



## Native Hawaiian Education Council

---

Request # **RFP-2017-004**

### **REQUEST FOR PROPOSAL** **Single Audit Services for FY 16-17 and 17-18**

#### **BACKGROUND**

The Native Hawaiian Education Council (NHEC or the Council) was created under the terms of the Native Hawaiian Education Act and is responsible for assessing, coordinating, reporting and making recommendations to the United States Department of Education and other congressional and educational organizations and entities.

#### **STATEMENT OF PROFESSIONAL SERVICES**

The Native Hawaiian Education Council (NHEC) is requesting proposals from qualified certified public accountants or firms to perform a single audit for the fiscal years ending August 31, 2017 and August 31, 2018. The audit is to be conducted in accordance with the Single Audit Amendment Act of 1996 and U.S. Office of Management and Budget Circular A-133 (Revised) "Audits of States, Local Governments, and Non-Profit Organizations."

#### **Contact Information**

Inquiries and Proposals should be addressed to:

Native Hawaiian Education Council  
**Request # RFP-2017-004**  
Dr. Sylvia Hussey, Executive Director  
735 Bishop Street, Suite 224  
Honolulu, HI 96813  
[nhec@nhec.org](mailto:nhec@nhec.org)

**Proposals (in one PDF file) must be submitted**  
**electronically only to [nhec@nhec.org](mailto:nhec@nhec.org)**  
**no later than 4:00 p.m. Monday, May 1, 2017**

**Subject line: "Response to RFP-2017-004: Name of Organization"**

## **ORGANIZATION OVERVIEW AND BACKGROUND**

In 1994, the Secretary of the U.S. Department of Education was authorized through the Improving America's Schools Act to establish a Native Hawaiian Education Council (NHEC or Council) to better effectuate the purposes of the Native Hawaiian Education Act (NHEA or Act) through the coordination and assessment of educational and related services and programs available to Native Hawaiians, including programs receiving funds through the Act, and making recommendations through reports to Federal, State and local agencies in order to focus and improve the use of resources relating to Native Hawaiian education. NHEC continues to support the purposes, intentions, and activities of the Act as reauthorized by the Every Student Succeeds Act (ESSA) of 2015, P.L. 114-95, Title VI, Part B. Under ESSA, opportunities for participation and coordination from Native Hawaiians are increased with a focus on language and culture to improve student outcomes.

Authorized by the NHEA, the United States Department of Education (USDOEd) administers the Native Hawaiian Education Program (NHEP), including an annual grant to the Council of \$500,000 to carry out its statutory responsibilities to coordinate, assess and report and make recommendations on the effectiveness of existing education programs for Native Hawaiians, the state of present Native Hawaiian education efforts, and improvements that may be made to existing programs, policies and procedures to improve the educational attainment of Native Hawaiians.

Prior to the reauthorization of the Act by ESSA, the Council was comprised of 10 providers and 10 consumers of Native Hawaiian education programs and services plus a representative from the State of Hawaii's Office of Hawaiian Affairs. ESSA changed the composition of the Council to 15-members. Fifteen named government and Native Hawaiian organization leaders replace the 21 Native Hawaiian, island community-based providers and consumers of education services and include the following seats: the Governor of the State of Hawai'i; the Mayor of the County of Hawai'i; the Mayor of the County of Maui; the Mayor of the County of Kaua'i; the Mayor of the City and County of Honolulu; a representative from the island of Moloka'i or the island of Lāna'i; the President of the University of Hawai'i; the Superintendent of the State of Hawai'i Department of Education; the Executive Director of the Hawai'i Charter School Network; the Chairperson of the Office of Hawaiian Affairs; The Chairperson of the Hawaiian Homes Commission; The Chairperson of the Hawai'i Workforce Development Council; the Chief Executive Officer of Kamehameha Schools; the Chief Executive Officer of Queen Lili'uōkalani Trust; an individual representing one or more private grant-making entities. The named organization leader may designate an individual to serve on the Council in their stead who must demonstrate no less than five years of experience as a consumer or provider of Native Hawaiian educational or cultural activities, with traditional cultural experience given due consideration. The existing NHEC organization, with the USDOEd, is in the process of transitioning the 21 community based Council to the 15 member Council with a target of September 2017 to begin operations as the 15-member Council.

