



The Auditor
State of Hawaii

The Public Utilities Commission

We have audited the financial statements of the governmental activities and each major fund of the Public Utilities Commission (the "Commission") for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter with the Commission dated July 14, 2020 and Contract No. 68929 with you dated June 26, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the Commission 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 estimates affecting the Commission's financial statements are:


- Useful lives used to depreciate capital assets such as capitalized costs of building improvements and furniture and equipment.
- Accrued vacation liability.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

- *Note 2*, related to risks and uncertainties presented by the COVID-19 pandemic.
- *Note 6*, related to the pension plan.
- *Note 7*, related to postemployment health care and life insurance benefits.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The schedule in the attached management representation letter summarizes the uncorrected misstatements of the financial statements. Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The adjusting and reclassifying entries included in the attached management representation letter and detected as a result of our audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter.

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 Commission's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



Other Audit Findings or Issues

As discussed in Note 1 to the financial statements, the financial statements of the Commission include only the governmental activities and each major fund of the Commission, and are not intended to present fairly the financial position of the State of Hawaii as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our auditors' report includes an emphasis of matter paragraph for this matter.

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.

In addition to our report on the Commission's financial statements, we also issued our Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This report includes our findings in which we noted significant deficiencies in internal control that are described in the accompanying schedule of findings and responses.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison statements, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Auditor and the commissioners and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

Accuity LLP

Honolulu, Hawaii
April 21, 2021

DAVID Y. IGE
GOVERNOR

JOSH B. GREEN
LT. GOVERNOR



STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
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JAMES P. GRIFFIN
CHAIR

JENNIFER M. POTTER
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LEODOLOFF R. ASUNCION, JR.
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April 21, 2021

Accuity LLP
First Hawaiian Center
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This representation letter is provided in connection with your audit(s) of the financial statements of the State of Hawaii, Public Utilities Commission (the "PUC"), which comprise the respective financial position of the governmental activities, the major funds, and aggregate remaining fund information as of June 30, 2020, and the respective changes in financial position for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of your report, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 14, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the

primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the PUC is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the PUC from whom you determined it necessary to obtain audit evidence.

- d) Minutes of the meetings of the Commission or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the PUC and involves—
- Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the PUC's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the names of the PUC's related parties and all the related party relationships and transactions, including any side agreements.
- 18) We have disclosed to you that the recognition of COVID-19 as a global pandemic by the World Health Organization prompted many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, and wide-sweeping quarantines and stay-at-home orders and as a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the PUC; and the extent of the impact of COVID-19 on the PUC's operations and financial results will depend on future developments, including the duration and spread of the outbreak which are highly uncertain.

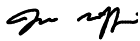
Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 22) The PUC has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We

have reviewed, approved, and accepted responsibility for those financial statements and disclosures.

- 28) The PUC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The PUC has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) If applicable, the financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34, as amended.
- 32) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

- 40) We have appropriately disclosed the PUC's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 41) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 42) We acknowledge our responsibility for the required supplementary information ("RSI"). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.



James P. Griffin
Chair



Jodi Endo Chai
Executive Officer



Jan Mulvey
Administrative Services Officer

Attachment

Client:	PUBLIC UTILITIES COMMISSION				
Engagement:	Public Utilities Commission - 2020				
Current Period:	06/30/2020				
Workpaper:	Adjusting Journal Entries Report				
Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
AJE 01 SF		AP - 02			
To accrue invoice from Gartner, Inc for services rendered on or before June 30,2020.					
201-5100	Expenses - Administration		42,845.00	0.00	
201-2000	Vouchers and Contracts Payable		<u>0.00</u>	<u>42,845.00</u>	
Total			<u>42,845.00</u>	<u>42,845.00</u>	<u>(42,845.00)</u>
AJE 02 SF		TB - 04			
To derecognize deferred revenue against related accounts receivable - no cash received in advance.					
201-2200	Deferred Revenue		16,999.00	0.00	
201-1200	Accounts Receivable		<u>0.00</u>	<u>16,999.00</u>	
Total			<u>16,999.00</u>	<u>16,999.00</u>	<u>0.00</u>
AJE 03 SF		FA - 03a			
To recognize due from Public Works (DAGS) for refund of amounts advanced from PUC Special Fund (Fiscal year 2015) for Kekuaaoa Building improvements.					
201-1250	Due From Other Funds		764,413.00	0.00	
201-3100	Net Position - Restricted		<u>0.00</u>	<u>764,413.00</u>	
Total			<u>764,413.00</u>	<u>764,413.00</u>	<u>0.00</u>

Client:	PUBLIC UTILITIES COMMISSION				
Engagement:	Public Utilities Commission - 2020				
Current Period:	06/30/2020				
Workpaper:	Reclassifying Journal Entries Report				
		Workp aper Refere nce	Debit	Credit	Net Income Effect
Account	Description				
RJE 01 TRS		TB - 10			
	To reclassify cash received in advance of billing posted to accounts receivable.				
710-11300	Accounts Receivable		16,757.00	0.00	
710-27200	Deferred Revenue		0.00	16,757.00	
Total			16,757.00	16,757.00	0.00
RJE 02-SF		PR - 03			
	To revise current portion of accrued vacation.				
201-2550	Accrued Vacation - Long-Term		92,460.00	0.00	
201-2500	Accrued Vacation - Current		0.00	92,460.00	
Total			92,460.00	92,460.00	0.00
RJE 03 SF		PR - 03			
	To properly state the change in accrued vacation for the year ended June 30, 2020.				
201-5101	Expenses - Administration Vacation Expense		9,438.00	0.00	
201-5201	Expenses - Regulation Vacation Expense		50,820.00	0.00	
201-5301	Expenses - Compliance Vacation Expense		12,342.00	0.00	
201-3101	Net Position-Restricted-Accrued Vacation		0.00	72,600.00	
Total			72,600.00	72,600.00	(72,600.00)
GRAND TOTAL			11,841,081.00	11,841,081.00	(531,792.00)