ended June 30, 2024, DOE reported total revenues of $4.13 billion and total expenses of $4.32 billion, resulting in a decrease in net position of $183.2 million. Total revenues of $4.13 billion consisted of $2.46 billion in state-allotted appropriations, net of lapsed funds, $973.8 million in non-imposed employee wages and fringe benefits, $603.4 million in operating grants and contributions, $94.4 million in charges for services, and $4.2 million in other income. Total expenses of $4.32 billion consisted of $4.06 billion for school-related costs, $99.3 million for state and school complex area administration, $63.2 million for public libraries, and $96.5 million for capital outlay.

DOE received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOE also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no material weaknesses in internal controls over financial reporting that were required to be reported under *Government Auditing Standards*. There were no material weaknesses in internal control over compliance that were required to be reported in accordance with the *Uniform Guidance*.

DEPARTMENT OF HAWAIIAN HOME LANDS

Financial and Compliance Audit of the Department of Hawaiian Home Lands Financial Statements, Fiscal Year Ended June 30, 2024

The Hawaiian Homes Commission Act sets aside certain public lands as Hawaiian home lands to be utilized for the benefit of native Hawaiians. These public lands are managed by the Department of Hawaiian Home Lands (DHHL), a state agency headed by the Hawaiian Homes Commission, whose primary responsibilities are to serve its beneficiaries and to manage this extensive land trust. DHHL provides direct benefits to native Hawaiians in the form of 99-year homestead leases at $1 per year for residential, agricultural, or pastoral purposes, and financial assistance through direct loans, insured loans, or loan guarantees for home purchase, construction, home replacement, or repair. In addition to administering the homesteading program, DHHL leases trust lands not in homestead use at market value and issues revocable permits, licenses, and rights-of-entry. Its financial statements include the public trusts controlled by the Hawaiian Homes Commission.

For the fiscal year ended June 30, 2024, DHHL's total revenues exceeded total expenses by $252 million. Revenues totaled $346.5 million and consisted of program revenue of $80.4 million and state appropriations, transfers, and adjustments of $266.1 million. Expenses totaled $94.4 million. Program revenues were comprised of interest income (approximately 33 percent), grants and contributions (23 percent), revenue from the general lease program (19 percent), and other sources (25 percent).

As of June 30, 2024, total assets of $1.78 billion exceeded total liabilities of $391 million, resulting in a net position balance of $1.39 billion. Total assets included net capital assets of $540 million, cash of $828 million, loans receivable of $84 million, and other assets and deferred outflows of resources of $331 million. Loans receivable consisted of 1,290 loans made to Native Hawaiian

lessees for the purposes specified in the Hawaiian Homes Commission Act. Loans are for a maximum amount of approximately $452,000 and for a maximum term of 40 years. Interest rates on outstanding loans range up to 10 percent. Total liabilities included bonds and lease liabilities totaling $40 million and temporary deposits payable and other liabilities of $351 million.

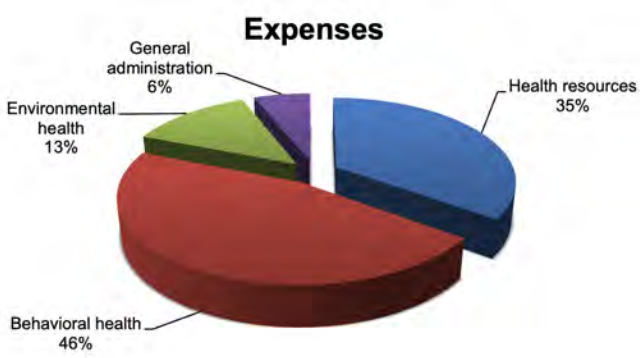
DHHL received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DHHL also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the auditors identified one significant deficiency in internal 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*.

DEPARTMENT OF HEALTH

Financial and Compliance Audit of the Department of Health Financial Statements, Fiscal Year Ended June 30, 2024

The Department of Health (DOH) administers and oversees statewide personal health services, health promotion and disease prevention, mental health programs, monitoring of the environment, and the enforcement of environmental health laws. DOH also administers federal grants to support the State's health services and programs.