ESSA also directed the NHEC to hold community consultations not less than once on each of the islands of Hawai‘i, Maui, Moloka‘i, Lāna‘i, O‘ahu, and Kaua‘i. This public meeting is to allow the Council to gather input on current grantees, priorities and needs of the community, and to discuss Native Hawaiian education concerns.

The Council is supported administratively by NHEC’s Executive Director, Operations Manager and Accountant in an office in the Dillingham Transportation Building, located in the downtown Honolulu business district, where all Council records and operations are maintained. The selected vendor will work closely with the staff in completing both audits.

NHEC operates under the understanding that it is an entity most closely aligned to the description of Internal Revenue Service (IRS) subsection code 501(c)(1) for tax-exempt organizations—corporations organized under Act of Congress (i.e., Native Hawaiian Education Act). As such, there are no annual informational returns to be filed or related disclosure requirements (e.g., Form 990). The Council also operates in the State of Hawaii as exempt from various taxes and filings (e.g., general excise, income) and obtained the appropriate letter from the State of Hawai‘i, Department of Taxation.

Descriptive annual reports are provided to the USDOEd (refer to the NHEC website for prior annual reports). The design and production of the annual report is not within the scope of this RFP.

### **SINGLE AUDIT AMENDMENT ACT OF 1996**

Although the Council does not have an IRS subsection code 501(c)(3) classification or IRS determination letter as such, upon direction from the USDOEd in early 2015 and with expenditures exceeding \$500,000 in the fiscal year ending August 31, 2014, the Council is requesting professional services be provided via this request for proposal in accordance with the Single Audit Amendment Act of 1996 and U.S. Office of Management and Budget Circular A-133 (Revised) “Audits of States, Local Governments, and Non-Profit Organizations.”

The Council also understands that the threshold for the Office of Management & Budget A-133 compliance audits increased from \$500,000 to \$750,000 per fiscal year (beginning on or after January 1, 2015), and while the annual expenditures for fiscal years ending August 31, 2017 and 2018 may not exceed \$750,000, again upon direction from the USDOEd, professional services for a single audit for the fiscal years ending August 31, 2017 and August 31, 2018 is requested via this request for proposal.

### **PURPOSE OF THIS REQUEST FOR PROPOSAL**

The purpose of the Native Hawaiian Education Council’s Request for Proposal (RFP) 2017-004 for Single Audit Services for FY 16-17 and 17-18 is to engage an independent certified public accountant or firm to perform a professional, thorough, complete, and timely audit of the financial statements and program compliance requirements of the Council for the fiscal years ending August 31, 2017 and 2018. The primary user of the financial statements is the USDOEd, the Council and internally generated financial reports are made by the Treasurer at bi-monthly Council meetings.

The Council has been audited as of fiscal years ending August 31, 2014, 2015 and 2016. The most recent audit report, fiscal year ending August 31, 2016 is attached as Appendix A of this RFP.

### **SINGLE AUDIT REQUIREMENTS**

- 1) The audit is to be conducted in accordance with the Single Audit Amendment Act of 1996, Public Law 98-502, and U.S. Office of Management and Budget (OMB) Circular A-133 (Revised) “Audits of States, Local Governments, and Non-Profit Organizations” and the requirements established under the Compliance Supplement for Single Audits, Notice PIH 96-32 (HA).
- 2) The audit firm shall render monthly status reports on the progress of the examination to the NHEC Treasurer, Executive Director and Operations Manager.
- 3) The audit firm shall provide the NHEC Treasurer, Executive Director and Operations Manager with all audit adjustments and supporting worksheets at the conclusion of the audit.

