

AUDIT REPORT NO. 68-1  
JANUARY 1968

OFFICE COPY



# FINANCIAL AUDIT OF THE STATE DEPARTMENT OF HEALTH

FOR THE FISCAL YEAR ENDED  
JUNE 30, 1967



SUBMITTED BY THE LEGISLATIVE AUDITOR OF THE STATE OF HAWAII

## **THE OFFICE OF THE LEGISLATIVE AUDITOR**

The office of the legislative auditor is a public agency attached to the Hawaii State legislature. It is established by Article VI, Section 8, of the Constitution of the State of Hawaii. The expenses of the office is financed through appropriations made by the legislature.

The primary function of this office is to strengthen the legislature's capabilities in making rational decisions with respect to authorizing public programs, setting program levels, and establishing fiscal policies and in conducting an effective review and appraisal of the performance of public agencies.

The office of the legislative auditor endeavors to fulfill this responsibility by carrying on the following activities.

1. Conducting examinations and tests of state agencies' planning, programming, and budgeting processes to determine the quality of these processes and thus the pertinence of the actions requested of the legislature by these agencies.
2. Conducting examinations and tests of state agencies' implementation processes to determine whether the laws, policies, and programs of the State are being carried out in an effective, efficient and economical manner.
3. Conducting systematic and periodic examinations of all financial statements prepared by and for all state and county agencies to attest to their substantial accuracy and reliability.
4. Conducting tests of all internal control systems of state and local agencies to ensure that such systems are properly designed to safeguard the agencies' assets against loss from waste, fraud, error, etc.; to ensure the legality, accuracy and reliability of the agencies' financial transaction records and statements; to promote efficient operations; and to encourage adherence to prescribed management policies.
5. Conducting special studies and investigations as may be directed by the legislature.

Hawaii's laws provide the legislative auditor with broad powers to examine and inspect all books, records, statements, documents and all financial affairs of every state and local agency. However, the office exercises no control functions and is restricted to reviewing, evaluating, and reporting its findings and recommendations to the legislature and the governor. The independent, objective, and impartial manner in which the legislative auditor is required to conduct its examinations provides the basis for placing reliance on its findings and recommendations.



LEGISLATIVE AUDITOR  
IOLANI PALACE  
HONOLULU, HAWAII 96813

## Foreword

This financial audit report of the department of health is the result of the examination of the financial statements and records of the department for the fiscal year ended June 30, 1967. The audit was conducted by certified public accounting firms of Hokada & Hayashi; Inagaki, Mukai & Fo; Clay, Wulfekuhler & Company; Ishimoto, Imamoto & Company; and Lemke and Company.

The audit was conducted in accordance with the generally accepted auditing standards adopted by the membership of the American Institute of Certified Public Accountants. In addition, the audit was governed by the *Instructions to Independent Certified Public Accountants on Audit Engagements of Agencies of the State of Hawaii*, issued by the office of the legislative auditor.

The audit report is divided into three parts. Part I entitled, *Accountant's Report—Financial Statements*, is concerned with displaying the financial statements of the department of health and expressing the auditor's opinion as to the reasonable accuracy of these statements.

Part II, the *Management Letter*, includes the auditor's evaluation of the adequacy and effectiveness of the system of internal control and the adequacy of the financial records, financial reporting, and budgetary controls. In addition, it discusses the weaknesses and inadequacies in the financial system and operations that the audit has uncovered and makes appropriate recommendations for their rectification.

It is our practice to request each of the agencies affected by our examination to submit in writing its comments on our findings and recommendations and to indicate what action it has taken or intends to take therefor. Agency responses resulting from this audit are shown in Part III of this report as *Memoranda of Comments by Affected Agencies*.

We wish to express our deep appreciation to the management and staff of the department of health. They were most helpful and cooperative.

Clinton T. Tanimura  
Legislative Auditor

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**PART I**

**FINANCIAL STATEMENTS**

STATE OF HAWAII  
DEPARTMENT OF HEALTH

Accountants' Report

June 30, 1967

STATE OF HAWAII  
DEPARTMENT OF HEALTH

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To the Auditor  
State of Hawaii

We have examined the balance sheets of the Funds, with the exception of the General Fund, of the Department of Health of the State of Hawaii as of June 30, 1967, and the related statements of revenues and expenditures, including the General Fund accounts of the Department of Health, for the year then ended. In accordance with the terms of our engagement, the scope of our examination did not include the audit of the Department of Health functions covered under Act 97 of the Session Laws of Hawaii, 1965, (Note A) and the balance sheet of the General Fund which includes assets and liabilities of the other departments of the State government. The terms of our engagement also excluded the General Fixed Assets and the Capital Improvements Program of the Department of Health. Except as stated in the following paragraph, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We did not confirm the patient trust account balances with the individual patients at the Waimano Training School and Hospital and the Hawaii State Hospital because a discussion with hospital personnel revealed that we would not obtain satisfactory results because of the mental conditions of the majority of these patients.

In our opinion, subject to the previously mentioned limitations, the accompanying financial statements, with the exception of the balance sheet of the General Fund, which is not included, and the financial statements of the Waimano Training School and Hospital Patients' Trust Fund and the Hawaii State Hospital Patients' Trust Fund, present fairly the financial position of the Funds of the Department of Health of the State of Hawaii and the results of their operations for the year then ended in conformity with generally accepted governmental accounting principles. We express no opinion on the financial statements of the Patients' Trust Funds of the Waimano Training School and Hospital and the Hawaii State Hospital because of limitations in the scope of our examination.

CLAY, WULFEKUEHLER & CO.

*Clay, Wulfekuehler & Co*

HOKADA & HAYASHI

*Hokada & Hayashi*

INAGAKI, MUKAI & FO

*Inagaki, Mukai & Fo*

ISHIMOTO, IMAMOTO & CO.

*Ishimoto, Imamoto & Co.*

LEMKE AND COMPANY

*Lemke and Company*

Honolulu, Hawaii

November 17, 1967

STATE OF HAWAII  
DEPARTMENT OF HEALTH

General Notes to the Financial Statements

June 30, 1967

Note A - Organizational History

Act 1, Section 19 of the Hawaii State Government Reorganization Act of 1959, Second Special Session Laws of Hawaii, created the Department of Health to administer programs designed to protect, preserve, care for and improve the physical and mental health of the people of the State. The functions and authority previously exercised by the Board of Health (excluding assistance and care for the indigent and medically indigent), the Department of Institutions, with respect to Waimano Home and the State Hospital and the dental health treatment function of the Department of Public Instruction, were transferred to the Department of Health.

The 1965 session of the Hawaii State Legislature enacted Act 97 which declared, among other things, that the rendering of medical treatment and hospitalization services to State and County pensioners was a State function. The effect of this act was to place the operation of the various County hospitals under the control of the State government. The Department of Health was assigned the function of operating these hospitals. In order to provide an uninterrupted continuation of services, the State of Hawaii has contracted with the various County governments from July 1, 1965 to June 30, 1967 to perform a major part of the functions covered under Act 97, including the operation of the County hospitals. The scope of our examination did not include an audit of these functions.

June 30 has been selected by the State government as the end of the fiscal year for State operations.

Note B - Accounting Principles and Procedures

The Department of Health of the State of Hawaii maintains its accounts in conformity with generally accepted governmental accounting principles.

The accounts of the Department of Health are maintained, and the accompanying financial statements have been prepared on a modified accrual basis. Under this method, revenues are not taken into account until collected by the Department. However, expenditures are maintained on an accrual basis and are accounted for when the liabilities are incurred.

The Department's accounting procedures provide for the recording of commitments at the time contracts are awarded and orders placed for equipment, construction, services and supplies. These commitments are represented as encumbrances in the accompanying financial statements and are necessary to reflect obligations against appropriations.

STATE OF HAWAII  
DEPARTMENT OF HEALTH

General Notes to the Financial Statements (continued)

June 30, 1967

Note B - Accounting Principles and Procedures (continued)

Construction projects and equipment purchased by the Department are recorded as expenditures of the various funds. These assets are not reflected on the balance sheets of the funds represented in the accompanying financial statements but are reflected in the General Fixed Assets of the State.

Depreciation is not reflected in any of the accompanying financial statements.

Note C - Contingent Liabilities

The Department of the Attorney General of the State of Hawaii has reported that there are no pending litigations which may result in liability to the Department of Health as of June 30, 1967.

Note D - Commitments

Outstanding contractual commitments for construction, supplies and expenses are reflected in the separate funds as encumbrances.

A determination was not made of the accumulated vacation pay commitment of the Department of Health at June 30, 1967. Departmental records for vacation and sick leave are decentralized and the Department provides for the reporting of this information once annually at December 31 when a report is furnished to each employee informing him of his vacation and sick leave status. Subject to certain limitations, State employees are entitled to receive cash payments for vacation pay upon termination of their employment. However, it is the policy of the State of Hawaii to pay accumulated vacation pay from current appropriations and, therefore, current earned vacation pay is not charged against current operations and the liability for accumulated vacation pay is not reflected on the Department's books of account. As of December 31, 1966, the Department of Health had 59,302 man days of accumulated vacation time. It is estimated that at the prevailing wage rates within the State of Hawaii, this results in a liability of approximately \$1,500,000.

Sick leave accumulates at the rate of one and three-quarter working days for each month of service without limit, but can be taken only in the event of illness.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Revenues

June 30, 1967

	Estimated Revenues	Actual Revenues	Revenues Over or (Under) Estimate
<u>LICENSES AND PERMITS</u>			
Business licenses and permits			
Health licenses (Note 1)			
Embalmers, undertakers and funeral directors	\$ 756.00	\$ 633.50	\$( 122.50)
Fumigators	550.00	459.00	( 91.00)
Laboratory directors	200.00	305.00	105.00
Laboratory technicians	1,200.00	1,393.00	193.00
Midwives	8.00	6.00	( 2.00)
Physical therapists	300.00	273.00	( 27.00)
Podiatrists	200.00	150.00	( 50.00)
Sanitarians	400.00	252.00	( 148.00)
Tattoo artists	45.00	45.00	-
Marriage licenses	27,390.00	24,950.00	( 2,440.00)
	<u>31,049.00</u>	<u>28,466.50</u>	<u>( 2,582.50)</u>
TOTAL LICENSES AND PERMITS			
<u>REVENUE FROM USE OF MONEY AND PROPERTY</u>			
Rents and royalties			
Rentals, public buildings and rooms	-	630.00	630.00
Telephone coin box commissions	-	2.23	2.23
Rentals, housing units	900.00	422.50	( 477.50)
Commissions, vending machines	-	332.61	332.61
	<u>900.00</u>	<u>1,387.34</u>	<u>487.34</u>
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY			
<u>REVENUE FROM OTHER AGENCIES</u>			
Federal grants-in-aid for health and hospitals			
Cancer control	24,203.29	24,203.29	-
Heart disease control	82,759.04	80,183.00	( 2,576.04)
Care of crippled children	262,655.56	244,829.00	( 17,826.56)
Maternal and child health services	242,039.94	241,001.95	( 1,037.99)
Mental health	64,733.48	64,318.00	( 415.48)
	<u>676,391.31</u>	<u>654,535.24</u>	<u>( 21,856.07)</u>
Total carried forward			

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Revenues (continued)

June 30, 1967

	Estimated Revenues	Actual Revenues	Revenues Over or (Under) Estimate
<u>REVENUE FROM OTHER</u>			
<u>AGENCIES (CONTINUED)</u>			
Federal grants-in-aid for health and hospitals (continued)			
Total brought forward	\$ 676,391.31	\$ 654,535.24	\$( 21,856.07)
General health	36,230.00	36,230.00	-
Tuberculosis control	17,500.00	17,500.00	-
Hansen's disease program (Note 1)	1,200,000.00	1,167,765.90	( 32,234.10)
Microfilm transcripts of health statistics records	632.00	880.96	248.96
Radiological health	14,474.69	14,474.69	-
Hospital construction (Note 1)	1,293,182.98	985,875.31	(307,307.67)
Chronically ill and aged	61,045.10	56,933.00	( 4,112.10)
Water pollution control	38,100.00	38,100.00	-
Special public health projects	845,111.01	845,122.92	11.91
State hospital purposes	103,287.24	115,668.00	12,380.76
Conservation of hearing	1,000.00	1,231.00	231.00
Mental retardation	177,758.00	117,465.00	( 60,293.00)
Dental health	14,873.32	15,049.46	176.14
Home health service	60,887.24	26,000.00	( 34,887.24)
Economic Opportunity Act	405,991.50	283,401.65	(122,589.85)
TOTAL REVENUE FROM OTHER AGENCIES	4,946,464.39	4,376,233.13	(570,231.26)
<u>GRANTS FROM COUNTIES AND OTHER</u>			
<u>LOCAL UNITS FOR EMPLOYEE</u>			
<u>VACATION CREDITS</u>			
Grants for vacations earned with counties	-	12,019.01	12,019.01
Grants for vacations earned with Hawaii Housing Authority	-	1,983.75	1,983.75
TOTAL GRANTS FROM COUNTIES AND OTHER LOCAL UNITS FOR EMPLOYEE VACATION CREDITS	-	14,002.76	14,002.76

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Revenues (continued)

June 30, 1967

	Estimated Revenues	Actual Revenues	Revenues Over or (Under) Estimate
<u>REVENUE FROM PRIVATE SOURCES</u>			
Donations and contributions for operation and maintenance	\$ -	\$ 2.80	\$ 2.80
TOTAL REVENUE FROM PRIVATE SOURCES	-	2.80	2.80
<u>PUBLIC SAFETY</u>			
Professional and vocational licensing			
Examination and registration fees - health and protection service (Note 1)			
Embalmers, undertakers and funeral directors	-	70.00	70.00
Fumigators	-	480.00	480.00
Laboratory directors	-	10.00	10.00
Laboratory technicians	-	258.00	258.00
Physical therapists	-	255.00	255.00
Podiatrists	-	37.50	37.50
Sanitarians	-	153.00	153.00
Tattoo artists	-	200.00	200.00
TOTAL PUBLIC SAFETY	-	1,463.50	1,463.50
<u>HEALTH</u>			
Conservation of health			
Health statistics			
Fees, bureau of health statistics	87,100.00	99,061.85	11,961.85
Health inspection fees			
Fees, inspection of tattoo shops	38.00	37.50	( .50)
All others			
Sale of services	230.00	138.50	( 91.50)
Fees for use of radium	800.00	677.05	( 122.95)
Psychiatric professional services	6,000.00	10,265.52	4,265.52
Home health service	-	5,378.98	5,378.98
TOTAL HEALTH	94,168.00	115,559.40	21,391.40

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Revenues (continued)

June 30, 1967

	Estimated Revenues	Actual Revenues	Revenues Over or (Under) Estimate
<u>HOSPITAL</u>			
Hawaii State Hospital			
Support and care of non- indigent patients	\$ 245,000.00	\$ 211,550.58	\$( 33,449.42)
Sale of meal tickets to employees	2,800.00	2,760.00	( 40.00)
Rental of quarters to employees	4,500.00	2,827.00	( 1,673.00)
Sale of swill	-	1,500.00	1,500.00
Waimano Training School and Hospital			
Support and care of non- indigent patients	75,000.00	103,599.12	28,599.12
Sale of meals	8,760.00	6,658.80	( 2,101.20)
Hansen's disease			
Sale of products	135.00	196.82	61.82
Sale of meals	1,350.00	1,492.75	142.75
Maintenance of Kalaupapa telephone system	1,100.00	952.00	( 148.00)
TOTAL HOSPITAL	338,645.00	331,537.07	( 7,107.93)
<u>MISCELLANEOUS</u>			
Undistributed			
Witness or juror fees, State employees	-	81.60	81.60
Sale of equipment or other properties	100.00	192.46	92.46
TOTAL MISCELLANEOUS	100.00	274.06	174.06
TOTAL REVENUES	\$5,411,326.39	4,868,926.56	\$(542,399.83)
<u>REIMBURSED EXPENSES</u>			
Personal services			
Regular employees		15,531.40	
Student, patient and inmate help		1,398.56	
Laboratory		40.20	
Medical services		361.50	
Total carried forward		17,331.66	

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Revenues (continued)