For the fiscal year ended June 30, 2024, DOH reported total revenues of $1.04 billion and total expenses of $1.01 billion, resulting in an increase in net position of $29.1 million. Revenues included $719 million from general revenues, $274.3 million from operating grants and contributions, and $48.6 million from service charges. Expenses included $350 million for health resources, $461.2 million for behavioral health, $130.6 million for environmental health, and $70.9 million for general administration.



SOURCE: OFFICE OF THE AUDITOR

DOH received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOH received an unmodified opinion on its compliance for all major federal programs, except for Special Supplemental Nutrition Program for Women, Infants and Children; Substance Abuse and Mental Health Services Projects of Regional and National Significance; Opioid STR; Block Grants for Community Mental Health Services; and Block Grants for Prevention and Treatment of Substance Abuse, which received a qualified opinion in accordance with the *Uniform Guidance*. There was a material weakness and a significant deficiency in internal control over financial reporting that was required to be reported under *Government Auditing Standards*. There were six material weaknesses and one significant deficiency in internal control over compliance that were required to be reported in accordance with the *Uniform Guidance*.

Financial Audit of the Department of Health, Deposit Beverage Container Deposit Special Fund Financial Statements, Fiscal Year Ended June 30, 2024

For the fiscal year ended June 30, 2024, the Deposit Beverage Container Deposit Special Fund (Fund) reported total revenues of $33.57 million and total expenditures of $23.03 million, resulting in a change in fund balance of $10.54 million. Total revenues consisted of deposit beverage container fees of $10.37 million, unredeemed deposits of $20.81 million, investment income of $2.38 million, and nonimposed employee fringe benefits of $7,390. Total expenditures consisted of handling and redemption fees of $21.01 million, operating expenditures of $2 million, and administrative expenditures of $28,587.

The Fund received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There was one material weakness and one significant deficiency in internal control over financial reporting that was required to be reported under *Government Auditing Standards*.

Financial and Compliance Audit of the Department of Health, Drinking Water Treatment Revolving Loan Fund Financial Statements, Fiscal Year Ended June 30, 2024

The Safe Drinking Water Act was originally passed by Congress in 1974 to protect public health by regulating the nation's public drinking water supply. The law was amended in 1996 to provide funding for water system improvements. In 1997, the Hawai'i State Legislature established the Drinking Water Treatment Revolving Loan Fund (Revolving Fund) to receive federal capitalization grants from the U.S. Environmental Protection Agency. The Revolving Fund is used to provide loans in perpetuity to public drinking water systems for construction of drinking water treatment facilities. Such loans may be at or below market interest rates and must be fully amortized within twenty years. The Revolving Fund is administered by the State of Hawai'i Department of Health's Environmental Management Division, Safe Drinking Water Branch.

For the fiscal year ended June 30, 2024, the Revolving Fund reported total revenues of $28.2 million and total operating expenses of $23.1 million, resulting in a change in net position of $5.1 million. Total revenues consisted of administrative loan fees of $2.8 million, federal contributions of $19.3 million, state contributions of $3.6 million, and other income of $2.5 million. Total expenses consisted of administrative expenses of $1.5 million, state program management of $1.6 million, water protection of $500,000, and other expenses of $19.6 million. Total assets and deferred outflows of resources were $281.4 million and total liabilities and deferred inflows of resources were $7 million. Total assets were comprised of cash and cash equivalents of $44.7 million, loans receivable of $233.2 million, and other assets and deferred outflows of resources of $3.5 million. Total liabilities were comprised of net other post-employment benefits liability of $2.4 million, net pension liability of $2.7 million, and other liabilities and deferred inflows of resources of $1.9 million.

The Revolving Fund received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles, and an unqualified opinion on its compliance with the Drinking Water State Revolving Funds Program. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and no findings that were considered material weaknesses in internal control over compliance with the Program.