### **SCOPE OF EXAMINATION**

- 1) The annual audit shall cover the fiscal years ending August 31, 2017 and 2018.
- 2) The physical books of account and financial records to be audited are maintained and located at the NHEC office located at 735 Bishop Street, Suite 224, Honolulu 96813. The Operations Manager shall make these books and records available to the audit firm and field work is expected to be conducted in the NHEC office with the Operations Manager and Accountant.
- 3) NHEC’s Accountant maintains all records via Quickbooks online, performs reconciliations of bank accounts, prepares monthly financial reporting package, which includes the balance sheet, profit and loss, and budget-to-actual summary, draw, cash receipts and disbursement information and account reconciliations. All original and source documents are maintained at the NHEC office.
- 4) Field work is generally conducted in the month of November (after time for the organization to close the books for the fiscal year end), the report finalized in January of the following year in time for the statutory filing date of May of the following year with the USDOEd.
- 5) NHEC utilizes the USDOEd’s Grant Management System (aka G5 system) to execute grant draws and maintains all original and source documents supporting each of the grant draws at the NHEC office.

### **POINTS OF CONTACT**

- 1) Primary points of contact will be: Sylvia Hussey, Executive Director ([sylvia@nhec.org](mailto:sylvia@nhec.org)) and Erika Vincent, Operations Manager ([erika@nhec.org](mailto:erika@nhec.org)) who can be reached at 808-523-6432.

- 2) The 5-member Executive Committee (e.g., Chair, Vice Chair, Secretary, Treasurer, Past Officer) reviews and the Council approves the final selection of the audit firm and delegates signing of the engagement and management letters, and any other documents, to the Executive Director.
- 3) The auditor or audit firm representative may need to attend a Council meeting to present the audit report and any management letters and recommendations to the Council.

**PROPOSAL CONDITIONS**

- 1) **Proposal Documents.** All submitted proposals must include the following documents in the order listed **with a maximum of 20 pages (not including appendices)**:
  - a. A letter of transmittal signed by an owner, principal or officer of the firm who is authorized to commit the firm to contractual obligations.
  - b. Scope of Work: outline the proposed scope of work to be performed in response to the proposal requirements.
  - c. Demonstration of Experience and Qualifications: include resumes or descriptions of the firm's principals and staff who will be assigned to conduct the work of the audit, relevant license numbers of the CPAs and/or other staff, etc.
  - d. Fee Schedule/Compensation: must indicate the hourly rates for staff assigned to carry out the scope of work.
  - e. References: contact information for no less than three (3) professional references for whom the firm has performed services similar to those required under this RFP. These references should include the type of work performed and comment on the quality and timeliness of service provided. Provide the name, address, telephone and email address for each reference.
  - f. Non-debarment Certification: A certified statement that the firm is not debarred, suspended or otherwise prohibited from professional practice by any federal, state or local agency.

**Proposal Format.** Proposals should be submitted in letter size (8 ½" x 11") with 1-inch margin on all sides, numbering pages throughout the document; single-spaced; 12-point type using one of the following fonts: Times New Roman, Arial, Courier or Courier New.

**Submission Requirements.** Proposals must be submitted in electronic format as one Portable Document Format (PDF) file.

**Submission Deadline.** Proposals must be submitted no later than **MONDAY, MAY 1, 2017 4:00 p.m. HST** to [nhec@nhec.org](mailto:nhec@nhec.org) with the subject line “**Response to RFP-2017-004: Name of Organization**”.

**ESTIMATED RESPONSE TO PROPOSAL TIMELINE**

<b><u>Dates/Time Frame</u></b>	<b><u>Activities</u></b>
1. Wednesday, March 1, 2017	<b>NHEC:</b> Releases RFP-2017-004, Single Audit Services for FY 16-17 and 17-18
2. No later than Monday, April 17, 2017 at 4:00 p.m.	<b>Respondents:</b> Submit Intent to Propose (refer to Appendix B)
3. No later than Monday, May 1, 2017 at 4:00 p.m. (approximately 8 weeks)	<b>Respondents:</b> Submit Proposals

**RFP Questions.** All questions should be directed to [nhec@nhec.org](mailto:nhec@nhec.org) for response by the organization or calls may be directed to Sylvia Hussey, Executive Director at 808.523.6432.