June 30, 1967

	<u>Actual Revenues</u>
<u>REIMBURSED EXPENSES (CONTINUED)</u>	
Personal services (continued)	
Total brought forward	\$ 17,331.66
Radiological services	125.27
Orthodontic services	110.00
Surgical services	5,007.79
Janitors and other part-time employees	25.00
Other services on fee basis	<u>79.50</u>
Total personal services	<u>22,679.22</u>
Materials and supplies	
Stationery and office supplies	1,718.51
Educational and office supplies	277.59
For repairing machinery and equipment	40.00
For repairing building and structures	1,320.00
Motor vehicle fuel, supplies and parts	6,010.11
Fuel oil and lubricants (other than for motor vehicles)	148.26
Drugs and biologics	9,243.97
Appliances	100.00
Laboratory supplies (institutions)	76.00
Clothing and sewing supplies	20.16
Provisions (not for resale)	9,893.88
Other materials and supplies	<u>20.35</u>
Total materials and supplies	<u>28,868.83</u>
Communications	
Postage and postal charges	802.79
Telephone, tolls and cables	<u>220.39</u>
Total communications	<u>1,023.18</u>
Travel and subsistence	
Private car mileage	36.12
Transportation, intra-State	60.01
Subsistence allowance, intra-State	40.00
Transportation, out-of-State	<u>59.70</u>
Total carried forward	<u>195.83</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Revenues (continued)

June 30, 1967

	<u>Actual Revenues</u>
<u>REIMBURSED EXPENSES (CONTINUED)</u>	
Travel and subsistence (continued)	
Total brought forward	\$ 195.83
Subsistence allowance, out-of-State	41.70
Other travel and subsistence	<u>45.00</u>
Total travel and subsistence	<u>282.53</u>
Utilities	
Electricity	<u>240.50</u>
Rentals	
Rent of land, building, or space in building	50.00
Other rental	<u>120.00</u>
Total rentals	<u>170.00</u>
Repairs and maintenance	
Motor vehicles	<u>21.70</u>
Patients' care	
Cash allowance	70.00
Clothing allowance	90.00
Hospital care	1,374.68
Patients and ward travel	
Subsistence allowance	488.00
Cremation expenses	<u>120.00</u>
Total patients' care	<u>2,142.68</u>
Equipment	
Office equipment	9.36
Medical and hospital equipment	<u>13.61</u>
Total equipment	<u>22.97</u>
 TOTAL ACTUAL REVENUES	 <u><u>\$4,924,378.17</u></u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances  
For the year ended June 30, 1967

	AUTHORIZATIONS					
	1966 Encumbrances Forwarded	Appropriations	Total	Expenditures	Encumbrances	Unencumbered Balances
<u>GENERAL ADMINISTRATION</u>						
Departmental Administration						
Personal services	\$ -	\$ 351,406.50	\$ 351,406.50	\$ 343,940.02	\$ 4,295.96	\$ 3,170.52
Other current expenses	18,892.30	58,645.21	77,537.51	65,273.87	6,898.35	5,365.29
Equipment	989.87	3,809.14	4,799.01	4,402.42	304.98	91.61
Motor vehicles	3,797.75	12,667.20	16,464.95	16,185.19	-	279.76
Total departmental administration	<u>23,679.92</u>	<u>426,528.05</u>	<u>450,207.97</u>	<u>429,801.50</u>	<u>11,499.29</u>	<u>8,907.18</u>
Health Education						
Personal services	-	66,502.00	66,502.00	66,239.37	-	262.63
Other current expenses	56.56	8,594.12	8,650.68	8,307.84	363.33	( 20.49)
Equipment	-	3,370.88	3,370.88	2,867.09	503.79	-
Total health education	<u>56.56</u>	<u>78,467.00</u>	<u>78,523.56</u>	<u>77,414.30</u>	<u>867.12</u>	<u>242.14</u>
Research, Planning and Statistics						
Personal services	-	162,385.48	162,385.48	161,021.84	723.76	639.88
Other current expenses	3,817.51	21,390.14	25,207.65	19,204.37	4,011.70	1,991.58
Equipment	1,564.52	3,753.86	5,318.38	5,237.76	28.10	52.52
Total research, planning and statistics	<u>5,382.03</u>	<u>187,529.48</u>	<u>192,911.51</u>	<u>185,463.97</u>	<u>4,763.56</u>	<u>2,683.98</u>
TOTAL GENERAL ADMINISTRATION	<u>29,118.51</u>	<u>692,524.53</u>	<u>721,643.04</u>	<u>692,679.77</u>	<u>17,129.97</u>	<u>11,833.30</u>
<u>DISTRICT HEALTH OFFICES</u>						
Personal services	-	225,763.00	225,763.00	223,570.88	-	2,192.12
Other current expenses	3,068.98	36,930.51	39,999.49	39,228.70	662.86	107.93
Equipment	1,001.00	1,402.49	2,403.49	2,403.49	-	-
TOTAL DISTRICT HEALTH OFFICES	<u>4,069.98</u>	<u>264,096.00</u>	<u>268,165.98</u>	<u>265,203.07</u>	<u>662.86</u>	<u>2,300.05</u>
<u>DENTAL HEALTH</u>						
Personal services	-	297,535.58	297,535.58	294,126.17	-	3,409.41
Other current expenses	1,160.53	45,994.19	47,154.72	32,039.54	3,732.90	11,382.28
Equipment	27,672.42	1,282.16	28,954.58	28,702.00	1,656.32	( 1,403.74)
TOTAL DENTAL HEALTH	<u>28,832.95</u>	<u>344,811.93</u>	<u>373,644.88</u>	<u>354,867.71</u>	<u>5,389.22</u>	<u>13,387.95</u>
<u>CHILDREN'S HEALTH SERVICES</u>						
Administration						
Personal services	-	63,169.00	63,169.00	60,453.04	-	2,715.96
Other current expenses	50.92	4,624.09	4,675.01	4,565.91	79.81	29.29
Equipment	148.01	737.91	885.92	874.99	40.04	( 29.11)
Total administration	<u>198.93</u>	<u>68,531.00</u>	<u>68,729.93</u>	<u>65,893.94</u>	<u>119.85</u>	<u>2,716.14</u>
Crippled Children Services						
Personal services	-	281,709.77	281,709.77	276,986.79	47.22	4,675.76
Other current expenses	29,949.41	547,414.15	577,363.56	351,960.02	61,661.79	163,741.75
Equipment	1,442.60	28,475.62	29,918.22	2,906.94	24,844.45	2,166.83
Total crippled children services	<u>31,392.01</u>	<u>857,599.54</u>	<u>888,991.55</u>	<u>631,853.75</u>	<u>86,553.46</u>	<u>170,584.34</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances (continued)  
For the year ended June 30, 1967

	AUTHORIZATIONS						Unencumbered Balances
	1966 Encumbrances Forwarded	Appropriations	Total	Expenditures	Encumbrances		
Maternal and Child Health Services							
Personal services	\$ -	\$ 242,068.67	\$ 242,068.67	\$ 247,161.66	\$ -	\$( 5,092.99)	
Other current expenses	22,106.63	172,242.69	194,349.32	153,684.73	22,226.36	18,438.23	
Equipment	12,339.20	29,422.64	41,761.84	32,468.65	7,201.40	2,091.79	
Motor vehicles	4,005.40	-	4,005.40	4,005.40	-	-	
Total maternal and child health services	<u>38,451.23</u>	<u>443,734.00</u>	<u>482,185.23</u>	<u>437,320.44</u>	<u>29,427.76</u>	<u>15,437.03</u>	
Maternity and Infant Care Projects							
Other current expenses	-	90,024.80	90,024.80	75,822.95	11,720.65	2,481.20	
Total maternity and infant care projects	<u>-</u>	<u>90,024.80</u>	<u>90,024.80</u>	<u>75,822.95</u>	<u>11,720.65</u>	<u>2,481.20</u>	
TOTAL CHILDREN'S HEALTH SERVICES	<u>70,042.17</u>	<u>1,459,889.34</u>	<u>1,529,931.51</u>	<u>1,210,891.08</u>	<u>127,821.72</u>	<u>191,218.71</u>	
<u>COMMUNICABLE DISEASE</u>							
Administration							
Personal services	-	72,162.00	72,162.00	71,932.43	85.23	144.34	
Other current expenses	509.15	19,492.07	20,001.22	17,561.54	435.26	2,004.42	
Equipment	23.40	100.93	124.33	86.90	37.43	-	
Total administration	<u>532.55</u>	<u>91,755.00</u>	<u>92,287.55</u>	<u>89,580.87</u>	<u>557.92</u>	<u>2,148.76</u>	
Epidemiology							
Personal services	-	27,450.00	27,450.00	24,903.21	-	2,546.79	
Other current expenses	631.35	61,452.89	62,084.24	30,462.47	377.92	31,243.85	
Equipment	-	4,370.00	4,370.00	3,765.51	596.98	7.51	
Total epidemiology	<u>631.35</u>	<u>93,272.89</u>	<u>93,904.24</u>	<u>59,131.19</u>	<u>974.90</u>	<u>33,798.15</u>	
Hale Mohalu Hospital							
Personal services	5,608.97	359,927.00	365,535.97	354,208.08	3,797.19	7,530.70	
Other current expenses	2,565.56	129,783.96	132,349.52	130,370.63	1,030.98	947.91	
Equipment	-	1,957.00	1,957.00	1,796.70	43.12	117.18	
Payments to pensioners	-	4,639.74	4,639.74	4,237.94	-	401.80	
Total Hale Mohalu Hospital	<u>8,174.53</u>	<u>496,307.70</u>	<u>504,482.23</u>	<u>490,613.35</u>	<u>4,871.29</u>	<u>8,997.59</u>	
Kalaupapa Settlement							
Personal services	7,994.03	444,722.94	452,716.97	432,021.96	3,604.60	17,090.41	
Other current expenses	2,247.55	333,055.00	335,302.55	321,577.39	3,785.44	9,939.72	
Equipment	126.78	4,614.00	4,740.78	3,671.89	1,043.69	25.20	
Payments to pensioners	-	113,192.04	113,192.04	111,197.78	-	1,994.26	
Motor vehicles	2,518.50	1,000.00	3,518.50	2,518.50	1,000.00	-	
Total Kalaupapa Settlement	<u>12,886.86</u>	<u>896,583.98</u>	<u>909,470.84</u>	<u>870,987.52</u>	<u>9,433.73</u>	<u>29,049.59</u>	
Tuberculosis Control							
Personal services	1,386.83	184,803.00	186,189.83	176,617.09	22.91	9,549.83	
Other current expenses	2,694.85	54,957.00	57,651.85	55,594.27	1,508.23	549.35	
Equipment	-	26,645.00	26,645.00	4,965.12	21,650.20	29.68	
Total tuberculosis control	<u>4,081.68</u>	<u>266,405.00</u>	<u>270,486.68</u>	<u>237,176.48</u>	<u>23,181.34</u>	<u>10,128.86</u>	
TOTAL COMMUNICABLE DISEASE	<u>26,306.97</u>	<u>1,844,324.57</u>	<u>1,870,631.54</u>	<u>1,747,489.41</u>	<u>39,019.18</u>	<u>84,122.95</u>	

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances (continued)  
For the year ended June 30, 1967

	AUTHORIZATIONS					
	1966 Encumbrances Forwarded	Appropriations	Total	Expenditures	Encumbrances	Unencumbered Balances
<b>ENVIRONMENTAL HEALTH</b>						
<b>Administration</b>						
Personal services	\$ -	\$ 25,630.00	\$ 25,630.00	\$ 25,458.79	\$ -	\$ 171.21
Other current expenses	457.58	5,923.14	6,380.72	6,002.05	268.81	109.86
Equipment	-	119.00	119.00	87.45	-	31.55
Total administration	<u>457.58</u>	<u>31,672.14</u>	<u>32,129.72</u>	<u>31,548.29</u>	<u>268.81</u>	<u>312.62</u>
<b>Food and Drug</b>						
Personal services	-	70,098.00	70,098.00	69,867.77	-	230.23
Other current expenses	-	6,195.00	6,195.00	6,185.94	-	9.06
Equipment	-	642.00	642.00	641.00	-	1.00
Total food and drug	<u>-</u>	<u>76,935.00</u>	<u>76,935.00</u>	<u>76,694.71</u>	<u>-</u>	<u>240.29</u>
<b>Health Engineering</b>						
Personal services	-	126,944.63	126,944.63	123,423.23	1,055.71	2,465.69
Other current expenses	2,027.01	14,261.62	16,288.63	14,465.79	1,343.84	479.00
Equipment	6,459.40	7,802.58	14,261.98	8,091.05	5,790.10	380.83
Total health engineering	<u>8,486.41</u>	<u>149,008.83</u>	<u>157,495.24</u>	<u>145,980.07</u>	<u>8,189.65</u>	<u>3,325.52</u>
<b>Sanitation</b>						
Personal services	-	452,027.00	452,027.00	449,517.74	208.00	2,301.26
Other current expenses	1,032.06	34,284.23	35,316.29	33,658.81	908.03	749.45
Equipment	30.00	2,005.77	2,035.77	1,907.21	125.29	3.27
Total sanitation	<u>1,062.06</u>	<u>488,317.00</u>	<u>489,379.06</u>	<u>485,083.76</u>	<u>1,241.32</u>	<u>3,053.98</u>
<b>Mosquito Control</b>						
Personal services	-	213,717.00	213,717.00	211,275.56	-	2,441.44
Other current expenses	2,064.44	48,697.48	50,761.92	48,329.19	1,312.05	1,120.68
Equipment	40.91	4,028.52	4,069.43	4,022.59	-	46.84
Motor vehicles	-	150.00	150.00	150.00	-	-
Total mosquito control	<u>2,105.35</u>	<u>266,593.00</u>	<u>268,698.35</u>	<u>263,777.34</u>	<u>1,312.05</u>	<u>3,608.96</u>
<b>Rodent Control</b>						
Personal services	-	258,514.00	258,514.00	252,866.08	96.89	5,551.03
Other current expenses	1,727.07	32,691.00	34,418.07	18,873.07	1,790.72	13,754.28
Equipment	114.92	1,099.00	1,213.92	655.21	15.71	543.00
Total rodent control	<u>1,841.99</u>	<u>292,304.00</u>	<u>294,145.99</u>	<u>272,394.36</u>	<u>1,903.32</u>	<u>19,848.31</u>
<b>Water Pollution Control</b>						
Personal services	-	20,048.00	20,048.00	14,140.46	2,112.50	3,795.04
Other current expenses	182.43	70,925.81	71,108.24	30,027.61	27,480.19	13,600.44
Equipment	394.36	881.00	1,275.36	1,306.24	-	( 30.88)
Total water pollution control	<u>576.79</u>	<u>91,854.81</u>	<u>92,431.60</u>	<u>45,474.31</u>	<u>29,592.69</u>	<u>17,364.60</u>
<b>TOTAL ENVIRONMENTAL HEALTH</b>	<u>14,530.18</u>	<u>1,396,684.78</u>	<u>1,411,214.96</u>	<u>1,320,952.84</u>	<u>42,507.84</u>	<u>47,754.28</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances (continued)  
For the year ended June 30, 1967