Financial and Compliance Audit of the Department of Health, Drinking Water Treatment Revolving Loan Fund Financial Statements, Fiscal Year Ended June 30, 2025

For the fiscal year ended June 30, 2025, the Revolving Fund reported total revenues of $31.8 million and total operating expenses of $16.6 million, resulting in a change in net position of $15.2 million. Total revenues consisted of administrative loan fees of $2.2 million, federal contributions of $19.8 million, state contributions of $6.2 million, and other income of $3.1 million. Total expenses consisted of administrative expenses of $2.2 million, state program management of $2.4 million, water protection of $600,000, and other expenses of $11.4 million. Total assets and deferred outflows of resources were $296.5 million and total liabilities and deferred inflows of resources were $7.5 million. Total assets were comprised of cash and cash equivalents of $69.1 million, loans receivable of $222.7 million, and other assets and deferred outflows of resources of $4.7 million. Total liabilities were comprised of net other post-employment benefits liability of $2 million, net pension liability of $2.9 million, and other liabilities and deferred inflows of resources of $2.6 million.

The Revolving Fund received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles, and an unqualified opinion on its compliance with the Drinking Water State Revolving Funds Program. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and no findings that were considered material weaknesses in internal control over compliance with the Program. However, the auditors identified one significant deficiency in internal control over compliance that was required to be reported under the *Uniform Guidance*.

Financial and Compliance Audit of the Department of Health, Water Pollution Control Revolving Fund Financial Statements, Fiscal Year Ended June 30, 2024

From 1989 to 1994, the State of Hawai‘i has received more than $72 million in State Revolving Fund (SRF) capitalization grants from the U.S. Environmental Protection Agency (EPA) under the federal Clean Water Act of 1987. Although the Act expired on September 30, 1995, the State continues to receive SRF capitalization grants annually from the EPA and, to date, has been awarded over $342 million. Funds are administered by the State Water Pollution Control Revolving Fund (Revolving Fund), which provides loans in perpetuity to county and state agencies for the construction of wastewater treatment facilities and for non-point source projects.

For the fiscal year ended June 30, 2024, the Revolving Fund reported total revenues of $35.2 million and total operating expenses of $7.9 million, resulting in an increase in net position of $27.3 million. Total revenues consisted of administrative loan fees of $4.4 million, interest income of $1.4 million, state contributions of $3.5 million, federal contributions of $22.4 million, and other income of $3.5 million. Total expenses of $7.9 million consisted of administrative expenses of $3.1 million and other expenses of $4.8 million. Total assets and deferred outflows of resources were $638.8 million and total liabilities and deferred inflows of resources were $8.6 million. Total assets were comprised of cash and cash equivalents of $93.9 million, loans receivable of $539.7 million, and other assets and deferred outflows of resources of $5.2 million. Total liabilities were comprised of net other post-employment benefits liability of $3.1 million, net pension liability of $4.2 million, and other liabilities and deferred inflows of resources of $1.3 million.

The Revolving Fund received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles, and an

unqualified opinion on its compliance with federal statutes, regulations, and terms and conditions of federal awards that apply to the Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and no findings that were considered material weaknesses in internal control over compliance with the Program.

Financial and Compliance Audit of the Department of Health, Water Pollution Control Revolving Fund Financial Statements, Fiscal Year Ended June 30, 2025

For the fiscal year ended June 30, 2025, the Revolving Fund reported total revenues of $37.9 million and total operating expenses of $10.6 million, resulting in an increase in net position of $27.3 million. Total revenues consisted of administrative loan fees of $4.4 million, interest income of $1.4 million, state contributions of $5.5 million, federal contributions of $22 million, and other income of $4.7 million. Total expenses of $10.6 million consisted of administrative expenses of $2.7 million and other expenses of $7.9 million. Total assets were comprised of cash and cash equivalents of $118.6 million, loans receivable of $540 million, and other assets and deferred outflows of resources of $7.1 million. Total liabilities were comprised of net other post-employment benefits liability of $2.5 million, net pension liability of $4.3 million, and other liabilities and deferred inflows of resources of $2.3 million.

The Revolving Fund received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles, and an unqualified opinion on its compliance with federal statutes, regulations, and terms and conditions of federal awards that apply to the Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and no findings that were considered material weaknesses in internal control over compliance with the Program.