**ESTIMATED CONTRACTING TIMELINE**

<b><u>Dates/Time Frame</u></b>	<b><u>Activities</u></b>
1. No later than Monday, May 1, 2017 at 4:00 p.m.	<b>Respondents:</b> Submit Proposals
2. Tuesday, May 2, 2017 to Monday, May 15, 2017	<b>NHEC:</b> Convene Proposal Review Team and complete review.
3. Monday, May 22, 2017	<b>NHEC:</b> Notify selected and non-selected proposers.
4. Monday, May 22, 2017 to May 31, 2017	<b>NHEC and selected Contractor:</b> Complete engagement letter and contracting process.





# **Native Hawaiian Education Council**

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

August 31, 2016

# NATIVE HAWAIIAN EDUCATION COUNCIL

## Financial Statements and Single Audit Reports

August 31, 2016

### Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Schedule of Expenditures of Federal Awards	9
Notes to Schedule of Expenditures of Federal Awards	10
Single Audit Reports:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	13
Schedule of Findings and Questioned Costs	16

## Independent Auditors' Report

The Members  
Native Hawaiian Education Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of Native Hawaiian Education Council, which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Native Hawaiian Education Council as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017 on our consideration of Native Hawaiian Education Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Native Hawaiian Education Council's internal control over financial reporting and compliance.

***KKDL Y LLC***

Honolulu, Hawaii  
January 31, 2017

**NATIVE HAWAIIAN EDUCATION COUNCIL**

Statement of Financial Position

August 31, 2016

<b>Assets</b>	
Cash	\$ 95,661
Prepaid expense and other	4,471
Security deposit	2,815
Total assets	<u>\$ 102,947</u>

  

<b>Liabilities and Net Assets</b>	
Accounts payable	\$ 9,428
Accrued expenses	15,212
Deferred revenues	63,912
Total liabilities	<u>88,552</u>
Unrestricted net assets	<u>14,395</u>
Total liabilities and net assets	<u>\$ 102,947</u>

See accompanying notes to financial statements.

**NATIVE HAWAIIAN EDUCATION COUNCIL**

Statement of Activities

Year Ended August 31, 2016

Unrestricted revenues:	
Government grant	\$ 490,051
Unrestricted contribution	30
Interest	4
	<hr/>
	490,085
Program expenses	<hr/>
	490,085
Change in net assets	-
Unrestricted net assets at beginning of year	<hr/>
	14,395
Unrestricted net assets at end of year	<hr/> <hr/>
	\$ 14,395

See accompanying notes to financial statements.

**NATIVE HAWAIIAN EDUCATION COUNCIL**

Statement of Cash Flows

Year Ended August 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ -
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Decrease in government grant receivable	150,000
Increase in prepaid expenses and other assets	(2,382)
Increase in accounts payable	2,976
Decrease in accrued expenses	(4,982)
Decrease in deferred revenues	<u>(370,051)</u>
Net cash used in operating activities	<u>(224,439)</u>
Net decrease in cash	(224,439)
Cash at beginning of year	<u>320,100</u>
Cash at end of year	<u>\$ 95,661</u>

See accompanying notes to financial statements.

# NATIVE HAWAIIAN EDUCATION COUNCIL

## Notes to Financial Statements

August 31, 2016

### (1) **Organization and General**

In 1994, the Native Hawaiian Education Act (NHEA) authorized the Secretary of the U.S. Department of Education (USDOE) to establish the Native Hawaiian Education Council (the Council) to better effectuate the purposes of the NHEA through the coordination and assessment of educational and related services and programs available to Native Hawaiians.