	AUTHORIZATIONS					
	1966 Encumbrances Forwarded	Appropriations	Total	Expenditures	Encumbrances	Unencumbered Balances
<u>MEDICAL HEALTH SERVICES</u>						
Administration						
Personal services	\$ -	\$ 24,410.00	\$ 24,410.00	\$ 24,249.14	\$ -	\$ 160.86
Other current expenses	92.50	2,106.98	2,199.48	2,228.65	-	( 29.17)
Equipment	-	397.02	397.02	397.02	-	-
Total administration	<u>92.50</u>	<u>26,914.00</u>	<u>27,006.50</u>	<u>26,874.81</u>	<u>-</u>	<u>131.69</u>
Chronic Disease						
Personal services	-	68,523.00	68,523.00	66,597.16	-	1,925.84
Other current expenses	3,407.04	41,043.63	44,450.67	39,811.99	5,292.23	( 653.55)
Equipment	260.83	181.89	442.72	247.08	67.45	128.19
Total chronic disease	<u>3,667.87</u>	<u>109,748.52</u>	<u>113,416.39</u>	<u>106,656.23</u>	<u>5,359.68</u>	<u>1,400.48</u>
Hospital and Medical Facilities						
Personal services	-	228,025.85	228,025.85	184,841.95	-	43,183.90
Other current expenses	503.29	33,411.50	33,914.79	14,440.52	6,780.99	12,693.28
Equipment	1,567.39	2,062.48	3,629.87	1,333.25	1,244.95	1,051.67
Total hospital and medical facilities	<u>2,070.68</u>	<u>263,499.83</u>	<u>265,570.51</u>	<u>200,615.72</u>	<u>8,025.94</u>	<u>56,928.85</u>
Laboratory Services						
Personal services	-	271,864.77	271,864.77	266,707.43	-	5,157.34
Other current expenses	4,472.35	35,284.92	39,757.27	38,040.38	1,179.29	537.60
Equipment	3,979.00	10,469.65	14,448.65	13,596.18	848.24	4.23
Total laboratory services	<u>8,451.35</u>	<u>317,619.34</u>	<u>326,070.69</u>	<u>318,343.99</u>	<u>2,027.53</u>	<u>5,699.17</u>
Nutrition						
Personal services	-	35,528.00	35,528.00	32,396.28	-	3,131.72
Other current expenses	742.50	3,137.32	3,879.82	3,291.37	22.88	565.57
Equipment	11.85	1,105.87	1,117.72	631.40	820.06	( 333.74)
Total nutrition	<u>754.35</u>	<u>39,771.19</u>	<u>40,525.54</u>	<u>36,319.05</u>	<u>842.94</u>	<u>3,363.55</u>
Public Health Nursing						
Personal services	-	738,910.54	738,910.54	731,383.83	7,067.19	459.52
Other current expenses	29,813.68	150,290.07	180,103.75	101,420.51	45,561.45	33,121.79
Equipment	2,969.13	4,491.71	7,460.84	6,342.92	1,159.04	( 41.12)
Total public health nursing	<u>32,782.81</u>	<u>893,692.32</u>	<u>926,475.13</u>	<u>839,147.26</u>	<u>53,787.68</u>	<u>33,540.19</u>
TOTAL MEDICAL HEALTH SERVICES	<u>47,819.56</u>	<u>1,651,245.20</u>	<u>1,699,064.76</u>	<u>1,527,957.06</u>	<u>70,043.77</u>	<u>101,063.93</u>
<u>MENTAL HEALTH</u>						
Administration						
Personal services	-	28,388.00	28,388.00	28,344.00	-	44.00
Other current expenses	61.55	4,845.45	4,907.00	5,473.78	10.00	( 576.78)
Equipment	36.15	1,309.55	1,345.70	1,323.74	2.65	19.31
Total administration	<u>97.70</u>	<u>34,543.00</u>	<u>34,640.70</u>	<u>35,141.52</u>	<u>12.65</u>	<u>( 513.47)</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances (continued)  
For the year ended June 30, 1967

	AUTHORIZATIONS					
	1966		Total	Expenditures	Encumbrances	Unencumbered Balances
	Encumbrances Forwarded	Appropriations				
Preventive and Clinical Services						
Personal services	\$ -	\$ 741,522.10	\$ 741,522.10	\$ 717,076.86	\$ 350.00	\$ 24,095.24
Other current expenses	30,665.09	287,134.32	317,799.41	289,454.64	16,190.22	12,154.55
Equipment	5,665.68	15,116.06	20,781.74	19,453.35	329.06	999.33
Total preventive and clinical services	<u>36,330.77</u>	<u>1,043,772.48</u>	<u>1,080,103.25</u>	<u>1,025,984.85</u>	<u>16,869.28</u>	<u>37,249.12</u>
Hawaii State Hospital - Administration						
Personal services	-	144,978.11	144,978.11	143,801.72	1,176.39	-
Other current expenses	663.75	10,984.34	11,648.09	11,332.78	299.79	15.52
Equipment	206.56	1,577.66	1,784.22	1,701.95	119.05	( 36.78)
Total Hawaii State Hospital - administration	<u>870.31</u>	<u>157,540.11</u>	<u>158,410.42</u>	<u>156,836.45</u>	<u>1,595.23</u>	<u>( 21.26)</u>
Hawaii State Hospital - Clinical Services						
Personal services	5,873.37	480,558.76	486,432.13	476,869.56	2,466.13	7,096.44
Other current expenses	6,136.95	146,734.81	152,871.76	140,447.52	5,003.36	7,420.88
Equipment	6,123.40	4,824.61	10,948.01	10,245.54	-	702.47
Total Hawaii State Hospital - clinical services	<u>18,133.72</u>	<u>632,118.18</u>	<u>650,251.90</u>	<u>627,562.62</u>	<u>7,469.49</u>	<u>15,219.79</u>
Hawaii State Hospital - Nursing Services						
Personal services	-	1,549,021.00	1,549,021.00	1,531,742.88	17,259.54	18.58
Other current expenses	203.15	13,232.59	13,435.74	10,913.18	676.14	1,846.42
Equipment	459.24	25,089.41	25,548.65	24,678.90	756.25	113.50
Total Hawaii State Hospital - nursing services	<u>662.39</u>	<u>1,587,343.00</u>	<u>1,588,005.39</u>	<u>1,567,334.96</u>	<u>18,691.93</u>	<u>1,978.50</u>
Hawaii State Hospital - Maintenance and Operations						
Personal services	2,636.63	259,428.25	262,064.88	257,762.29	2,274.79	2,027.80
Other current expenses	10,481.49	142,631.74	153,113.23	119,136.42	12,190.39	21,786.42
Equipment	850.00	3,408.06	4,258.06	2,242.51	1,780.50	235.05
Motor vehicles	8,891.68	2,107.20	10,998.88	10,998.88	-	-
Total Hawaii State Hospital - maintenance and operations	<u>22,859.80</u>	<u>407,575.25</u>	<u>430,435.05</u>	<u>390,140.10</u>	<u>16,245.68</u>	<u>24,049.27</u>
Hawaii State Hospital - Support and Subsistence						
Personal services	-	337,605.77	337,605.77	331,464.65	6,141.12	-
Other current expenses	783.66	360,765.34	361,549.00	332,377.41	10,125.60	19,045.99
Equipment	-	7,114.66	7,114.66	1,929.14	5,185.52	-
Total Hawaii State Hospital - support and subsistence	<u>783.66</u>	<u>705,485.77</u>	<u>706,269.43</u>	<u>665,771.20</u>	<u>21,452.24</u>	<u>19,045.99</u>
TOTAL MENTAL HEALTH	<u>79,738.35</u>	<u>4,568,377.79</u>	<u>4,648,116.14</u>	<u>4,468,771.70</u>	<u>82,336.50</u>	<u>97,007.94</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances (continued)  
For the year ended June 30, 1967

	AUTHORIZATIONS					
	1966 Encumbrances Forwarded	Appropriations	Total	Expenditures	Encumbrances	Unencumbered Balances
<u>WAIMANO TRAINING SCHOOL AND HOSPITAL</u>						
<u>Administration</u>						
Personal services	\$ 1,224.33	\$ 30,470.00	\$ 31,694.33	\$ 31,289.49	\$ 83.34	\$ 321.50
Other current expenses	1,941.26	3,294.00	5,235.26	4,607.86	357.65	269.75
Equipment	379.21	83.00	462.21	440.97	-	21.24
Total administration	<u>3,544.80</u>	<u>33,847.00</u>	<u>37,391.80</u>	<u>36,338.32</u>	<u>440.99</u>	<u>612.49</u>
<u>Extra-mural Activities</u>						
Personal services	-	17,534.00	17,534.00	16,662.87	549.63	321.50
Other current expenses	6,076.14	146,861.26	152,937.40	90,609.36	227.41	62,100.63
Equipment	-	3,382.00	3,382.00	-	-	3,382.00
Total extra-mural activities	<u>6,076.14</u>	<u>167,777.26</u>	<u>173,853.40</u>	<u>107,272.23</u>	<u>777.04</u>	<u>65,804.13</u>
<u>Medical and Hospital Services</u>						
Personal services	-	542,076.00	542,076.00	529,862.49	11,526.64	686.87
Other current expenses	2,064.67	66,883.85	68,948.52	66,830.99	2,391.47	( 273.94)
Equipment	41.08	4,826.15	4,867.23	4,872.43	-	( 5.20)
Total medical and hospital services	<u>2,105.75</u>	<u>613,786.00</u>	<u>615,891.75</u>	<u>601,565.91</u>	<u>13,918.11</u>	<u>407.73</u>
<u>Social Services and Placement</u>						
Personal services	31.33	122,496.00	122,527.33	120,744.37	1,034.69	748.27
Other current expenses	445.69	11,556.73	12,002.42	11,782.48	46.57	173.37
Equipment	30.84	870.27	901.11	749.32	151.23	.56
Total social services and placement	<u>507.86</u>	<u>134,923.00</u>	<u>135,430.86</u>	<u>133,276.17</u>	<u>1,232.49</u>	<u>922.20</u>
<u>Training</u>						
Personal services	-	85,081.00	85,081.00	83,016.50	2,064.50	-
Other current expenses	443.86	10,475.00	10,918.86	8,984.67	1,637.16	297.03
Equipment	-	2,363.00	2,363.00	2,120.78	153.92	88.30
Total training	<u>443.86</u>	<u>97,919.00</u>	<u>98,362.86</u>	<u>94,121.95</u>	<u>3,855.58</u>	<u>385.33</u>
<u>Institution Facilities Administration</u>						
Personal services	95.40	66,597.50	66,692.90	64,114.36	2,548.57	29.97
Other current expenses	105.73	13,485.00	13,590.73	13,535.17	-	55.56
Equipment	-	229.00	229.00	205.40	-	23.60
Total institution facilities administration	<u>201.13</u>	<u>80,311.50</u>	<u>80,512.63</u>	<u>77,854.93</u>	<u>2,548.57</u>	<u>109.13</u>
<u>Cottage Life</u>						
Personal services	696.14	893,871.00	894,567.14	876,915.84	16,793.83	857.47
Other current expenses	583.55	19,214.00	19,797.55	18,288.25	278.44	1,230.86
Equipment	-	12,268.00	12,268.00	12,030.83	237.10	.07
Total cottage life	<u>1,279.69</u>	<u>925,353.00</u>	<u>926,632.69</u>	<u>907,234.92</u>	<u>17,309.37</u>	<u>2,088.40</u>
<u>Food Service</u>						
Personal services	26.22	140,974.00	141,000.22	137,967.98	3,024.65	7.59
Other current expenses	11,332.25	246,771.00	258,103.25	237,697.09	463.69	19,942.47
Equipment	-	6,212.00	6,212.00	1,387.62	4,823.38	1.00
Total food service	<u>11,358.47</u>	<u>393,957.00</u>	<u>405,315.47</u>	<u>377,052.69</u>	<u>8,311.72</u>	<u>19,951.06</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances (continued)  
For the year ended June 30, 1967

	AUTHORIZATIONS					
	1966 Encumbrances Forwarded	Appropriations	Total	Expenditures	Encumbrances	Unencumbered Balances
Maintenance and Production						
Personal services	\$ -	\$ 201,665.07	\$ 201,665.07	\$ 197,789.18	\$ 2,766.10	\$ 1,109.79
Other current expenses	37,945.11	192,868.54	230,813.65	207,756.82	22,260.49	796.34
Equipment	-	30,691.51	30,691.51	2,196.75	28,296.60	198.16
Motor vehicles	11,009.64	8,999.95	20,009.59	20,009.59	-	-
Total maintenance and production	48,954.75	434,225.07	483,179.82	427,752.34	53,323.19	2,104.29
Sewing Unit						
Personal services	-	10,806.00	10,806.00	10,728.00	78.00	-
Other current expenses	224.34	23,632.00	23,856.34	20,551.57	1,481.53	1,823.24
Total sewing unit	224.34	34,438.00	34,662.34	31,279.57	1,559.53	1,823.24
TOTAL WAIMANO TRAINING SCHOOL AND HOSPITAL	74,696.79	2,916,536.83	2,991,233.62	2,793,749.03	103,276.59	94,208.00
<u>RESEARCH, TRAINING, DEMONSTRATION AND SHORT-TERM GRANTS</u>						
Health Surveillance Program						
Personal services	-	23,695.92	23,695.92	19,256.29	-	4,439.63
Other current expenses	75.73	9,350.00	9,425.73	5,989.72	3,600.00	( 163.99)
Equipment	-	325.00	325.00	503.21	412.67	( 590.88)
Total health surveillance program	75.73	33,370.92	33,446.65	25,749.22	4,012.67	3,684.76
Differential Mortality by Race						
Personal services	-	15,266.78	15,266.78	6,005.64	50.00	9,211.14
Other current expenses	-	1,512.89	1,512.89	219.46	-	1,293.43
Equipment	257.40	-	257.40	257.40	-	-
Total differential mortality by race	257.40	16,779.67	17,037.07	6,482.50	50.00	10,504.57
Office of Economic Opportunity						
Personal services	56.95	67,157.00	67,213.95	71,218.49	-	( 4,004.54)
Other current expenses	14,772.62	284,511.00	299,283.62	220,294.79	3,799.86	75,188.97
Equipment	10,746.47	-	10,746.47	10,222.96	-	523.51
Total Office of Economic Opportunity	25,576.04	351,668.00	377,244.04	301,736.24	3,799.86	71,707.94
Tuberculosis Eradication Project						
Personal services	1.87	29,124.51	29,126.38	26,037.15	1,529.07	1,560.16
Other current expenses	-	10,250.00	10,250.00	7,629.41	-	2,620.59
Equipment	-	1,377.00	1,377.00	1,309.28	-	67.72
Total tuberculosis eradication project	1.87	40,751.51	40,753.38	34,975.84	1,529.07	4,248.47
Venereal Disease Casefinding						
Other current expenses	254.21	4,280.00	4,534.21	2,495.39	7.10	2,031.72
Equipment	-	-	-	28.93	-	( 28.93)
Total venereal disease casefinding	254.21	4,280.00	4,534.21	2,524.32	7.10	2,002.79

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances (continued)  
For the year ended June 30, 1967

	AUTHORIZATIONS					Unencumbered Balances
	1966 Encumbrances Forwarded	Appropriations	Total	Expenditures	Encumbrances	
Hawaii Immunization Project						
Personal services	\$ 1,077.00	\$ 174,587.39	\$ 175,664.39	\$ 76,827.46	\$ 1,908.34	\$ 96,928.59
Other current expenses	-	24,650.00	24,650.00	24,846.10	-	( 196.10)
Equipment	-	450.00	450.00	255.69	-	194.31
Total Hawaii immunization project	<u>1,077.00</u>	<u>199,687.39</u>	<u>200,764.39</u>	<u>101,929.25</u>	<u>1,908.34</u>	<u>96,926.80</u>
Solid Waste Disposal						
Personal services	-	16,686.00	16,686.00	7,435.48	-	9,250.52
Other current expenses	-	2,914.00	2,914.00	1,160.18	-	1,753.82
Equipment	-	800.00	800.00	787.79	-	12.21
Total solid waste disposal	<u>-</u>	<u>20,400.00</u>	<u>20,400.00</u>	<u>9,383.45</u>	<u>-</u>	<u>11,016.55</u>
Ecology of Plague						
Personal services	427.83	78,709.54	79,137.37	19,835.28	528.64	58,773.45
Other current expenses	-	4,764.00	4,764.00	4,122.64	-	641.36
Equipment	-	4,978.00	4,978.00	1,230.18	78.00	3,669.82
Total ecology of plague	<u>427.83</u>	<u>88,451.54</u>	<u>88,879.37</u>	<u>25,188.10</u>	<u>606.64</u>	<u>63,084.63</u>
Eradication of Aedes Aegypti						
Personal services	6.80	78,038.69	78,045.49	48,140.70	16.76	29,888.03
Other current expenses	-	7,000.88	7,000.88	7,000.88	-	-
Equipment	-	510.79	510.79	510.79	-	-
Total eradication of Aedes Aegypti	<u>6.80</u>	<u>85,550.36</u>	<u>85,557.16</u>	<u>55,652.37</u>	<u>16.76</u>	<u>29,888.03</u>
Air Pollution Control						
Personal services	-	6,541.00	6,541.00	3,806.75	-	2,734.25
Other current expenses	398.38	8,759.00	9,157.38	1,378.18	5.00	7,774.20
Equipment	2,921.22	9,866.00	12,787.22	19.25	7,777.00	4,990.97
Total air pollution control	<u>3,319.60</u>	<u>25,166.00</u>	<u>28,485.60</u>	<u>5,204.18</u>	<u>7,782.00</u>	<u>15,499.42</u>
Armed Forces Medical Rejectees						
Personal services	-	9,981.32	9,981.32	8,092.41	-	1,888.91
Other current expenses	47.60	9,856.00	9,903.60	1,280.67	55.58	8,567.35
Equipment	-	2,318.00	2,318.00	156.66	-	2,161.34
Total armed forces medical rejectees	<u>47.60</u>	<u>22,155.32</u>	<u>22,202.92</u>	<u>9,529.74</u>	<u>55.58</u>	<u>12,617.60</u>
Medical Self-Help Training Program						
Personal services	-	2,934.00	2,934.00	480.00	-	2,454.00
Other current expenses	-	1,066.00	1,066.00	281.97	-	784.03
Total medical self-help training program	<u>-</u>	<u>4,000.00</u>	<u>4,000.00</u>	<u>761.97</u>	<u>-</u>	<u>3,238.03</u>
Health Facilities Planning Council						
Other current expenses	-	41,068.00	41,068.00	7,778.00	-	33,290.00
Total health facilities planning council	<u>-</u>	<u>41,068.00</u>	<u>41,068.00</u>	<u>7,778.00</u>	<u>-</u>	<u>33,290.00</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances (continued)  
For the year ended June 30, 1967