DEPARTMENT OF HUMAN SERVICES

Financial and Compliance Audit of the Department of Human Services Financial Statements, Fiscal Year Ended June 30, 2024

The Department of Human Services (DHS) works to provide benefits and services to individuals and families in need. The majority of DHS' budget is composed of federal funds. DHS' mission is to direct its funds toward protecting and helping those least able to care for themselves and to provide services designed toward achieving self-sufficiency for clients as quickly as possible. Activities include health care programs; general welfare assistance, employment and support services; child welfare and adult community care services; vocational rehabilitation and services for the blind; youth prevention, delinquency and correction services; and general administration. Attached programs include the Commission on the Status of Women and Commission on Fatherhood.

For the fiscal year ended June 30, 2024, DHS reported total revenues of $5.11 billion and total expenses of $5.14 billion. Revenues consisted of $1.56 billion in state allotments, net of lapsed amounts plus non-imposed employee fringe benefits, and $3.55 billion in operating grants from the federal government. Revenues from these federal grants paid for 69.2 percent of the cost of DHS' activities. Health care and general welfare assistance programs comprised 70.9 and 22.9 percent, respectively, of the total cost.

As of June 30, 2024, DHS' total assets of $771 million included cash of $467.9 million, receivables of $218.77 million, and net capital assets of $84.56 million. Total liabilities of $572.6 million included vouchers payable of $60 million, accrued wages and employee benefits of $34.6 million, amounts due to the state general fund of $150.69 million, amounts due to other governments of $170.98 million, accrued medical assistance payable of $139.5 million, and accrued compensated absences of $16.82 million.

DHS received an unmodified opinion that its financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles. DHS received a qualified opinion on its compliance for all major federal programs, except for COVID-19 Coronavirus State and Local Fiscal Recovery Funds, Rehabilitation Services – Vocational Rehabilitation Grants to States, COVID-19 Low-Income Home Energy Assistance, and COVID-19 Medicaid Cluster, which received an unmodified opinion in accordance with the *Uniform Guidance*. The auditors identified two significant deficiencies in internal control over financial reporting that were required to be reported under *Government Auditing Standards*. There were six material weaknesses in internal control over compliance that were required to be reported in accordance with the *Uniform Guidance*. There were six significant deficiencies in internal control over compliance that were required to be reported in accordance with the *Uniform Guidance*.

Financial and Compliance Audit of the Hawai'i Public Housing Authority Financial Statements, Fiscal Year Ended June 30, 2024

The mission of the Hawai'i Public Housing Authority (HPHA) is to provide safe, decent, and sanitary dwellings for low- and moderate-income residents of Hawai'i and to operate its housing programs in accordance with federal and state laws and regulations. The agency is administratively attached to the Hawai'i Department of Human Services.

For the fiscal year ended June 30, 2024, HPHA reported total revenues of $229.5 million and total expenses of $220.2 million, resulting in an increase in net position of $9.3 million. Total revenues of $229.5 million consisted of $31.4 million in charges for services and other revenues, $153.6 million in operating grants and contributions, $5 million in capital grants and contributions, $38.6 million in State allotted appropriations, net of lapsed funds, and $900,000 in other non-program revenue. Total expenses of $220.2 million consisted of $117.6 million for the rental housing assistance program, $85 million for the rental assistance program, $11.9 million for the housing development program, and $5.7 million for other costs.

HPHA received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. HPHA also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*.

Financial Audit of the Hawai‘i Public Housing Authority Financial Statements, Fiscal Year Ended June 30, 2025

For the fiscal year ended June 30, 2025, HPHA reported total revenues of $229.2 million and total expenses of $229 million, resulting in an increase in net position of $200,000. Total revenues of $229.2 million consisted of $33 million in charges for services and other revenues, $165.8 million in operating grants and contributions, $5.7 million in capital grants and contributions, $23.8 million in State allotted appropriations, net of lapsed funds, and $900,000 in other non-program revenue. Total expenses of $229 million consisted of $123.9 million for the rental housing assistance program, $89.5 million for the federal low rent housing program, $13.1 million for the state and other housing program, and $2.5 million for other costs.