The USDOE administers the Native Hawaiian Education Program, which includes an annual grant to the Council to support its responsibilities to coordinate, assess, report and make recommendations regarding (1) the effectiveness of existing education programs for Native Hawaiians, (2) the state of present Native Hawaiian education efforts, and (3) suggested improvements to existing programs, policies and procedures.

### (2) **Summary of Significant Accounting Policies**

#### *Financial Statement Presentation*

Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as unrestricted net assets, which are net assets not subject to donor-imposed stipulations.

The Council has no temporarily restricted or permanently restricted revenues or net assets to report as of and for the year ended August 31, 2016.

#### *Cash*

The Council maintains its cash in a Hawaii bank. At certain times during the year ended August 31, 2016, amounts on deposit in the bank exceeded federally-insured limits.

#### *Government Grant Revenue*

Government grant revenue is recognized when the allowable expense is incurred. Government grant receivable is stated at the amount the Council expects to collect.

#### *Income Taxes*

The Council is an organization exempt from federal income tax under Section 501(c) (1) of the Internal Revenue Code and is generally not subject to federal income taxes. The Council determines whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount

# NATIVE HAWAIIAN EDUCATION COUNCIL

## Notes to Financial Statements

August 31, 2016

recognized in the financial statements would be the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority.

### *Use of Estimates*

The preparation of the financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management of the Council to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **(3) Business Concentration**

Revenues from government grants from the USDOE represent approximately 100% of the Council's revenues for the year ended August 31, 2016.

### **(4) Lease**

The Council is lessee under a noncancelable operating lease for office space in Honolulu, Hawaii that expires in April 2018. In addition to monthly base rent, the lease requires that the Council pay maintenance costs related to the property. Pursuant to the lease, the Council shall have the right to terminate the lease with three months prior written notice, if it should no longer receive federal funding for its operations. Minimum lease payments under the lease as of August 31, 2016, are as follows:

<b>Year Ending August 31:</b>	
2017	16,989
2018	<u>11,556</u>
	<u>\$ 28,545</u>

### **(5) Defined Contribution Plan**

The Council has a noncontributory pension plan (the Plan) that covers substantially all employees, after one year of employment. The Council contributes 10% of qualified employee salaries to the Plan. For the year ended August 31, 2016, the Council contributed \$15,995 to the Plan.

# NATIVE HAWAIIAN EDUCATION COUNCIL

## Notes to Financial Statements

August 31, 2016

### **(6) Government Grant**

Pursuant to Public Law regarding the NHEA, funds were authorized to be appropriated annually to carry out programs for fiscal year 2002 and each of the 5 succeeding fiscal years. Those appropriated funds were stipulated to remain available until expended. In consultation with the USDOE, management has determined that unspent USDOE grant awards for the 2002 through the 2007 fiscal periods are available to be spent by the Council in future fiscal periods until expended, as stipulated in the aforementioned Public Law. Furthermore, management, in connection with consultation with the USDOE, has determined that the provision of the Public Law extends the period of availability of unspent USDOE grant awards from fiscal periods after 2007 for an indefinite period until spent.

Consistent with the discussion above, the statement of financial position as of August 31, 2016 includes deferred revenues of \$63,912 representing unspent USDOE grant award funds for the grant period ended August 31, 2016, and is deemed to be available for expenditure in future periods. The statement of activities includes \$433,963 of USDOE grant monies drawn by the Council in previous grant periods and recognized as revenue for the year ended August 31, 2016.

### **(7) Subsequent Events**

The Council evaluated subsequent events from the date of the statement of financial position through January 31, 2017, the date the financial statements were available to be issued and determined that there are no other items to record or to disclose.