	AUTHORIZATIONS					
	1966		Total	Expenditures	Encumbrances	Unencumbered Balances
	Encumbrances Forwarded	Appropriations				
Graduate Training in Clinical Psychology						
Personal services	\$ -	\$ 25,627.55	\$ 25,627.55	\$ 24,459.20	\$ 375.00	\$ 793.35
Other current expenses	-	10,805.56	10,805.56	3,605.32	-	7,200.24
Equipment	-	-	-	-	3,291.68	( 3,291.68)
Total graduate training in clinical psychology	-	36,433.11	36,433.11	28,064.52	3,666.68	4,701.91
Graduate Training in Psychiatry						
Personal services	12,185.48	56,670.00	68,855.48	61,147.20	-	7,708.28
Other current expenses	.12	21,526.54	21,526.66	14,973.92	788.25	5,764.49
Total graduate training in psychiatry	12,185.60	78,196.54	90,382.14	76,121.12	788.25	13,472.77
Graduate Training-Psychiatry for General Practitioners - Residency Training						
Personal services	-	12,000.00	12,000.00	12,000.00	-	-
Other current expenses	-	2,943.57	2,943.57	2,315.61	-	627.96
Total graduate training- psychiatry for general practitioners - residency training	-	14,943.57	14,943.57	14,315.61	-	627.96
Social Readaptation of Chronic Patients						
Personal services	-	182,924.64	182,924.64	82,643.00	43.90	100,237.74
Other current expenses	2.93	14,500.00	14,502.93	12,803.11	835.53	864.29
Equipment	373.46	21,295.00	21,668.46	1,567.76	2,137.33	17,963.37
Motor vehicles	-	9,855.46	9,855.46	3,406.34	-	6,449.12
Total social readaptation of chronic patients	376.39	228,575.10	228,951.49	100,420.21	3,016.76	125,514.52
Mental Health In-service Training						
Personal services	150.00	24,816.04	24,966.04	22,387.37	198.40	2,380.27
Other current expenses	386.10	5,160.55	5,546.65	4,347.84	24.40	1,174.41
Total mental health in-service training	536.10	29,976.59	30,512.69	26,735.21	222.80	3,554.68
Waimano Training School and Hospital - Mental Retardation In-service Training						
Personal services	-	20,392.00	20,392.00	8,719.11	-	11,672.89
Other current expenses	104.96	8,288.00	8,392.96	1,262.86	1,964.60	5,165.50
Equipment	64.20	1,320.00	1,384.20	539.37	7,818.73	( 6,973.90)
Total Waimano Training School and Hospital - mental retarda- tion in-service training	169.16	30,000.00	30,169.16	10,521.34	9,783.33	9,864.49

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances (continued)  
For the year ended June 30, 1967

	AUTHORIZATIONS					
	1966 Encumbrances Forwarded	Appropriations	Total	Expenditures	Encumbrances	Unencumbered Balances
Waimano Training School and Hospital - Mental Retardation Improved and Extended Patient Care						
Personal services	\$ -	\$ 106,828.39	\$ 106,828.39	\$ 59,079.35	\$ -	\$ 47,749.04
Other current expenses	911.47	11,201.00	12,112.47	9,173.55	97.46	2,841.46
Equipment	106.82	1,285.00	1,391.82	1,476.02	398.70	( 482.90)
 Total Waimano Training School and Hospital - mental retardation improved and extended patient care	 <u>1,018.29</u>	 <u>119,314.39</u>	 <u>120,332.68</u>	 <u>69,728.92</u>	 <u>496.16</u>	 <u>50,107.60</u>
Waimano Training School and Hospital - Mental Retardation Intensive Program for Community Placement						
Personal services	-	78,653.38	78,653.38	31,129.29	-	47,524.09
Other current expenses	497.34	2,191.00	2,688.34	3,993.69	96.56	( 1,401.91)
Equipment	-	1,457.00	1,457.00	1,359.02	-	97.98
 Total Waimano Training School and Hospital - mental retardation intensive program for community placement	 <u>497.34</u>	 <u>82,301.38</u>	 <u>82,798.72</u>	 <u>36,482.00</u>	 <u>96.56</u>	 <u>46,220.16</u>
Waimano Training School and Hospital - Mental Retardation Planning						
Personal services	-	56,326.17	56,326.17	33,049.95	166.46	23,109.76
Other current expenses	-	6,757.00	6,757.00	2,145.95	-	4,611.05
 Total Waimano Training School and Hospital - mental retardation planning	 <u>-</u>	 <u>63,083.17</u>	 <u>63,083.17</u>	 <u>35,195.90</u>	 <u>166.46</u>	 <u>27,720.81</u>
Mental Retardation Planning						
Other current expenses	1,988.56	-	1,988.56	-	-	1,988.56
 Total mental retardation planning	 <u>1,988.56</u>	 <u>-</u>	 <u>1,988.56</u>	 <u>-</u>	 <u>-</u>	 <u>1,988.56</u>
Remotivation of Chronic Schizophrenic Men Patients						
Other current expenses	125.14	-	125.14	-	-	125.14
 Total remotivation of chronic schizophrenic men patients	 <u>125.14</u>	 <u>-</u>	 <u>125.14</u>	 <u>-</u>	 <u>-</u>	 <u>125.14</u>
TOTAL RESEARCH, TRAINING, DEMONSTRATION AND SHORT-TERM GRANTS	<u>47,940.66</u>	<u>1,616,152.56</u>	<u>1,664,093.22</u>	<u>984,480.01</u>	<u>38,005.02</u>	<u>641,608.19</u>
GRAND TOTALS	<u>\$ 423,096.12</u>	<u>\$16,754,643.53</u>	<u>\$17,177,739.65</u>	<u>\$15,367,041.68</u>	<u>\$ 526,192.67</u>	<u>\$1,284,505.30</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances  
(By Source of Funds)  
For the year ended June 30, 1967

	AUTHORIZATIONS					
	1966 Encumbrances Forwarded	Appropriations	Total	Expenditures	Encumbrances	Unencumbered Balances
<u>GENERAL ADMINISTRATION</u>						
Federal grants	\$ 679.86	\$ 45,695.62	\$ 46,375.48	\$ 44,042.38	\$ 461.47	\$ 1,871.63
Other sources	28,438.65	646,828.91	675,267.56	648,637.39	16,668.50	9,961.67
Total	<u>29,118.51</u>	<u>692,524.53</u>	<u>721,643.04</u>	<u>692,679.77</u>	<u>17,129.97</u>	<u>11,833.30</u>
<u>DISTRICT HEALTH OFFICES</u>						
Federal grants	-	6,803.00	6,803.00	6,292.61	-	510.39
Other sources	4,069.98	257,293.00	261,362.98	258,910.46	662.86	1,789.66
Total	<u>4,069.98</u>	<u>264,096.00</u>	<u>268,165.98</u>	<u>265,203.07</u>	<u>662.86</u>	<u>2,300.05</u>
<u>DENTAL HEALTH</u>						
Federal grants	27,779.73	57,809.00	85,588.73	70,034.19	4,065.28	11,489.26
Other sources	1,053.22	287,002.93	288,056.15	284,833.52	1,323.94	1,898.69
Total	<u>28,832.95</u>	<u>344,811.93</u>	<u>373,644.88</u>	<u>354,867.71</u>	<u>5,389.22</u>	<u>13,387.95</u>
<u>CHILDREN'S HEALTH SERVICES</u>						
Federal grants	52,871.15	754,899.32	807,770.47	691,082.38	94,235.54	22,452.55
Other sources	17,171.02	704,990.02	722,161.04	519,808.70	33,586.18	168,766.16
Total	<u>70,042.17</u>	<u>1,459,889.34</u>	<u>1,529,931.51</u>	<u>1,210,891.08</u>	<u>127,821.72</u>	<u>191,218.71</u>
<u>COMMUNICABLE DISEASE</u>						
Federal grants	-	1,217,500.00	1,217,500.00	1,217,500.00	-	-
Other sources	26,306.97	626,824.57	653,131.54	529,989.41	39,019.18	84,122.95
Total	<u>26,306.97</u>	<u>1,844,324.57</u>	<u>1,870,631.54</u>	<u>1,747,489.41</u>	<u>39,019.18</u>	<u>84,122.95</u>
<u>ENVIRONMENTAL HEALTH</u>						
Federal grants	8,005.14	78,495.84	86,500.98	41,491.79	32,622.39	12,386.80
Other sources	6,525.04	1,318,188.94	1,324,713.98	1,279,461.05	9,885.45	35,367.48
Total	<u>14,530.18</u>	<u>1,396,684.78</u>	<u>1,411,214.96</u>	<u>1,320,952.84</u>	<u>42,507.84</u>	<u>47,754.28</u>
<u>MEDICAL HEALTH SERVICES</u>						
Federal grants	43,784.54	429,754.88	473,539.42	346,637.62	60,227.24	66,674.56
Other sources	4,035.02	1,221,490.32	1,225,525.34	1,181,319.44	9,816.53	34,389.37
Total	<u>47,819.56</u>	<u>1,651,245.20</u>	<u>1,699,064.76</u>	<u>1,527,957.06</u>	<u>70,043.77</u>	<u>101,063.93</u>
<u>MENTAL HEALTH</u>						
Federal grants	1,270.99	42,999.00	44,269.99	43,138.02	508.99	622.98
Other sources	78,467.36	4,525,378.79	4,603,846.15	4,425,633.68	81,827.51	96,384.96
Total	<u>79,738.35</u>	<u>4,568,377.79</u>	<u>4,648,116.14</u>	<u>4,468,771.70</u>	<u>82,336.50</u>	<u>97,007.94</u>
<u>WAIMANO TRAINING SCHOOL AND HOSPITAL</u>						
Federal grants	-	-	-	-	-	-
Other sources	74,696.79	2,916,536.83	2,991,233.62	2,793,749.03	103,276.59	94,208.00
Total	<u>74,696.79</u>	<u>2,916,536.83</u>	<u>2,991,233.62</u>	<u>2,793,749.03</u>	<u>103,276.59</u>	<u>94,208.00</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Statement of Appropriations, Expenditures and Encumbrances (continued)  
(By Source of Funds)  
For the year ended June 30, 1967

	AUTHORIZATIONS					
	1966 Encumbrances Forwarded	Appropriations	Total	Expenditures	Encumbrances	Unencumbered Balances
<u>RESEARCH, TRAINING, DEMONSTRATIONS AND SHORT- TERM GRANTS</u>						
Federal grants	\$ 47,940.66	\$ 1,592,661.56	\$ 1,640,602.22	\$ 971,380.49	\$ 37,782.81	\$ 631,438.92
Other sources	-	23,491.00	23,491.00	13,099.52	222.21	10,169.27
Total	<u>47,940.66</u>	<u>1,616,152.56</u>	<u>1,664,093.22</u>	<u>984,480.01</u>	<u>38,005.02</u>	<u>641,608.19</u>
<u>GRAND TOTALS</u>						
Federal grants	182,332.07	4,226,618.22	4,408,950.29	3,431,599.48	229,903.72	747,447.09
Other sources	<u>240,764.05</u>	<u>12,528,025.31</u>	<u>12,768,789.36</u>	<u>11,935,442.20</u>	<u>296,288.95</u>	<u>537,058.21</u>
Total	<u>\$ 423,096.12</u>	<u>\$16,754,643.53</u>	<u>\$17,177,739.65</u>	<u>\$15,367,041.68</u>	<u>\$ 526,192.67</u>	<u>\$1,284,505.30</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Notes to the Financial Statements

June 30, 1967

Note 1 - Estimated Revenues

The variances between estimated revenues and actual revenues for the Hansen's disease program and hospital construction are due to the cash method of accounting used by the State of Hawaii to account for revenues. Under the terms of the contracts with the Federal government, the State is not entitled to receive payment under these programs until actual expenses are incurred. While the expenses under these contracts have been fully incurred as of June 30, 1967 and the estimates were based on the timely recovery of these expenses, they were not recorded as revenue because they had not been received. Other variances between actual and estimated revenues from Federal grants-in-aid are due to over or underestimation of program requirements for the fiscal year.

The estimated revenues from examination and registration fees for health and protection services are combined with estimated revenues from health licenses.

Note 2 - Description of Revenues

The following is a description of the major items of revenues and expense reimbursements shown on the Statement of Revenues:

The authority to collect health licenses and examination and registration fees is granted in the various sections of the law authorizing and regulating the practices of these arts and sciences. Marriage license fees are collected by various marriage license agents throughout the State for the issuance of marriage licenses.

Federal grants-in-aid consist primarily of grants made by the Department of Health, Education and Welfare of the United States Government for health research projects, training of professional and other staff personnel, health planning, conducting demonstration projects, hospital construction, and maintenance of Hansen's disease hospitals.

Grants from counties and other local units for employee vacation credits are amounts transferred from other governmental units for unused earned vacation time of employees who have transferred to the Department of Health.

Revenues for conservation of health include fees collected by the Bureau of Health Statistics for issuance of certified copies of birth, death, marriage and divorce certificates, disinterment permits, charges made by the various mental health

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Notes to the Financial Statements (continued)

June 30, 1967

Note 2 - Description of Revenues (continued)

clinics for professional psychiatric services and payments received for home health services provided under Title XVIII of the Social Security Act.

Hospital revenues consist of collections from monthly charges to parents and guardians for the support of non-indigent patients at the Hawaii State Hospital and the Waimano Training School and Hospital and proceeds from sale of meals and other services and supplies of the aforementioned hospitals, as well as, the Hansen's disease hospitals.

Reimbursed expenses include deposits of warrants cancelled due to errors in the preparation of the warrants or duplicate payments, reimbursements for damages to State property, reimbursements for medical, surgical and laboratory services and drugs provided by the State, payments by the Kalaupapa Store for supplies purchased from the Kalaupapa Settlement and refunds of drum deposits.

Note 3 - Statement of Appropriations, Expenditures and Encumbrances

The following is a description of the columnar headings in the Statement of Appropriations, Expenditures and Encumbrances for the year ended June 30, 1967:

The 1966 encumbrances forwarded represent purchase orders and contracts outstanding at June 30, 1966 against which deliveries of goods and services were not made as of that date.