HPHA received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DEPARTMENT OF TRANSPORTATION

Financial and Compliance Audit of the Department of Transportation, Administration Division Financial Statements, Fiscal Year Ended June 30, 2024

Four divisions (Airports, Harbors, Highways, and Administration) make up the State's Department of Transportation. The Administration Division (DOT–Administration) consists of the Office of the Director of Transportation, the Statewide Transportation Planning Office, and Departmental Staff Services Offices. Collectively, these offices provide overall administrative support for the Department of Transportation. The financial statements for the division reflect the financial activities of DOT–Administration and the Aloha Tower Development Corporation, which is attached to the Department for administrative purposes. DOT–Administration receives a percentage of the Airports, Harbors, and Highways Divisions' state-allotted appropriations to cover general administration expenses. The Department's Statewide Transportation Planning Office administers certain Federal Transit Administration and Federal Highway Administration grants.

For the fiscal year ended June 30, 2024, DOT–Administration reported total revenues of $42.6 million, total expenses of $38.3 million, and net transfers of $8.1 million, resulting in a decrease in net position of $3.8 million. Revenues consisted of $26.4 million from assessments, $14.2 million from federal grants, and $2 million from other revenue sources. Total expenses of $38.3 million consisted of $14.2 million for operating grants and $24.1 million for administration.

Total assets of $49.2 million were comprised of cash of $17.8 million, accounts receivable of $25.5 million, and net capital assets of $5.9 million. Liabilities totaled $43 million, including a $1 million Aloha Tower Development Corporation note payable to the Harbors Division.

DOT–Administration received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT–Administration also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*. However, the auditors identified one significant deficiency in internal controls over compliance that was required to be reported under the *Uniform Guidance*.

Financial and Compliance Audit of the Department of Transportation, Administration Division Financial Statements, Fiscal Year Ended June 30, 2025

For the fiscal year ended June 30, 2025, DOT–Administration reported total revenues of $38 million, total expenses of $33.8 million, and net transfers of $200,000, resulting in an increase in net position of $4.4 million. Revenues consisted of $29 million from assessments, $7.4 million from federal grants, and $1.6 million from other revenue sources. Total expenses of $33.8 million consisted of $7.4 million for operating grants and $26.4 million for administration.

Total assets of $56.1 million were comprised of cash of $22.8 million, accounts receivable of $27.8 million, and net capital assets of $5.5 million. Liabilities totaled $46.4 million, including a $1 million Aloha Tower Development Corporation note payable to the Harbors Division.

DOT–Administration received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT–Administration also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*. However, the auditors identified one significant deficiency in internal controls over compliance that was required to be reported under the *Uniform Guidance*.

Financial and Compliance Audit of the Department of Transportation, Airports Division Financial Statements, Fiscal Year Ended June 30, 2024

The Department of Transportation, Airports Division (DOT–Airports) operates and maintains 15 airports at various locations throughout the State of Hawai‘i as a single integrated system for management and financial purposes. Daniel K. Inouye International Airport is the principal airport in the airports system, providing facilities for interisland flights, domestic overseas flights, and international flights to destinations in the Pacific Rim. DOT–Airports is authorized to impose and collect rates and charges for the airports system services and properties to generate revenues to fund operating expenses. The Capital Improvements Program is primarily funded by airports system revenue bonds and lease revenue certificates of participation issued by DOT–Airports, federal grants, passenger facility charges, customer facility charges, and DOT–Airports revenues.

For the fiscal year ended June 30, 2024, DOT–Airports reported total revenues of $858.3 million and total expenses of $710.3 million, resulting in an increase in net position of $148 million. Revenues consisted of $157.2 million in concession fees, $126.2 million in landing fees, $271.3 million in rentals, $112.4 million in facility

charges, $109 million in federal operating and capital grants, and $82.2 million in interest and other revenues. Total expenses of $710.3 million consisted of $394.8 million for operations and maintenance, $184.2 million in depreciation, $26.9 million for administration, and $104.4 million in interest and other expenses.

As of June 30, 2024, the department reported total assets and deferred outflows of resources of $6.24 billion, comprised of cash of $1.25 billion, investments of $252 million, net capital assets of $4.18 billion, and $556 million in receivables, other assets, and deferred outflows of resources. Total liabilities and deferred inflows of resources totaled $3.39 billion, which includes $1.85 billion in airports system revenue bonds, $140 million in lease revenue certificates of participation, $392 million in customer facility charge revenue bonds, and $1.01 billion in other liabilities and deferred inflows of resources.



