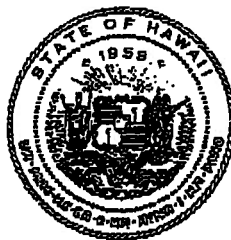


STATE OF HAWAII
OFFICE OF THE AUDITOR
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MARION M. HIGA
State Auditor

(808) 587-0800
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January 10, 2007

The Honorable Colleen Hanabusa
President of the Senate
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President:

I transmit to you a copy of our report, *Financial Audit of the Hawaii Youth Correctional Facility*. This audit was conducted pursuant to Act 1, Session Laws of Hawaii 2006, which requested the State Auditor to conduct a financial and operational audit of the facility. The operational audit of the facility was previously conducted and issued during May 2006 as Report No. 06-03, *Management Audit of the Hawaii Youth Correctional Facility*. This financial audit was conducted by the Office of the Auditor and the certified public accounting firm of Grant Thornton LLP.

We found that the facility incurs significant overtime costs and sick leave usage among its youth corrections officers (YCOs). In the sample we reviewed, 35 percent of their gross compensation was earned through overtime. In fact, one YCO earned \$44,845 in overtime compensation as compared to \$36,494 in base pay. A review of sick leave patterns showed an average of 164 hours of sick leave and 234 hours of compensatory time off in lieu of sick leave during FY2004-05. We found that high vacancy levels and the inherently stressful nature of the work were the primary drivers of overtime costs and sick leave usage. We also found that internal controls over the collection of salary overpayments could be improved; controls over processing, disbursing, and reporting of wards' trust accounts should be strengthened; and improved compliance with procurement laws and rules is needed.

We hope that the report will assist you in reviewing the issues examined. We will place the report on our website, www.state.hi.us/auditor, and release it to the public and press, on Thursday, January 11, 2007.

Sincerely,

Marion M. Higa
State Auditor

Enclosure

c: Carol Taniguchi, Senate Clerk