Appropriations include amounts authorized by the State Legislature to be expended from State sources, as well as, new grant awards and unencumbered balances of grants awarded in prior years by the Federal government. Appropriations from State sources also include certain monies which are available for use until completely expended. All other appropriations of monies from State sources not expended or encumbered at the end of the fiscal year are no longer available for use by the Department of Health. The appropriations, together with the 1966 encumbrances forwarded, represent the total amount against which the Department is authorized to expend, or make contractual commitments.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Notes to the Financial Statements (continued)

June 30, 1967

Note 3 - Statement of Appropriations, Expenditures and Encumbrances (continued)

Expenditures represent expenses incurred against current appropriations, as well as, against encumbrances at June 30, 1966.

Encumbrances include purchase orders and contracts outstanding at June 30, 1967 against which deliveries of goods and services were not made as of that date.

Unencumbered balances are authorizations against which expenditures have not been incurred or purchase commitments made.

Note 4 - Description of Programs

The programs of the Department of Health for the fiscal year ended June 30, 1967 are described briefly in the following paragraphs:

The general administration of the Department of Health includes the operation of the Office of the Director of Health, the Administrative Services Office, the Personnel Office, coordination of health education activities and maintenance of health statistics. The Office of the Director has responsibility for the overall direction of the Department's operations. The Administrative Services Office provides financial information on departmental operations, maintains financial controls, procures supplies and equipment, develops annual budgets and assists administrators in financial management of their operating units. The Personnel Office provides personnel services to the Department. The health educator works with branch and divisional chiefs to determine what part of their program goals might be achieved through effective education and to determine the direction of this educational activity. The research, planning and statistics program provides vital records management; research and planning to improve the quality of public health practice in the State; maintains a central statistical reporting system for mental health, mental retardation and alcoholism statistics to provide the necessary data for program evaluation and planning; and maintains a tumor registry program to increase knowledge of the incidence, prevalence and epidemiological characteristics of cancer in Hawaii and to provide the medical community with guides to improve patient care.

The District Health Offices have the responsibility for providing administrative direction and coordination of public health programs on the neighbor islands, as well as, fiscal, personnel and clerical services for these programs.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Notes to the Financial Statements (continued)

June 30, 1967

Note 4 - Description of Programs (continued)

The Dental Health Division maintains programs for the prevention and control of dental diseases and abnormalities within the State, conducts research and special projects to improve methods for the prevention and control of oral diseases and provides dental care to indigents and in hospitals operated by the Department of Health.

The Children's Health Services Division provides preventive and treatment services under various programs including the crippled children's program which provides diagnostic and treatment services, in coordination with other agencies, for children with mentally and physically crippling conditions; the maternal and child health program which provides preventive medical services to maternity patients and children from birth through adolescence; and the maternity and infant care project which provides comprehensive medical care to pregnant women and infants in low income levels where there is a high risk of premature birth and infant mortality.

The Communicable Disease Division's Hansen's Disease Branch program includes the maintenance of an outpatient service to provide diagnostic service and medical supervision for Hansen's disease patients and to provide instruction and health education to patients who have been released and to families of persons who have contacted the disease. This branch also maintains and operates Hale Mohalu Hospital and the Kalaupapa Settlement for the isolation and treatment of Hansen's disease patients. The patient population of these two hospitals at June 30, 1967 was 81 and 182, respectively. The Epidemiology Branch is engaged in programs to eliminate or control diseases which lend themselves to elimination or control through public health measures and in the surveillance of all communicable diseases. The Tuberculosis Control Branch is responsible for detecting tuberculosis through x-ray surveys and tuberculin testing, making diagnostic studies on persons with abnormal survey x-rays, assuring the treatment of active tuberculosis cases, examining close associates of new patients and providing preventive drug treatment for persons at risk.

The programs of the Department of Health which are concerned with the control of the environment are organized in the Environmental Health Division. The Food and Drug Branch is responsible for the protection of the public from adulterated, misbranded and dangerous food, drugs, cosmetics and paramedical devices and from the illegal sale and use of narcotic and other dangerous drugs and poisons.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Notes to the Financial Statements (continued)

June 30, 1967

Note 4 - Description of Programs (continued)

The program of the Health Engineering Branch includes air pollution control, industrial safety, radiological health, air conditioning and ventilation control, fumigation control and sanitary engineering activities to maintain the good quality of drinking water. The branch is also set up to control sewerage, refuse and industrial waste disposal, to safeguard contamination of swimming pools and bathing areas and to promote sanitary conditions in housing. The Mosquito Control Branch is concerned with suppressing potential outbreaks of mosquito-borne disease, guarding against the entry of new mosquito species and their diseases into the State and providing relief from severe mosquito nuisance which would interfere with tourism and economic development in Hawaii. The Rodent Control Branch is engaged in activities to control and prevent, through field service, research and education, the spread of rodent-borne disease which are transmittible to man. The function of the Sanitation Branch is to provide sanitation services, including inspectional, educational and enforcement activities to food and food service establishments, dairy farms and milk plants, individual household sewage disposal systems, solid waste disposal areas, housing facilities, hog and poultry farms and mortuaries and cemeteries. The Water Pollution Control program is primarily a Federal program to prevent the contamination of streams, rivers and the ocean through uncontrolled disposals of waste.

The Medical Health Services Division has responsibility over a wide range of programs including chronic disease, laboratory services, nutrition, public health nursing and supervision of the survey, planning, construction, inspection and licensing of hospital and medical facilities. The Chronic Disease Branch is concerned with education and casefinding in cardio-pulmonary diseases, cancer and diabetes, accident prevention and industrial health, chronic disease determination, pre-retirement programs for the aging and rehabilitation of persons disabled through chronic disease or accident. The Laboratories Branch provides diagnostic and consultative services to physicians, institutions and various government agencies for the diagnosis and control of disease, control of water, sewage, food products and drugs, and research, investigational and related laboratory services in the areas of public health, as well as, the certification and licensing of independent laboratories, laboratory directors and laboratory technicians. The Nutrition Branch is responsible for providing health education on matters related to nutrition by providing in-service training, consultative services, individual instruction in nutrition and mass dissemination of information on

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Notes to the Financial Statements (continued)

June 30, 1967

Note 4 - Description of Programs (continued)

nutrition. The Public Health Nursing Branch provides nursing services which include home visits, clinical services and services to schools, nursing and care homes; it is responsible for programs devoted to maternal and child health, crippled children, communicable disease control, mental health, mental retardation, chronic diseases and dental health.

The activities of the Division of Mental Health are divided between the Preventive and Clinical Services Branch and the Hawaii State Hospital. The Preventive and Clinical Services Branch provides outpatient diagnostic treatment services for adults and children and consultation and educational services for other agencies and the general public. This branch operates the regional mental health clinics, as well as, the Alcoholism Clinic, Convalescent Center, the Children's Day Treatment Center and the Corrections Team. Programs include short- and long-term hospital care of psychiatric patients on the neighbor islands, a day hospital at the Convalescent Center, care and nursing home placement, sheltered workshops, outpatient clinics, community education and consultation, emergency psychiatric services and training programs in social work, nursing and clinical psychology. The function of the Hawaii State Hospital is to receive, treat, rehabilitate and return to the community, patients with various kinds and degrees of mental illness who cannot receive more effective treatment elsewhere. The hospital also provides training for professional and other staff needed to operate the hospital program and conducts research and program evaluation to improve the treatment of patients and the operation of the hospital. As of June 30, 1967, there were 665 patients at the Hawaii State Hospital. The Division of Mental Health is also engaged in the development and implementation of a comprehensive mental health plan for the State.

The Waimano Training School and Hospital is responsible for providing residential care for severely mentally retarded patients whose parents are unable to provide the degree of care needed. The Cottage Life Branch provides 24-hour care, management and supervision of the mentally retarded in a family-like environment, and develops and trains residents in self-help and socio-recreational-vocational activities, according to their individual capabilities for eventual return to the community. The Medical and Hospital Services Branch provides medical, nursing, habilitative, laboratory, sanitation, psychological and emotional care for the patients. The

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
GENERAL FUND

Notes to the Financial Statements (continued)

June 30, 1967

Note 4 - Description of Programs (continued)

Social Services and Parole Branch is concerned with providing case-work services to patients and their families and planning, placement and follow-up services in the community placement program. Extramural activities include the operation of the Half-Way House project which provides a supervised community living setting for patients prior to their return to independent living in the community. The Intensive Treatment Center which provides a community facility for short-term intensive care and treatment for the mentally retarded and the Learning Disability Clinic which provides evaluations and short-term counseling services for persons with learning disabilities. This Division is also engaged in a project to develop and implement a plan to combat mental retardation. As of June 30, 1967, there were 821 patients at the Waimano Training School and Hospital.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
SPECIAL REVENUE FUNDS

Combined Balance Sheet

June 30, 1967

	Total	City and County Housing Inspector Fund	Air Pollution Control Fund	Hawaii Rodent Control Fund	Maui Comprehensive Mental Health Service Fund	Statistical Service Mental Health Register Fund	Volunteer Coordination Service Fund	Out-of-State Mentally Retarded Patients' Fund	Oral Cancer Education Fund	Topically Applied Fluoride Study Fund
<b>ASSETS</b>										
Cash with Treasury	\$36,094.61	\$ -	\$1,814.50	\$2,517.51	\$ -	\$ 6,017.49	\$ 759.42	\$ 12,783.86	\$2,400.11	\$ 9,801.72
Federal grants receivable	13,521.33	-	-	-	6,889.07	-	-	-	-	6,632.26
Receivable from Territory of Guam	5,976.00	-	-	-	-	-	-	5,976.00	-	-
<b>Total assets</b>	<b>\$55,591.94</b>	<b>\$ -</b>	<b>\$1,814.50</b>	<b>\$2,517.51</b>	<b>\$ 6,889.07</b>	<b>\$ 6,017.49</b>	<b>\$ 759.42</b>	<b>\$ 18,759.86</b>	<b>\$2,400.11</b>	<b>\$ 16,433.98</b>
<b>LIABILITIES, RESERVES AND FUND BALANCES</b>										
Vouchers payable	\$ 1,212.93	\$ -	\$ -	\$1,173.53	\$ 39.40	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	22,537.92	-	-	-	6,637.64	5,696.31	-	-	2,500.00	7,703.97
Unrealized receivables	19,497.33	-	-	-	6,889.07	-	-	5,976.00	-	6,632.26
Reserve for encumbrances	628.28	-	-	546.22	82.06	-	-	-	-	-
<b>Fund balances</b>	<b>11,715.48</b>	<b>-</b>	<b>1,814.50</b>	<b>797.76</b>	<b>(6,759.10)</b>	<b>321.18</b>	<b>759.42</b>	<b>12,783.86</b>	<b>(99.89)</b>	<b>2,097.75</b>
<b>Total liabilities, reserves and fund balances</b>	<b>\$55,591.94</b>	<b>\$ -</b>	<b>\$1,814.50</b>	<b>\$2,517.51</b>	<b>\$ 6,889.07</b>	<b>\$ 6,017.49</b>	<b>\$ 759.42</b>	<b>\$ 18,759.86</b>	<b>\$2,400.11</b>	<b>\$ 16,433.98</b>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
SPECIAL REVENUE FUNDS

Statement of Revenues, Expenditures and Fund Balances  
For the year ended June 30, 1967

	Total	City and County Housing Inspector Fund	Air Pollution Control Fund	Hawaii Rodent Control Fund	Maui Comprehensive Mental Health Service Fund	Statistical Service Mental Health Register Fund	Volunteer Coordination Service Fund	Out-of-State Mentally Retarded Patients' Fund	Oral Cancer Education Fund	Topically Applied Fluoride Study Fund
<b>Revenues</b>										
Contribution from City and County of Honolulu	\$10,039.87	\$ 10,039.87	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution from Territory of Guam	29,065.54	-	-	-	-	-	-	29,065.54	-	-
Federal grants	43,079.67	-	-	-	31,833.96	3,109.36	-	-	2,153.35	5,983.00
Contribution from Hilo Shippers' Wharf Committee Fund	6,000.00	-	-	6,000.00	-	-	-	-	-	-
Contribution from Waimano Home Auxiliary	2,000.00	-	-	-	-	-	2,000.00	-	-	-
Other revenues	60.00	-	60.00	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>90,245.08</b>	<b>10,039.87</b>	<b>60.00</b>	<b>6,000.00</b>	<b>31,833.96</b>	<b>3,109.36</b>	<b>2,000.00</b>	<b>29,065.54</b>	<b>2,153.35</b>	<b>5,983.00</b>
<b>Expenditures</b>										
Personal services	51,557.80	10,014.67	-	-	10,671.32	-	1,334.24	29,537.57	-	-
Other expenses	15,933.14	-	-	6,370.33	2,930.55	-	-	-	-	6,632.26
Transfer to General Fund	17,000.00	-	-	-	17,000.00	-	-	-	-	-
<b>Total expenditures</b>	<b>84,490.94</b>	<b>10,014.67</b>	<b>-</b>	<b>6,370.33</b>	<b>30,601.87</b>	<b>-</b>	<b>1,334.24</b>	<b>29,537.57</b>	<b>-</b>	<b>6,632.26</b>
Excess of revenues over expenditures	5,754.14	25.20	60.00	(370.33)	1,232.09	3,109.36	665.76	(472.03)	2,153.35	(649.26)
Fund balances, July 1, 1966	6,589.62	(25.20)	1,754.50	1,714.31	(7,909.13)	(2,788.18)	93.66	13,255.89	(2,253.24)	2,747.01
	12,343.76	-	1,814.50	1,343.98	(6,677.04)	321.18	759.42	12,783.86	(99.89)	2,097.75
Reserve for encumbrances	628.28	-	-	546.22	82.06	-	-	-	-	-
<b>Fund balances, June 30, 1967</b>	<b>\$11,715.48</b>	<b>\$ -</b>	<b>\$1,814.50</b>	<b>\$ 797.76</b>	<b>\$ (6,759.10)</b>	<b>\$ 321.18</b>	<b>\$ 759.42</b>	<b>\$ 12,783.86</b>	<b>\$ (99.89)</b>	<b>\$ 2,097.75</b>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
SPECIAL REVENUE FUNDS

Notes to the Financial Statements

June 30, 1967

Note 1 - Combined Balance Sheet Accounts

The following is a description of the accounts in the combined balance sheet:

1. Federal grants receivable are amounts due from the Federal government on grants based on cost reimbursements. The amounts receivable represent costs incurred under these programs which have not been reimbursed. The State of Hawaii does not recognize revenue on its books of account until collected. Therefore, the recognition of this revenue is deferred in the unrealized receivables account and not recognized on the statement of revenues, expenditures and fund balances. This treatment is necessary to present the financial position of the funds.
2. Amounts due to other funds are working capital advances made by the General Fund to enable these funds to incur expenses which would then be reimbursed by the Federal government. These amounts will be reimbursed to the General Fund when the projects are completed.
3. Fund balances represent the excess of revenues over expenditures against which no purchase commitments have been made. The excess of expenditures over revenues in the Maui Comprehensive Mental Health Service Fund will be eliminated when the amounts billed to the Federal government are collected.

Note 2 - Description of the Funds

The following is a description of the Special Revenue Funds of the Department of Health:

City and County Housing Inspector Fund

This fund was established in 1958 to account for the contribution from the City and County of Honolulu Urban Renewal Program to the Department of Health for providing housing inspection service. The annual contribution is equal to the salary of one housing inspector. The Department expects to continue this program as long as the inspection services are required by the Honolulu Urban Renewal Program.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
SPECIAL REVENUE FUNDS

Notes to the Financial Statements (continued)

June 30, 1967

Note 2 - Description of the Funds (continued)

Air Pollution Control Fund

Section 47-65 of the Revised Laws of Hawaii, 1955, as amended, authorizes the Department of Health to assess fees for the estimated cost of issuing permits and inspection in connection with air pollution control. This fund was established in 1958 to account for these fees. No expenditures have been made from this fund to date. The Department plans to close this fund and account for the fees and costs in the General Fund as soon as authorization can be obtained to do so.

Hawaii Rodent Control Fund

The Hawaii Rodent Control Fund was established in 1953 to account for annual contributions from the Hilo Shippers' Wharf Committee Fund to be used to combat plague and otherwise further public health and safety on the Island of Hawaii. Contributions since 1962 have ranged between \$5,000 to \$6,500. This fund will continue to operate as long as the Hilo Shippers' Wharf Committee Fund which is administered by the Governor of Hawaii continues to contribute to this fund.