SOURCE: OFFICE OF THE AUDITOR

DOT–Airports received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT–Airports also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There was a material weakness in internal control over financial reporting that was required to be reported under *Government Auditing Standards*. There was a material weakness in internal control over compliance that was required to be reported in accordance with the *Uniform Guidance*.

Financial Audit of the Department of Transportation, Airports Division Financial Statements, Fiscal Year Ended June 30, 2025

For the fiscal year ended June 30, 2025, DOT–Airports reported total revenues of $945 million and total expenses of $764.8 million, resulting in an increase in net position of $180.2 million. Revenues consisted of $172.3 million in concession fees, $138.7 million in landing fees, $278.8 million in rentals, $128.3 million in facility charges, $145.5 million in federal operating and capital grants, and $81.4 million in interest and other revenues. Total expenses of $764.8 million consisted of $438.7 million for operations and maintenance, $202.2 million in depreciation, $33 million for administration, and $90.9 million in interest and other expenses.

As of June 30, 2025, the department reported total assets and deferred outflows of resources of $6.96 billion, comprised of cash of $1.72 billion, investments of $341 million, net capital assets of $4.33 billion, and $560 million in receivables, other assets, and deferred outflows of resources. Total liabilities and deferred inflows of resources totaled $3.95 billion, which includes $2.46 billion in airports system revenue bonds, $120 million in lease revenue certificates of participation, $381 million in customer facility charge revenue bonds, and $986 million in other liabilities and deferred inflows of resources.

DOT–Airports received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Financial and Compliance Audit of the Department of Transportation, Harbors Division Financial Statements, Fiscal Year Ended June 30, 2024

The Department of Transportation, Harbors Division (DOT–Harbors) is responsible for the statewide system of commercial harbors, which consists of ten harbors on six islands. The system plays a vital role in Hawai‘i’s economy, as the harbors serve as the primary means for goods to enter and exit the State of Hawai‘i. Hawai‘i imports approximately 80 percent of what it consumes, the majority of which enters the state through the commercial harbors system. DOT–Harbors operations are self-sustaining. The Department of Transportation is authorized to impose and collect rates and charges for use of the harbors system and its properties to generate revenues to fund operating expenses. Capital improvements are funded by the revenue and proceeds from the issuance of harbor system revenue bonds.

For the fiscal year ended June 30, 2024, DOT–Harbors reported total revenues of $244.5 million, total expenses of $123 million, and capital contributions of $1.4 million from federal grants restricted for capital asset acquisition and facility development, resulting in an increase in net position of $122.9 million. Total revenues consisted of $185.2 million in services, $37.3 million in leases, $19.6 million in interest income, and $2.4 million in other revenues. Total expenses consisted of $37.7 million in depreciation, $28.1 million in harbor operations, $9.7 million in interest, $24.5 million for personnel, and $23 million in administration and other costs.

The department reported total assets and deferred outflows of resources of $2.07 billion, comprised of cash and cash equivalents of $657.9 million, receivables of $110 million, net capital assets of $1.28 billion, and other assets and deferred outflows of resources of $26.3 million. Total liabilities and deferred inflows of resources totaled $590.3 million, comprised of $358 million in revenue bonds payable and related accrued interest payable, $8.1 million in general obligation bonds payable, $20.1 million in financed purchase obligation and related accrued interest payable, $5.2 million due to other State agencies, $28.7 million in accounts and contracts payable, and $170.2 million in other liabilities and deferred inflows of resources.

DOT–Harbors received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT–Harbors also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance.* However, the auditors identified two significant deficiencies in internal controls over compliance that were required to be reported under the *Uniform Guidance*.

Financial Audit of the Department of Transportation, Harbors Division Financial Statements, Fiscal Year Ended June 30, 2025

For the fiscal year ended June 30, 2025, DOT–Harbors reported total revenues of $252.3 million, total expenses of $127 million, and capital contributions of $6.7 million from federal grants restricted for capital asset acquisition and facility development, resulting in an increase in net position of $132 million. Total revenues consisted of $188 million in services, $38.6 million in leases, $23.5 million in interest income, and $2.2 million in other revenues. Total expenses consisted of $38.3 million in depreciation, $29.1 million in harbor operations, $9 million in interest, $24.2 million for personnel, and $26.4 million in administration and other costs.

