

Department of the Attorney General

State of Hawaii

Communication With Those Charged With Governance

June 30, 2012

Akamine, Oyadomari & Kosaki

CERTIFIED PUBLIC ACCOUNTANTS, INC.

March 25, 2013

Ms. Jan K. Yamane, Acting State Auditor
Office of the Auditor
State of Hawaii

Mr. David M. Louie, Attorney General
Department of the Attorney General
State of Hawaii

Dear Ms. Yamane and Mr. Louie:

We have audited the financial statements of the governmental activities, and each major fund of the Department of the Attorney General (Department) for the year ended June 30, 2012. We have also audited the compliance of the Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that would have a direct and material effect on each of the Departments' major federal programs for the year ended June 30, 2012. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 20, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events

affecting them may differ significantly from those expected. The most sensitive estimate affecting the Department's financial statements was:

Management's estimate of the depreciation on fixed assets is based on the useful life of the fixed assets. We evaluated the factors and assumptions used to develop the depreciation on fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were as follows:

- Significant Accounting Policies – Note 1
- Budgeting and Budgetary Control – Note 2
- Cash – Note 3
- Risk Management – Note 10
- Fiduciary Net Liabilities – Note 16

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management in performing and completing our audit.

Corrections and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Adjusting journal entries to convert the Department's cash basis records to the modified accrual and accrual basis of accounting have been provided for review and approval by the Department. The Department has accepted responsibility for these entries.

The schedule of uncorrected misstatements of the financial statements is included as an attachment to the management representation letter dated March 25, 2013. Management has determined that the effects of the uncorrected misstatements were not material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Management Representations

We have obtained certain representations from management that are included in the management representation letter dated March 25, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, the schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and government auditing standards.

This information is intended solely for the use of management of the Department of the Attorney General, State of Hawaii and the Office of the Auditor, State of Hawaii and is not intended to be and should not be used by anyone other than these specific parties.

Very truly yours,

Akamine, Oyadomari & Kosaki CPAs, Inc.