Maui Comprehensive Mental Health Service Fund

The Department of Health entered into a reimbursable contract with the Department of Health, Education and Welfare of the Federal government on June 12, 1964 to conduct a demonstration project on Maui on the alternatives for mental care in a rural community. The expenses incurred and the reimbursements thereon are being accounted for through this fund. The contract calls for reimbursement of direct costs only. Up to June 30, 1967, grants under this contract totaled \$105,442.00.

Statistical Service Mental Health Register Fund

On January 1, 1963, the Department of Health entered into a contract with the National Institutes of Health of the Department of Health, Education and Welfare to expand the reporting system of the Psychiatric Case Register of the State of Hawaii. Under the terms of the grant, the Federal government agreed to pay direct and indirect costs up to \$31,166.00. Federal assistance on this project terminated on June 30, 1966.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
SPECIAL REVENUE FUNDS

Notes to the Financial Statements (continued)

June 30, 1967

Note 2 - Description of the Funds (continued)

Volunteer Coordination Service Fund

This fund was initially established in 1963 to account for gifts from the McInerny Foundation to provide for a paid volunteer coordinator at the Waimano Training School and Hospital. Since then, a contribution has been received from the Waimano Auxiliary for the same purpose. Total gifts to this project to June 30, 1967 were \$7,500.00.

Out-of-State Mentally Retarded Patients' Fund

In 1963, the State of Hawaii entered into an agreement with the Territory of Guam to provide institutional care for mentally retarded persons from the Territory of Guam. Payments for this service are initially deposited in this fund to pay for certain of additional costs resulting from the care of these individuals. Excess funds totaling \$17,000.00 were transferred to the General Fund during the fiscal year. Up to June 30, 1967, 13 patients were admitted under this program of which 11 remained at Waimano as of that date.

Oral Cancer Education Fund

On June 22, 1964, the Department of Health entered into a reimbursable contract with the Department of Health, Education and Welfare to conduct an educational program for the control of oral cancer. The contract calls for reimbursement of all direct costs of the project up to the amount of the grant. Federal assistance on this project up to its termination on June 30, 1966 totaled \$2,500.00

Topically Applied Fluoride Study Fund

This fund was established to account for the proceeds and expenses of a reimbursable contract entered into with the U. S. Public Health Service on January 15, 1965 to perform a study to test the effect of topically applied acidulated phosphate fluoride on dental caries experience. The Federal government has agreed to reimburse the Department for direct costs up to \$20,705.00.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
KALAUPAPA STORE REVOLVING FUND

Balance Sheet

June 30, 1967

ASSETS

Cash on hand	\$ 896.78
Cash in Treasury	6,831.16
Due from General Fund	6,454.18
Merchandise inventory (Note)	<u>20,628.84</u>
Total assets	<u>\$34,810.96</u>

LIABILITIES AND FUND BALANCE

Accounts payable - trade	\$ 1,202.23
Uncollected receivable from General Fund	6,454.18
Fund balance	<u>27,154.55</u>
Total liabilities and fund balance	<u>\$34,810.96</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
KALAUPAPA STORE REVOLVING FUND

Statement of Revenues, Expenditures and Fund Balance  
For the year ended June 30, 1967

Receipts from merchandise sold		\$ 94,807.35
Cost of sales		
Inventory, July 1, 1966 (Note)	\$ 21,907.64	
Merchandise purchases	<u>99,023.62</u>	
	120,931.26	
Inventory, June 30, 1967 (Note)	<u>20,628.84</u>	<u>100,302.42</u>
Excess of cost of sales over receipts		5,495.07
Fund balance, July 1, 1966		<u>32,649.62</u>
Fund balance, June 30, 1967		<u>\$ 27,154.55</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
KALAUPAPA STORE REVOLVING FUND

Note to the Financial Statements

June 30, 1967

The Kalaupapa Store Revolving Fund is authorized under Section 50-29 of the Revised Laws of Hawaii, 1955, as amended. The fund was created in 1915 to enable the Department of Health to operate the Kalaupapa Store at the Hansen's Disease Settlement in Kalaupapa, Molokai. Periodic contributions from the State of Hawaii have been used to finance inventories and accounts receivable. The Kalaupapa Store is required by Section 50-30 of the Revised Laws of Hawaii, 1955, as amended, to sell its merchandise at prices not exceeding actual cost, free on board transportation at Honolulu. Pricing at actual cost does not include an allowance for damages and spoilage. These losses are absorbed by the fund.

The State of Hawaii provides each patient and former patient residing in Kalaupapa Settlement with a weekly ration allowance. These persons draw their rations at the Kalaupapa Store and the store bills the General Fund for rations drawn. The amount due from the General Fund shown on the balance sheet is for these rations.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
TRUST FUNDS

Combined Balance Sheet

June 30, 1967

	Total	Waimano Training School and Hospital			Hawaii State Hospital			Hansen's Disease Branch			Department of Health Donation Fund	Convalescent Center Trust Fund	Temporary Deposits
		Patients' Trust Fund	Recreation Fund	Canteen Fund	Patients' Trust Fund	Donation Fund	McInerney Foundation Fund	Patients' Trust Fund	Donation Fund	Brown Fund			
<b>ASSETS</b>													
Cash on hand	\$ 337.87	\$ 284.49	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53.38	\$ -	\$ -	\$ -	\$ -	
Cash with Treasury	143,837.24	-	-	2,154.28	116,126.49	3,766.59	3,564.50	-	-	11,582.44	644.68	659.72	
Cash in savings and loan associations	397,525.77	397,525.77	-	-	-	-	-	-	-	-	-	-	
Cash in banks	55,450.18	39,329.49	5,535.11	-	-	-	-	4,741.02	5,844.56	-	-	-	
	<u>597,151.06</u>	<u>437,139.75</u>	<u>5,535.11</u>	<u>2,154.28</u>	<u>116,126.49</u>	<u>3,766.59</u>	<u>3,564.50</u>	<u>4,794.40</u>	<u>5,844.56</u>	<u>11,582.44</u>	<u>644.68</u>	<u>659.72</u>	
U. S. savings bonds - at face value	70,925.00	70,925.00	-	-	-	-	-	-	-	-	-	-	
Loan receivable	135.50	-	-	-	-	-	135.50	-	-	-	-	-	
<b>Total assets</b>	<u>\$668,211.56</u>	<u>\$508,064.75</u>	<u>\$ 5,535.11</u>	<u>\$2,154.28</u>	<u>\$116,126.49</u>	<u>\$ 3,766.59</u>	<u>\$ 3,700.00</u>	<u>\$ 4,794.40</u>	<u>\$5,844.56</u>	<u>\$11,582.44</u>	<u>\$ 644.68</u>	<u>\$ 659.72</u>	<u>\$5,338.54</u>
<b>LIABILITIES AND FUND BALANCES</b>													
Patients' accounts Deposits	\$628,985.64 5,338.54	\$508,064.75 -	\$ - -	\$ - -	\$116,126.49 -	\$ - -	\$ - -	\$ 4,794.40 -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - 5,338.54
Fund balances	<u>33,887.38</u>	<u>-</u>	<u>5,535.11</u>	<u>2,154.28</u>	<u>-</u>	<u>3,766.59</u>	<u>3,700.00</u>	<u>-</u>	<u>5,844.56</u>	<u>11,582.44</u>	<u>644.68</u>	<u>659.72</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$668,211.56</u>	<u>\$508,064.75</u>	<u>\$ 5,535.11</u>	<u>\$2,154.28</u>	<u>\$116,126.49</u>	<u>\$ 3,766.59</u>	<u>\$ 3,700.00</u>	<u>\$ 4,794.40</u>	<u>\$5,844.56</u>	<u>\$11,582.44</u>	<u>\$ 644.68</u>	<u>\$ 659.72</u>	<u>\$5,338.54</u>

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
TRUST FUNDS

Combined Statement of Cash Receipts and Disbursements  
For the year ended June 30, 1967

	Total	Waimano Training School and Hospital			Hawaii State Hospital			Hansen's Disease Branch			Department of Health Donation Fund	Convalescent Center Trust Fund	Temporary Deposits
		Patients' Trust Fund	Recreation Fund	Canteen Fund	Patients' Trust Fund	Donation Fund	McInerney Foundation Fund	Patients' Trust Fund	Donation Fund	Brown Fund			
Cash balance, July 1, 1966	\$ 541,174.80	\$377,101.72	\$ 2,342.36	\$2,154.28	\$131,323.98	\$2,926.68	\$ 2,000.00	\$ 4,333.43	\$5,364.38	\$11,582.44	\$ 867.98	\$ 401.50	\$ 776.05
Receipts													
Patients' deposits	697,709.60	581,541.86	-	-	107,904.36	-	-	323.38	-	-	-	-	7,940.00
Loan collections	864.50	-	-	-	-	-	864.50	-	-	-	-	-	-
Gifts	7,683.41	-	2,812.73	-	-	1,970.12	1,960.00	-	860.56	-	80.00	-	-
Sales of products and services	14,958.09	-	13,110.00	-	-	545.60	-	-	654.59	-	-	647.90	-
Interest	17,291.01	17,047.06	66.36	-	-	-	-	177.59	-	-	-	-	-
Other	2,490.25	-	1,082.70	-	-	1,407.55	-	-	-	-	-	-	-
Total receipts	740,996.86	598,588.92	17,071.79	-	107,904.36	3,923.27	2,824.50	500.97	1,515.15	-	80.00	647.90	7,940.00
Total	1,282,171.66	975,690.64	19,414.15	2,154.28	239,228.34	6,849.95	4,824.50	4,834.40	6,879.53	11,582.44	947.98	1,049.40	8,716.05
Disbursements													
Patients' withdrawals	661,692.74	538,550.89	-	-	123,101.85	-	-	40.00	-	-	-	-	-
Loan disbursement	1,000.00	-	-	-	-	-	1,000.00	-	-	-	-	-	-
Personal services	4,343.65	-	4,343.65	-	-	-	-	-	-	-	-	-	-
Equipment	3,083.25	-	3,083.25	-	-	-	-	-	-	-	-	-	-
Capital improvements	2,750.54	-	2,750.54	-	-	-	-	-	-	-	-	-	-
Refunds	3,377.51	-	-	-	-	-	-	-	-	-	-	-	3,377.51
Other	8,772.91	-	3,701.60	-	-	3,083.36	260.00	-	1,034.97	-	303.30	389.68	-
Total disbursements	685,020.60	538,550.89	13,879.04	-	123,101.85	3,083.36	1,260.00	40.00	1,034.97	-	303.30	389.68	3,377.51
Cash balance June 30, 1967	\$ 597,151.06	\$437,139.75	\$ 5,535.11	\$2,154.28	\$116,126.49	\$3,766.59	\$ 3,564.50	\$ 4,794.40	\$5,844.56	\$11,582.44	\$ 644.68	\$ 659.72	\$5,338.54

The accompanying notes are an integral part of this statement.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
TRUST FUNDS

Note to the Financial Statements

June 30, 1967

The following is a description of the creation of and authorization for the operations of the Trust Funds:

Patients' Trust Funds

The Patients' Trust Funds were created out of a need to take custody of monies and other assets owned by patients who were not capable of handling their own affairs. The authority for the establishment and operation of the Waimano Training School and Hospital Patients' Trust Fund stems from Section 82-14 of the Revised Laws of Hawaii, 1955, as amended, which makes the Director of Health the guardian of every person committed to and received at Waimano Training School and Hospital. Section 81-46 of the Revised Laws of Hawaii, 1955, as amended, authorizes the medical director of the Hawaii State Hospital to take custody of monies belonging to patients which may come into his hands. The Hansen's Disease Branch Patients' Trust Fund is limited to monies of those patients over whom the Hansen's Disease Branch has been appointed guardian. As of June 30, 1967, there were 921 patient trust accounts at Waimano Training School and Hospital, 1,032 at the Hawaii State Hospital and 7 at the Hansen's Disease Branch. These monies have been received by patients primarily as gifts from relatives and friends, from trusts, from Social Security Act payments and from sheltered workshop activities. Monies are used to pay for the support and care of the patient where authorized, to meet the patient's personal needs as directed by the patient or as authorized by the guardian where such authorization is required.

Donation Funds

The various hospital donation funds, including the Waimano Training School and Hospital Recreation Fund, were established to receive and account for gifts from interested parties to be used for the benefit of the patients and/or the hospitals. Authority to receive these gifts is granted under Section 48-20 of the Revised Laws of Hawaii, 1955, as amended.

Waimano Training School and Hospital Canteen Fund

The Waimano Training School and Hospital Canteen Fund was created to account for receipts and disbursements for the operation of the canteen at Waimano. The canteen has not been in operation for the last three years. The balance in this fund will be transferred to the Recreation Fund after refunds are made to patients for unused credit cards.

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
TRUST FUNDS

Note to the Financial Statements (continued)

June 30, 1967

McInerny Foundation Fund

The McInerny Foundation Fund was established to account for a gift from the McInerny Foundation establishing a revolving loan fund for travel expenses of clinical psychologist trainees hired by the Hawaii State Hospital. Since its inception, the fund has been used to account for other expendable gifts from the Foundation.

Brown Fund

The Brown Fund of the Hansen's Disease Branch was established by a gift from the Estate of Charles A. Brown, Deceased, for the support and benefit of children of parents with Hansen's disease who themselves are not afflicted with Hansen's Disease.

Department of Health Donation Fund

The Department of Health Donation fund is used to account for grants from organizations such as the International Cooperation Agency, the International Branch of the U. S. Public Health Service, the World Health Organization and the China Medical Board of New York for costs associated with the training of foreign participants.

Convalescent Center Trust Fund

The Convalescent Center Trust Fund was established in 1961 to account for the proceeds from sales of and expenses incurred in connection with articles produced in the sheltered workshop at the Convalescent Center of the Division of Mental Health.

**PART II**

**MANAGEMENT LETTER**

STATE OF HAWAII  
DEPARTMENT OF HEALTH

Management Letter

June 30, 1967

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
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To the Auditor

State of Hawaii

In accordance with the requirements of Section II of the Instructions to Independent Certified Public Accountants on Audit Engagements of Agencies of the State of Hawaii with which we have agreed to comply under the terms of our agreement with you dated June 26, 1967, we submit this report on the system of internal control and accounting of the Department of Health of the State of Hawaii for the year ended June 30, 1967.

The objectives of our examination of the accounting records of the Department of Health were as follows:

1. To provide the basis for an independent accountant's opinion of the reasonable accuracy of the financial statements of the Department of Health.
2. To ascertain that the expenditures were made in accordance with the appropriation acts and other applicable laws and that the revenues and receipts collected by the Department of Health were properly accounted for.
3. To evaluate the effectiveness of the system of internal control.
4. To ascertain the adequacy of the financial reports of the Department of Health to provide the Department's management and other State officials with a basis to evaluate its operations.

We were not engaged to make a comprehensive study of the system of internal control and accounting of all phases of departmental operations. Accordingly,

November 17, 1967

our comments and recommendations are limited to observations made by our staff in the course of reaching our objectives. In addition, any qualifications as to the scope of our examinations contained in the Accountants' Report - Financial Statements as of June 30, 1967, would be equally applicable here.

The system of internal control of the Department of Health, taken as a whole, is adequate. While we noted several deficiencies, they are not of such material significance as to detract from the adequacy of the system taken as a whole.

CLAY, WULFEKUEHLER & CO.

Clay, Wulfekuehler & Co.

HOKADA & HAYASHI

Hokada & Hayashi

INAGAKI, MUKAI & FO

Inagaki, Mukai & Fo

ISHIMOTO, IMAMOTO & CO.

Ishimoto, Imamoto & Co.

LEMKE AND COMPANY

Lemke and Company

Honolulu, Hawaii

November 17, 1967

STATE OF HAWAII  
DEPARTMENT OF HEALTH

General

Reports

The following are the financial reports currently being prepared periodically by the Administrative Services Office of the Department of Health:

1. Monthly Financial Report

This is a cumulative report which is prepared monthly for distribution to Department of Health Division Chiefs, the Department of Budget and Finance and the Office of the Auditor. This report shows appropriations, allotments to date, expenditures to date, encumbrances at the end of the period and unencumbered allotments. Deficiencies noted in this report are commented on in detail in various sections of this report.