The department reported total assets and deferred outflows of resources of $2.19 billion, comprised of cash and cash equivalents of $690.3 million, receivables of $129.8 million, net capital assets of $1.34 billion, and other assets and deferred outflows of resources of $30.2 million. Total liabilities and deferred inflows of resources totaled $582.1 million, comprised of $338.3 million in revenue bonds payable and related accrued interest payable, $5.2 million in general obligation bonds payable, $18.6 million in financed purchase obligation and related accrued interest payable, $4.5 million due to other State agencies, $35.5 million in accounts and contracts payable, and $180 million in other liabilities and deferred inflows of resources.

DOT–Harbors received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Financial and Compliance Audit of the Department of Transportation, Highways Division Financial Statements, Fiscal Year Ended June 30, 2024

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

For the fiscal year ended June 30, 2024, DOT–Highways reported total revenues of $634.6 million and total expenses of $628.8 million, resulting in an increase in net position of $5.8 million. Revenues consisted of $269.2 million in tax collections; $289.5 million in grants and contributions primarily from the Federal Highway Administration; $56.1 million in charges for services; and $19.8 million in investment income and other revenues. Expenses consisted of $143.7 million for operations and maintenance; $206 million in depreciation; $268.1 million for administration and other expenses; and $11 million in interest.

Total assets and deferred outflows of resources of $5.5 billion were comprised of cash and investments of $415.2 million; net capital assets of $5 billion; and $75.5 million in other assets and deferred outflows of resources. Total liabilities of $765.9 million included $534.2 million in revenue bonds and $231.7 million in other liabilities. DOT–Highways has numerous capital projects ongoing statewide; construction-in-progress totaled $353.3 million at the end of the fiscal year.

DOT–Highways received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT–Highways also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*.

Financial and Compliance Audit of the O‘ahu Metropolitan Planning Organization Financial Statements, Fiscal Year Ended June 30, 2024

Federal highway and transit statutes require urbanized areas greater than 50,000 in population to designate a metropolitan planning organization as a condition for spending federal highway or transit funds. O‘ahu Metropolitan Planning Organization (OahuMPO) is the designated metropolitan planning organization for the island of O‘ahu. Federal Transit Administration Grants are made to OahuMPO through the Department of Transportation’s Statewide Transportation Planning Office. The agency serves as the decision-making body responsible for carrying out continuing, comprehensive, and cooperative transportation planning and programming for the island of O‘ahu.

For the fiscal year ended June 30, 2024, OahuMPO reported total revenues of approximately $4.4 million and total expenses of approximately $4.58 million, resulting in minimal change in net position. Revenues consisted of $3.55 million from federal grants, $842,000 in contributions from the State of Hawai‘i and City and County of Honolulu, and $10,000 from other sources. Total expenses consisted of $540,000 for transportation forecasting and long-range planning; $1.65 million for short-range transportation system and demand management planning; $6,000 for transportation monitoring and analysis; and $2.38 million for program coordination and administration.

OahuMPO received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. OahuMPO also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*. There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the auditors identified one significant deficiency 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*.

Office of the Auditor Appropriations and Expenditures on a Budgetary Basis for the Fiscal Year Ended June 30, 2025

Appropriations

Act 2, SLH 2024 (Operations)		$3,406,800
Act 2, SLH 2024 (Special Studies)		150,000
Act 2, SLH 2024 (Audit Revolving Fund)		2,800,000
Act 2, SLH 2024 (Accrued Vacation Payments)		68,106
	Total	$6,424,906

Expenditures

Staff salaries		$2,478,569
Vacation payments		0
Contractual services (operational)		0
Other expenses		127,482
Special studies		0
Contractual services (Audit Revolving Fund)		2,800,000
	Total	5,406,051

Excess of Appropriation over Expenditures

Act 2, SLH 2024 (operations)		$928,231
Act 2, SLH 2024 (special studies)		150,000
Act 2, SLH 2024 (Audit Revolving Fund)		0
Act 2, SLH 2024 (Accrued Vacation Payments)		68,106
	Total	$1,146,337