**NATIVE HAWAIIAN EDUCATION COUNCIL**

Schedule of Expenditures of Federal Awards

Year Ended August 31, 2016

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education</b>			
No Child Left Behind Act: Native Hawaiian Education Act Program	84.362B	S362B1	\$ 490,051
Total federal expenditures			<u>\$ 490,051</u>

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

## **NATIVE HAWAIIAN EDUCATION COUNCIL**

### Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2016

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activities of Native Hawaiian Education Council under programs of the federal government for the year ended August 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (the Uniform Guidance). Therefore, certain amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Indirect Cost Rate**

The Council has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Members  
Native Hawaiian Education Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Native Hawaiian Education Council (the Council), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to financial statements and have issued our report thereon dated January 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*KKDL LLC*

Honolulu, Hawaii  
January 31, 2017

**Independent Auditors' Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required by the Uniform Guidance**

The Members

Native Hawaiian Education Council:

**Report on Compliance for the Major Federal Program**

We have audited Native Hawaiian Education Council's (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Council's major federal program for the year ended August 31, 2016. The Council's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards is applicable to its federal program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Council's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Council's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

The Council's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying

schedule of findings and questioned costs as Finding 2016-001, that we consider to be a significant deficiency.

The Council's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*KKDL Y LLC*

Honolulu, Hawaii  
January 31, 2017

**NATIVE HAWAIIAN EDUCATION COUNCIL**

Schedule of Findings and Questioned Costs

Year Ended August 31, 2016

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

**Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal control over major federal program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditors' report issued on compliance for major program:

**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)

Yes  No

Identification of major federal program:

**CFDA Number**  
84.362B

**Name of Federal Program or Cluster**  
No Child Left Behind Act: Native Hawaiian Education Act Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$490,051

Auditee qualified as low-risk auditee?

Yes  No

**NATIVE HAWAIIAN EDUCATION COUNCIL**

Schedule of Findings and Questioned Costs

Year Ended August 31, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None noted.

# NATIVE HAWAIIAN EDUCATION COUNCIL

## Schedule of Findings and Questioned Costs

Year Ended August 31, 2016

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### **Finding 2016-001 Cash Management**

**U.S. Department of Education  
No Child Left Behind Act: Native Hawaiian Education Act Program  
S362B1  
CFDA No. 84.362B**

#### *Condition*

We noted that the Council requested and received an advance payment of \$120,000 on February 25, 2016 from the Federal grantor agency that was not disbursed within a minimal time elapsing from the advance date and of which \$63,912 remained unspent as of August 31, 2016.

#### *Criteria*

Pursuant to 2 U.S. *Code of Federal Regulations* (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement for direct program costs. A non-Federal entity paid in advance is to maintain both written procedures that minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the non-Federal entity, as well as a financial management system that meets specified standards for fund control and accountability.

#### *Cause*

The Council did not have written policies and procedures that specifically addressed the requirement to minimize the time elapsing between the transfer of funds to the Council from the Federal grantor agency and the issuance of payment for program purposes.

#### *Effect*

The Native Hawaiian Education Council is not in compliance with cash management principles.

#### *Recommendation*

We understand that in August 2016, the Council established cash management policies and procedures to address compliance with the cash management requirements as stipulated in 2 CFR, Part 200.

#### *Views of Responsible Officials and Planned Corrective Actions*

In August 2016, the Council updated its cash management policies, procedures, and practices to be in compliance with requirements as stipulated in 2 CFR, Part 200.

Please e-mail the completed and signed Intent to Propose document (or in body of e-mail) to [nhec@nhec.org](mailto:nhec@nhec.org) **no later than Monday, April 17, 2017.**

Note in e-mail subject header, “Intent to Propose RFP-2017-004: Name of Organization”:

1. Name of Organization:
2. Primary Point of Contact for Proposal:
  - A. Name, Position
  - B. Mailing Address
  - C. Phone Number
  - D. E-mail

3. Statement of Intent:

(Name of organization) intends to submit a proposal in response to the Native Hawaiian Education Council’s Request for Proposal: ***RFP-2017-004: Single Audit Services for FY 16-17 and 17-18***

---

Name, Position, Date, Signature