2. Obligation Ledgers

Xerox copies of obligation ledgers are furnished biweekly to all persons in charge of programs within the Department of Health. These reports provide them with information on unliquidated encumbrances (outstanding purchase commitments) and unencumbered balances (funds available for commitment) as shown on the records maintained by the Administrative Services Office. Comments on deficiencies in this report are included in our comments on purchasing and expenditure accounting.

3. Expenditure Ledgers

Copies of expenditure ledger cards are furnished monthly to all persons in charge of programs within the Department. These ledger cards show the expenditures which have been recorded by the Administrative Services Office up to the closing date of the report. Program directors compare expenditures with liquidated encumbrances to determine variances between encumbered amounts and actual liabilities. Deficiencies in this report are noted in our comments on expenditure accounting later in this report.

4. Cost Distribution List

This is a list tabulated by the Department of Accounting and General Services from information furnished by the Department of Health, showing expenditures by the most detailed

General

Reports (continued)

4. Cost Distribution List (continued)

classification used in the preparation of the budget. This enables program directors to compare actual expenditures against budgeted amounts and provides information for preparation of future budgets. This report assists program directors in evaluating the results of their individual operations, when used in conjunction with the obligation and expenditure ledger reports, and appears to be adequate for the purpose for which it was intended, subject to the previously mentioned deficiencies in expenditure reporting.

5. Allocation and Allotment Advice

This is a report furnished by the Administrative Services Office to program directors to notify them of approval granted by the Department of Budget and Finance for changes in quarterly allotments of appropriated funds. This report appears to communicate this information adequately. This is a new report issued for the first time during the fiscal year ending June 30, 1968. Previously, this information was communicated to the program directors through the obligation ledgers. However, this new report provides the information in much greater detail. This report contains information only for other current expenses and equipment because program directors have no responsibility for allocation of appropriations once the personnel positions within the programs are established. This responsibility is assumed by the Budget and Accounting Officer as explained below.

6. Personal Services Report

The Personal Services Report is an internal report prepared monthly for the Departmental Budget and Accounting Officer to determine whether the allocation for personnel services for each program is adequate to meet its needs. This report appears to provide the information required by the Budget and Accounting Officer in this area.

Subject to the limitations previously mentioned, the reports prepared for the management of departmental program expenditures appear to be adequate. However, we are not aware of any reports being prepared for management with respect to revenues. The department has the responsibility for collecting certain revenues but without periodic reports on revenues earned and collected, individuals responsible for the management of departmental affairs would experience difficulty in determining whether or not they are meeting their responsibilities in this area. It is recommended that monthly reports showing comparisons between actual and estimated revenues for the current, as well as the immediately preceding fiscal year, be prepared for use by management.

General

Method of Accounting

The State of Hawaii should consider changing its method of accounting for revenues from the cash method to the accrual method. Under the cash method of accounting, revenue is not recognized on the books until actually received. While this method of accounting is simple, it does not reflect the revenues earned by the Department of Health. Earnings reflect the operations of the Department much more adequately than collections do. For example, this difference is reflected in the following accounting for the Federal grant for the Hansen's Disease Program:

<u>Period Covered</u>	<u>Cash Basis</u>	<u>Accrual Basis</u>
January 1 to March 31, 1966	\$ 327,470.10	\$ -
April 1 to June 30	185,744.80	-
July 1 to September 30	328,957.40	328,957.40
October 1 to December 31	325,593.60	325,593.60
January 1 to March 31, 1967	-	316,892.20
April 1 to June 30	-	228,556.80
	<u>\$1,167,765.90</u>	<u>\$1,200,000.00</u>

The revenues earned during the period from January 1, 1967 to June 30, 1967 is not reported as revenue for the year ended June 30, 1967 because by the time the accounting is completed, the bill is prepared and submitted to the Federal government and payment is received, six months have elapsed. If this procedure was followed consistently from year to year and if the revenue earned did not vary greatly from year to year, the difference in the dollar amounts reported for revenues on the accrual basis and on the cash basis would not differ significantly. However, accounting should not have to depend on this kind of consistency. Furthermore, accrual method accounting would require the recording of accounts receivable. This recording would provide the control accounts for the subsidiary accounts receivable records mentioned later in this report.

We strongly recommend that the State of Hawaii adopt the accrual method of recording revenues at the earliest possible date.

The method of accounting used to record appropriations, expenditures and encumbrances appears to be satisfactory.

## General

### Divisional and Departmental Memoranda

Currently the Department of Health has the following memoranda, directives and circulars to provide operating guidelines on accounting and related matters:

Administrative Services Office Memoranda  
Intra-Departmental Directives  
Department of Accounting and General  
Services Circulars

In reviewing these memoranda, directives and circulars, the auditors experienced some difficulty in determining which of these were currently in effect and wasted much time in reading those which were no longer in effect.

The following steps should be taken to keep these memoranda, directives and circulars current:

1. Whenever a new memorandum, directive or circular is issued by the Department of Health or the Department of Accounting and General Services which replaces one in existence, the fact should be noted on the new memorandum so that the old one may be removed from the file of memoranda currently in effect.
2. Memoranda files should be reviewed once annually by persons responsible for maintaining the files and those items no longer in effect should be removed.

### Accounting Manual

The Administrative Services Division of the Department of Health does not have an accounting and procedures manual. Various directives have been issued by the Department of Accounting and General Services and the Administrative Services Division of the Department of Health which could serve as the beginnings of such a manual. However, an integrated manual is not available at this time.

An accounting manual is necessary to provide the Department of Health with comprehensive written statements of its accounting policies, practices and procedures which will guide departmental personnel in the discharge of their duties related to accounting and finance and make possible the consistent application of accounting principles and procedures.

When the accounting manual is initially written, the divisional and departmental memoranda previously mentioned, which are permanent statements of policy, practice and procedure, should be integrated into the manual. A section should be provided in the manual for memoranda which will be in effect only temporarily and for memoranda which will be integrated into the body of the manual during some future revision.

## General

### Accounting Manual (continued)

The accounting and procedures manual should be a comprehensive statement of the accounting policies and procedures of the State of Hawaii and the Department of Health and should include the following:

1. A chart of accounts, which describes accurately and concisely what should be contained in the accounts, is of sufficient detail to provide departmental management with information necessary to control operations, facilitates the economical preparation of financial statements and reports, and provides for controlling accounts where necessary.
2. A complete discussion on accounting forms and records, including method of preparation and use of forms.
3. An organization chart, including complete descriptions of all staff positions.
4. Statements of office and accounting procedures to provide operating guidelines.
5. A complete description of all funds under the control of the Department, including a statement of authority for establishing the fund and operating requirements.

### Reporting of Special Monies

Section 34-15 of the Revised Laws of Hawaii, 1955, as amended, makes the following requirement:

"All state officers, departments, boards, bureaus, commissions or agencies collecting or receiving any monies not required by law to be deposited in the state treasury shall report to the comptroller all such receipts and disbursements on account thereof not later than the tenth day of each month on such forms and under such rules and regulations as may be prescribed by the comptroller."

A check with those agencies maintaining private bank accounts revealed that none of them are complying with this requirement at the present time. These bank accounts are shown in the Trust Funds Balance Sheet included in the Accountants' Report - Financial Statements as of June 30, 1967. They are maintained by the Hansen's Disease Branch and the Waimano Training School and Hospital as depositories for cash belonging to patients over whom the agency has guardianship responsibilities. Accounts are also maintained to account for gifts of monies from interested parties to be used for the benefit of the patients. The authority to maintain special bank accounts for patient funds is not specifically granted under the law but stems from the responsibilities of guardianship. The authority to receive, manage and

## General

### Reporting of Special Monies (continued)

invest monies given to public hospitals is granted under Section 48-20 of the Revised Laws of Hawaii, 1955, as amended.

The Comptroller has not prescribed any forms, rules or regulations for reporting under Section 34-15.

It is recommended that the Comptroller provide the necessary format and guidance for preparing these reports and the agencies furnish these reports in accordance with the requirements of the statute.

### Duplication of Records

The Department of Accounting and General Services maintains departmental expenditure records which are substantially a duplication of the records maintained by the Department of Health. However, the Department of Accounting and General Services does not record encumbrances. Unexpended appropriation balances are verified quarterly between the Department of Health and the Department of Accounting and General Services.

It is recommended that duplicate recordkeeping between the Department of Accounting and General Services and the Department of Health be eliminated. The Department of Accounting and General Services has the statutory responsibility for maintaining the books of account for the State. The records at the departmental level are maintained because the Department of Accounting and General Services cannot provide the information as rapidly as is required by the Departments. This rapid response can be achieved through the use of computers. At the present time, expenditure records at the Department of Health and the Department of Accounting and General Services are maintained on bookkeeping machines.

### Review of Funds

In our review of the Special Revenue Funds of the Department of Health, we observed that the receipts and expenditures of substantially all of the activities covered by these Special Revenue Funds can be readily accounted for in the General Fund. These Special Revenue Funds have been created for the most part to assure that revenues from certain sources will be used for the purposes specified by the statute or the grantor. However, in most of these cases, the statute or the authority granting the funds do not require the establishment of a Special Revenue Fund. Accounting in the General Fund can be accomplished through the establishment of continuous (non-lapsing) appropriations for the amount of the revenue received or to be received.

We also noted that the Home Health Services Revolving Fund, which was created by the legislature, is being operated as part of the General Fund.

We recommend that a review be made of all Funds within the Department of Health and that those Funds which have no statutory or other basis for their

General

Review of Funds (continued)

existence be eliminated and those Funds which are required to be established by statute be established and maintained. This review should be made jointly by representatives of the Director of Budget and Finance, the State Comptroller and the Director of Health.

## Purchasing

### Centralization of Purchasing within the Department

Under current procedures within the Department of Health, the purchasing function is decentralized to a considerable extent. Whenever a purchase needs to be made, clerks within the Division requiring the goods or services contact the vendors and make the commitment. A requisition is then prepared and forwarded to the purchasing staff in the Administrative Services Office who prepare the purchase order and make the necessary distribution of copies. The function of the purchasing staff is mainly clerical.

Normally, in an organization with a separate purchasing staff, the commitment for the goods or services is not made by the unit requiring the goods or services. The responsibility for making the commitment rests with the departmental purchasing agent. This responsibility may be delegated, but the necessary controls are lacking when the persons making the purchase commitments are so numerous and lack guidance.

Furthermore, the requisition, which is a request to purchase goods or services issued by the using unit, should be prepared before the commitment is made. The purchase order, which is the authorization to purchase the goods or services from a particular vendor, is prepared after a requisition is received and a determination is made as to whom the item should be purchased from.

The Department of Accounting and General Services provides price lists for common-use items which the Department of Health is required to use and a purchasing and supply manual is in effect which provides the Department of Health purchasing staff with a degree of guidance. However, the Department of Accounting and General Services does not exercise day-to-day control over the purchasing activities of the Department of Health.

We recommend that the purchasing function be centralized within the Administrative Services Office with the purchasing staff doing all of the actual purchasing to the extent feasible with technical assistance being provided by other Divisions within the Department. Centralization of purchasing will result in the following benefits:

1. Purchasing will be done by persons who will devote all of their efforts to this end and who will develop a greater familiarity with the purchasing procedures, regulations and laws than would be possible with a part-time purchasing clerk.
2. The purchasing staff will be able to develop an expertise in evaluating products, services and supplies through the development of product specialization within the staff.
3. The purchasing staff will be better able to assess overall Departmental requirements and increase quantity purchases which will result in quantity discounts.

## Purchasing

### Purchases with Low Dollar Values

The State of Hawaii Purchasing Procedures being followed by the Department of Health does not have provisions for making small purchases in an economical manner. During the fiscal year ended June 30, 1967, the Department issued approximately 40,000 purchase orders. Of this number, it is estimated that approximately 10% or 4,000 purchase orders were for purchases of \$5.00 or less. About half of this number or 2,000 purchase orders represent purchases of the nature which could be handled through a petty cash imprest fund. This would eliminate the somewhat expensive process of preparing and processing purchase orders for these purchases. Reasonable controls could be established which would make the procedure acceptable in light of the dollar values involved.

In operating the petty cash imprest fund, the custodian of the fund is initially provided with a sum of money out of which purchases may be made upon proper authorization. As the name of the fund suggests, the purchases should be for items of low dollar value. A petty cash voucher is prepared for each purchase to provide the necessary accounting data and approval for the transaction; whenever possible, a vendor's receipt is attached to support the purchase. After substantially all the cash has been disbursed, the custodian submits the petty cash vouchers on hand for reimbursement by the State Treasury. The amount of cash on hand plus the total petty cash vouchers on hand should always total to the amount of the fund.

Section 34-16 of the Revised Laws of Hawaii, 1955, as amended, provides for the establishment of petty cash funds in amounts not to exceed \$5,000.00.

### Purchases Prior to Issuance of Purchase Orders

During our review of the purchase orders of the Department of Health, we found that on approximately 15% of the items examined, the vendors' invoices were dated prior to the dates of the purchase orders, thereby indicating that purchases were made prior to the time that the authorizations to make the purchases were issued in writing. The difference between these two dates ranged from one to two days to several weeks. While it is understandable that occasionally, in an emergency, it may be necessary to make a purchase prior to the issuance of a purchase order and that this may happen in non-emergency cases because of communication problems with neighbor island offices making purchases, the 15% incidence appears to be rather high and a time lapse of more than one week is not justified. This procedural defect has resulted in certain appropriations being overencumbered during the year because of the lack of timely recording of the purchase commitment on the books of account.

It is recommended that the Department take the necessary steps to minimize this problem and eliminate purchasing practices which are of questionable legality. In not doing so, the Department stands the risk of continuing to overencumber certain appropriations because purchase orders were not recorded on a timely basis.

Purchasing

Retention of Bid Information

The State of Hawaii Purchasing Procedures issued by the General Purchasing Office of the Department of Accounting and General Services as revised in July 1962, requires that:

"Upon issuance of the appropriate purchase document, all bids and documents, including a copy of the Bid Computation Sheet pertaining to the award, shall be made a part of a file and retained until authorization for disposal is granted by the Comptroller, the Department of Accounting and General Services. Those awards made by the departments shall be kept by the departments..."

The General Records Schedule of the State of Hawaii does not cover bids and contracts except for personal service contracts. However, for requisitions for supplies and services as a request to obtain competitive bids or approval of price and vendor, the General Records Schedule requires that those be retained for two years.

Our examination of contract records revealed that bids received from vendors are not being retained. Therefore, we were not able to ascertain whether or not bids were properly secured and whether the contract was let within the requirements of established purchasing procedures.

Contracts Extending Over More Than One Fiscal Year

During the course of our review of the contracts of the Department of Health which were in effect during the fiscal year ended June 30, 1967, we noted that several of these contracts provided for services to be performed and payments to be made covering more than one fiscal year. We were informed by Department of Health personnel that the Federal government permits contracts to cover more than one fiscal year on Federally subsidized programs. However, the following are examples of where contracts of this nature have been entered into on non-Federal programs:

<u>Contract</u>	<u>Contract Period</u>	<u>Payment Dates</u>	<u>Encumbrance</u>
American Red Cross	1/1-12/31/67	1/20, 4/1, 7/1, 10/1/67	FY 6/30/67
Big Brothers of Hawaii, Inc.	5/1/66-4/30/67	5/20, 8/1, 11/1/66, 2/1/67	FY 6/30/66
Clergy Counseling Service	6/1/66-5/31/67	6/1, 9/1, 12/1/66, 3/1/67	FY 6/30/66

The Department of Health should review their contracting practices in this respect and obtain an opinion from the Office of the Attorney General to determine whether the Department is acting within legislative intent in

## Purchasing

### Contracts Extending Over More Than One Fiscal Year (continued)

encumbering appropriations in one fiscal year for services which will be substantially performed in another fiscal year.

### Miscellaneous Matters Related to Purchasing

1. Approval of purchase requisitions at the Division level should be granted by someone other than the person originating the request. The purpose of approving purchase requisitions at the Division level is to provide a check on the validity of the request. When the requisitioner and the person granting the approval are the same person there is no check.
2. The Administrative Services Officer and the Budget and Accounting Officer have the authority to take the following actions in the purchasing process:
  - a. Originate the requisitions for the Administrative Services Division.
  - b. Approve the requisitions for the Administrative Services Division.
  - c. Approve requisitions from all Divisions for the preparation of purchase orders.
  - d. Sign purchase orders as purchasing agents.

