

Auditor's Summary

Financial and Program Audit of the Deposit Beverage Container Program, June 30, 2016

Report No. 17-02



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Deposit Beverage Container Program still relies on self-reported data, still at risk

THIS IS THE SIXTH biennial financial and program audit of the Deposit Beverage Container Program (the Program). We found, as we did in each of our previous audits, the Program relies on self-reported data from distributors and certified redemption centers and lacks adequate controls to monitor the accuracy and completeness of the information submitted by distributors and certified redemption centers. The lack of adequate controls exposes the Program to risks of underpayments by distributors and overpayments to certified redemption centers, either of which results in financial harm to the State.

The Department of Health, which administers the Program, has been aware of this flawed payment system since 2006 but has done little to address it; the department has neither made substantive changes to the program nor increased its enforcement and inspection activities. Because these deficiencies contribute to the inherent incentive for distributors, redemption centers, and exempt companies to misreport data, the Program continues to be exposed to fraud, which may result in higher costs and an unreliable reported redemption rate.

Hawai'i Deposit Beverage Container Segregated Rates



Aluminum
\$1.60/lb



Bi-Metal
\$0.295/lb



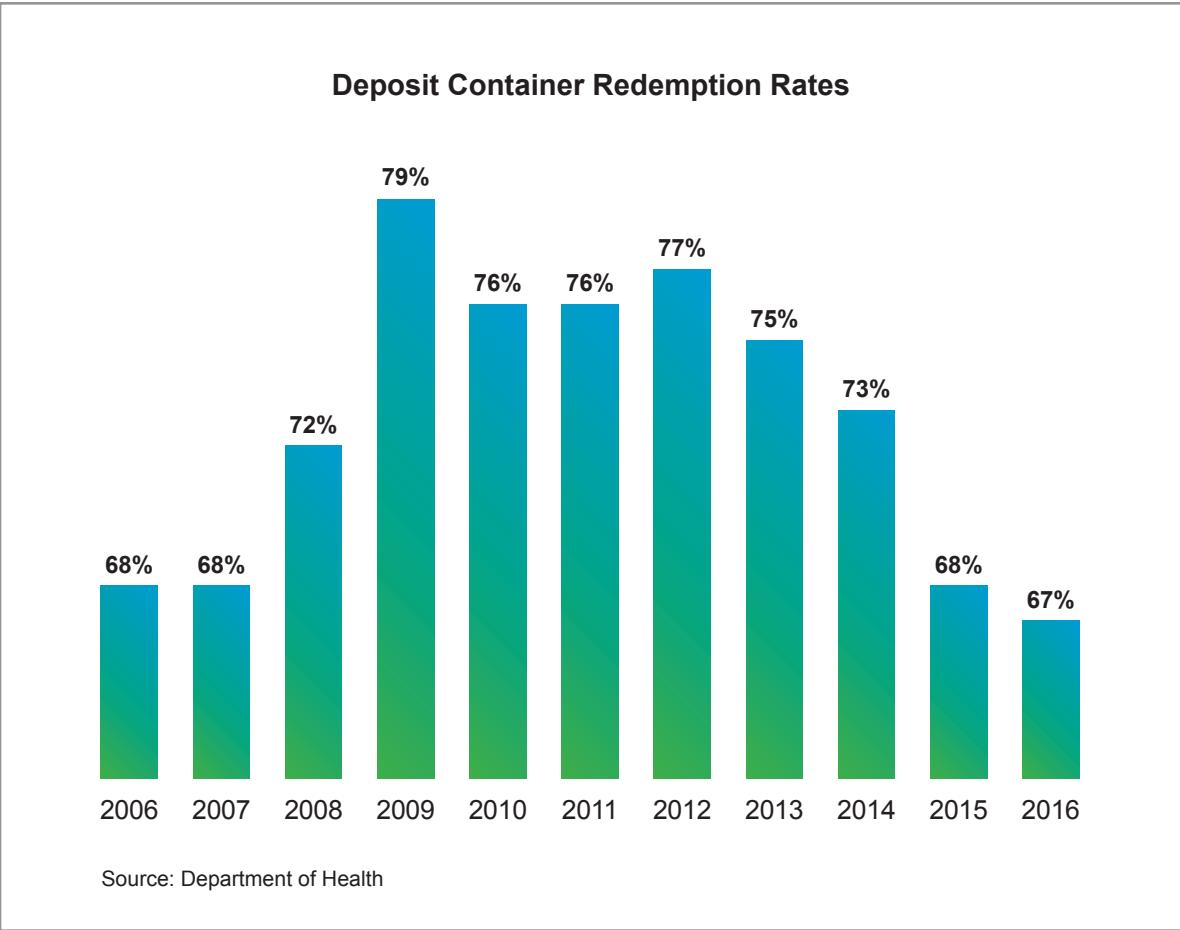
Glass
\$0.12/lb



Plastic
\$0.94/lb



Plastic
(17 oz. or less)
\$1.315/lb



In our prior audits, we recommended that management strengthen controls to ensure that the Program is properly collecting deposits and container fees from distributors and that the costs of administering the Program (e.g., reimbursements and handling fees paid to certified redemption centers) are minimized. We repeat and reiterate those same recommendations.

The department concurred with the findings and the recommendations to establish an internal audit function to audit distributors and redemption centers timely using a risk based approach. However, until the recommendations are fully implemented, the Program will continue to be under significant risk of fraud and abuse.