Therefore, it is possible for either of these two individuals to approve the entire purchasing process independently of any other person. While these two persons act only as alternate signers in most of these steps, the authority to act exists and should be curtailed to minimize the possibility of improper purchasing practices.

3. All contracts should be numbered and a log maintained for control purposes by the Administrative Services Office. A copy of each contract should also be retained by the Administrative Services Office for use by fiscal personnel. Our auditors experienced some difficulty in determining whether they had examined all contracts in effect during the fiscal year ended June 30, 1967, because copies of all contracts were not at the Administrative Services Office and information as to what contracts were let was not available.
4. The basis upon which each purchase order is being priced should be clearly stated on the purchase order. The purchase order should state whether the price is based on bids received, a requirement

## Purchasing

### Miscellaneous Matters Related to Purchasing (continued)

contract previously let by the Department, a price list published by the Central Purchasing Office of the Department of Accounting and General Services or by what other criteria that is used. This will assist the vendor in determining whether the price is correct and provide information for subsequent auditing of the purchase order.

5. Copies of purchase requisitions received by the purchasing staff of the Administrative Services Division should be filed together with the yellow (receiving) copy of the purchase order and the file copy of the invoice to document the purchase. The Departmental purchasing agent informs us that once the invoice is paid, the requisition files are rarely referred to. The suggested method of filing will do much to simplify the auditing process.

## Expenditure Accounting

### Federal Grants in Monthly Financial Reports

In reviewing the monthly financial report prepared by the Department of Health for the period from July 1, 1966, to June 30, 1967, we noted that in spite of the inclusive dates shown on the financial reports, certain Federal grant accounts included expenditures which were incurred prior to July 1, 1966. In discussing this matter with Administrative Services Office personnel, we were informed that accounting for long-term Federal grants was not done on a fiscal year basis but maintained on a continuous basis from the inception of the grant to its termination. Administration personnel feel that this procedure makes it easier to obtain the information necessary to prepare reports to the Federal agency making the grant.

It is recommended that regardless of the accounting procedure used, the information contained in the financial report be restricted to expenditures for the period shown on the report. To do otherwise is misleading. In order to present an accurate picture of the financial operations of the Department, only financial information includible in the period specified by the financial report should be included. If cumulative information on long-term Federal grants is desired, an additional column should be provided to show the amount of expenditure prior to the beginning of the fiscal year.

### Unliquidated Encumbrances at June 30, 1967

Unliquidated encumbrances are purchase commitments on which the goods or services have not as yet been received. It is necessary to record these encumbrances to determine the amount of uncommitted appropriations. The following conditions were found to exist in our review of unliquidated encumbrances as reported on the monthly financial reports of the Department of Health:

1. Certain contract balances were not included among the unliquidated encumbrances. This resulted in an overstatement of the unencumbered appropriation balance.
2. Included in the unliquidated encumbrances were accrued expenditures at the end of the fiscal year. This resulted in an understatement of expenditures and an overstatement of unliquidated encumbrances. Under Circular 186 issued by the Department of Accounting and General Services, vouchers for these expenditures should have been submitted for inclusion as expenditures for the fiscal year ended June 30, 1967.

The following recommendations are made to avoid similar omissions in the future and provide accurate statements of unliquidated encumbrances and unencumbered appropriations:

1. Record all contracts entered into as encumbrances when the contract is executed.

## Expenditure Accounting

### Unliquidated Encumbrances at June 30, 1967 (continued)

2. Require that receiving copies of purchase orders be transmitted to the Administrative Services Office immediately upon receipt of service or supplies to establish the date of actual liability which can be used in the review of unliquidated encumbrances pending receipt of the vendors' invoices.

### Estimation of Encumbrances

Generally, quotations and bids are obtained by the Department of Health before purchase orders are issued and these amounts are encumbered on the ledgers. This procedure should result in accurate amounts being encumbered. However, during our examination, we found that in many cases the actual expenditures varied significantly from the purchase orders in the final clearing of the encumbrances. This condition is the result of the following:

1. Incomplete information is being obtained before encumbering appropriated funds for such expenditures.
2. Extra services not on original purchase order are being performed. These amounts are not on the original encumbrances and are charged directly to expenditures for the year in which the services are received.
3. Services to be performed on encumbered purchase orders are not being completed and vendors who have not fulfilled completely their service agreements often do not bill the Department of Health for services performed. This incomplete service is often the result of lack of cooperation from the recipient of the service provided by the Department of Health's various programs, such as persons receiving medical or dental treatment who discontinue treatment without notifying the doctor.
4. Quoted prices on services to be performed by vendors are often only estimates of actual cost. The actual cost involved is often different from the original estimates resulting in the differences between the encumbered amounts and the expenditures.

Encumbrances which are incorrect and are long outstanding - over six months - result in the tie-up of appropriated funds which could be used for other purposes by the Department of Health. Often upon final billing by the vendors, the Department of Health finds that a surplus of appropriated funds that would have been available at the close of the fiscal year are reverted back to the State and its benefits lost to the Department of Health. This

## Expenditure Accounting

### Estimation of Encumbrances (continued)

situation also contributes to the problem of overencumbered balances at the end of a fiscal year. To minimize this loss we recommend that:

1. Greater care be exercised in determining the amount to be encumbered.
2. All encumbrances outstanding longer than six months be automatically cancelled. All vendors should be informed of this fact on the purchase orders issued by the Department of Health.
3. The system of checks on long outstanding encumbrances should be improved. Partially fulfilled and uncompleted contracts regardless of reason should be cleared at the end of six months and new encumbrances be instigated on remaining portions to be completed as determined.

### Miscellaneous Matters Related to Expenditure Accounting

1. The Administrative Services Office of the Department of Health should review accounting procedures on the recording of purchase orders on the encumbrance ledgers. When purchase orders are recorded, the date shown is the posting date and not the purchase order date. Without the purchase order date, any person reviewing the ledgers would not be able to tell whether the purchase order was being encumbered against the allotment for the proper period. The posting date is not a very significant bit of information.
2. During our examination of documents supporting expenditures made by the Department of Health, we examined the Summary Warrant Vouchers (Form A-8A) on file at the Department of Accounting and General Services to determine the numbers of the warrants which were issued to pay the vendors' invoices listed thereon. The Summary Warrant Voucher is a transmittal sheet listing vendors' invoices which the Department has authorized to be paid. Our audit staff experienced great difficulty and expended much time in locating the proper Summary Warrant Vouchers because the Department of Accounting and General Services files its Summary Warrant Vouchers by its own Comptroller's Number rather than the Summary Warrant Voucher Numbers issued by the Departments. A cross reference list should be prepared listing Summary Warrant Vouchers in departmental number order and showing the corresponding Comptroller's Numbers next to them. This step will provide the necessary audit trail and reduce time required in the auditing process. This will become increasingly important as the State increases its auditing activities.

Expenditure Accounting

Miscellaneous Matters Related to Expenditure Accounting (continued)

3. In our review of the expenditure accounting process, we noted that the yellow copies of the Expenditure Vouchers (Form A4) were not being filed on a current basis. These copies are filed alphabetically by vendor and are used to determine whether or not vendors' invoices have been processed whenever inquiries are received as to whether payments have been made. We are informed by Departmental personnel that this information can be readily obtained from the expenditure ledger cards if the vendor can furnish the appropriation account number and purchase order number from his copy of the purchase order. The search becomes somewhat more difficult when the vendor is unable to furnish this information. However, far less time is spent in checking inquiries when purchase order information is not available than would be required to maintain the vendor file of Expenditure Vouchers on a current basis. Therefore, the Administrative Services Office has stopped maintaining this file. We concur with their decision on this matter.

## Payroll

### Incomplete Departmental Personnel Records

Many of the Notification of Personnel Action (Form SF5) and authorizations for assignments and deductions were missing from the individual personnel jackets being maintained by the Personnel Office of the Department of Health.

Form SF5 is prepared with an original and six carbon copies. One of the carbon copies is distributed for filing in the employee's personnel jacket of the Department of Health. To complete this phase of our examination, we found it necessary to refer to the chronological file, also maintained by the Personnel Office, and the files of the Department of Personnel Services.

The Department of Accounting and General Services memorandum on Procedures for New Payroll System dated September 1, 1964, requires that duplicate copies of authorizations for assignments and deductions, other than garnishee deductions, will be forwarded by the Department of Accounting and General Services Pre-Audit Branch to the departmental personnel officer. Our check of the departmental personnel jacket files revealed that the only authorizations on file were the State and Federal Withholding Exemption Certificates and copies of the State Retirement System enrollment forms. In some files, some of these authorizations were also missing.

It is recommended that the Department of Health maintain departmental personnel files, as required, and that the Department of Personnel Services study the possibility of centralizing all personnel records and eliminating the duplicate records maintained by the departments.

### Miscellaneous Matters Related to Payroll Accounting Procedures and Internal Control

1. At Hale Mohalu, payments to patients for services performed are made in cash. Our auditors observed the following:
  - a. Cash was not counted prior to making payment to patients but was counted as each patient came to collect his pay. This resulted in a cash overage. We were informed that overages are placed in the donation fund and shortages are made up by the institution administrator. There is no authorization for this action.
  - b. Many patients signed for their pay prior to receiving payment and came back later to collect their pay.

The above procedures should be changed as follows:

- a. All cash should be counted, upon arrival, by the institution administrator in the presence of a

Payroll

Miscellaneous Matters Related to Payroll Accounting Procedures and Internal Control (continued)

- second employee and the total compared with the total of the cash payroll list. The Department of Budget and Finance should be notified of any shortage and any overage should be returned to them.
- b. Each employee's pay should be counted and placed in a pay envelope.
  - c. Employees should sign the payroll register only upon receiving their pay.
2. The Department of Accounting and General Services and the Administrative Services Office of the Department of Health should consider abolishing the maintenance of files for Specimen of Employee's Signature (DAGS Form 30). We were informed that these files were being maintained to compare signatures on cancelled warrants. However, Department of Accounting and General Services personnel indicated to us that these cards have never been used for the purpose for which they were originally intended or for any other purpose. Furthermore, the files appear to be quite incomplete. Cards for several of the names in our test sample were not on file. Comparison of signatures on warrants can be made with signatures in departmental personnel files or files at the Department of Personnel Services to satisfy audit requirements.
  3. The annual tabulation of Department of Health employee vacation and leave status is currently being done on a calendar year basis. This tabulation includes, unused leave time at the beginning of the year, leave earned during the year, leave taken during the year and unused leave time at the end of the year. Section 5-42 of the Revised Laws of Hawaii, 1955, as amended, requires that information on accumulated vacation leave be furnished once annually as of December 31 to each employee. The State Legislature should consider changing the date of the report from December 31 to June 30 to make the reporting date coincide with the State's fiscal year, particularly if the information is used for purposes other than reporting to employees, such as in the preparation of budgets. This will also enable the independent auditors to obtain the information to make the necessary disclosures regarding accumulated vacation pay.

Hawaii State Hospital Patient Trust Accounts

Income from Investment of Patients' Trust Funds

Section 81-46 of the Revised Laws of Hawaii, 1955, as amended, authorizes the Medical Director of the Hawaii State Hospital to take custody of monies belonging to patients which come into his hands and to deposit the monies in the bank and from time to time apply these monies for the benefit of the patient.

On June 30, 1967, the Hawaii State Hospital was custodian for monies belonging to 1,032 patients and former patients of the hospital totaling \$116,126.49 (see Accountants' Report - Financial Statements as of June 30, 1967). The monies were deposited in the State Treasury and interest earned, if any, from these funds was credited to the General Fund of the State of Hawaii. The Hawaii State Hospital does not charge fees to patients for acting as trustee for these funds. We are not aware of any policy which requires that these monies be deposited in the State Treasury rather than in commercial banks or savings and loan associations.

The Department of Health should obtain an opinion from the Attorney General of the State of Hawaii as to whether the Hawaii State Hospital, as trustee, is acting in the best interest of the patients and former patients in not insisting that the trust funds be deposited in interest-bearing accounts or applied to the purchase of interest-bearing securities and that the interest earned be credited to the individual patient trust accounts.

Patient Information on Account Balances

During the course of our review of the patient trust accounts, one of the auditing procedures we attempted to follow was the direct confirmation of account balances with the patients. The names of nineteen patients, whom hospital psychiatrists felt would be able to give an adequate response to our inquiries, were selected. The results of the personal interviews with patients were as follows:

<u>Response</u>	<u>Number</u>	<u>Per Cent</u>
Balance is correct	10	53%
Balance appears to be correct	4	21
Do not know	3	16
Do not understand	1	5
Balance is incorrect	<u>1</u>	<u>5</u>
	<u>19</u>	<u>100%</u>

While the small sample taken above cannot be considered as being representative of the whole, when one takes into consideration those patients whom the hospital psychiatrists did not consider capable of an adequate response - as

Hawaii State Hospital Patient Trust Accounts

Patient Information on Account Balances (continued)

high as 50% in some wards - it appears that a large number of patients have no information about their account balances and the additions to and withdrawals from their accounts. Furthermore, the hospital Business Office does not provide patients with a periodic accounting but supplies this information only upon request.

The Hawaii State Hospital should institute a passbook system to provide each patient with a personal record of his account and to give the patient trust accounts an added dimension of control.

Hale Mohalu Patient Accounts and Donation Fund

Deficiencies in the System of Internal Control

The following deficiencies were noted in the system of internal control over patient accounts and donation fund, described in the Notes to the Trust Funds of the Accountants' Report - Financial Statements as of June 30, 1967:

1. The responsibility for collection, custody and recordkeeping is in the hands of one individual for donation funds; the responsibility for custody and recordkeeping for patient accounts rests with the same individual. This makes it possible for the individual to misappropriate funds and alter the records.
2. Patients do not have personal records of the status of their individual accounts. While the information is available to them at the administration office, it is difficult for any individual to remember from day to day the status of his account without a written personal record. The knowledge that the patient has of the balance in his account serves as a control on the person keeping the records.
3. The signature of only one staff person is required to make withdrawals from patient bank accounts for patients who are minors. This person also has the responsibility for custody of the patient account records. All withdrawals should require the signature of two persons to minimize the possibility of misappropriation of funds.
4. Control accounts, independent of individual patient trust account recordkeeping, should be maintained to serve as a check against individual patient trust account records. Without control accounts, an auditor would have difficulty in determining that an account card has been removed.

## Mental Health Clinics

### Billings for Services Rendered

The Convalescent Center has not been billing patients for professional services rendered.

Section 46-61(F)(4) of the Revised Laws of Hawaii, 1955, as amended, provides that the Division of Mental Health will:

"...conduct an out-patient mental hygiene clinic for the examination, study, diagnosis and treatment of cases of mental illness, and in such connection...to make reasonable charges for professional and other personal services rendered to patients, but in making such charges the financial circumstances of the patient, shall be taken into consideration, provided, that no such charges shall be made where, in the judgement of the director, the same might tend to make the patient a public charge or deprive his dependents of necessary support."

The Clinical Services Branch of the Division of Mental Health has a memorandum, revised on July 1, 1965, establishing guidelines which calls for charges to be made based on ability to pay. However, billings were not made by the Convalescent Center due to an apparent oversight. This deficiency probably could have been detected in the monthly statistical report prepared by the Clinical Services Branch of the Division of Mental Health.

### Accounts Receivable Records

During the course of our review of the records at the various Mental Health Clinics, various deficiencies in the accounting records and the system of internal control were observed. The following conditions were found to exist in one or more of the Mental Health Clinics:

1. Independent control accounts do not exist for the accounts receivable subsidiary records of any of the Mental Health Clinics. If any of the account cards were removed from the files, the fact probably would not be discovered until another transaction occurred with the patient. If there are no further transactions, the fact may not be discovered at all. Maintenance of independent control accounts would require that the balance in the control account be in agreement with the combined totals of the ledger cards of all patients. The control account should be maintained by someone whose duties are completely divorced from the maintenance of the accounts receivable subsidiary records.
2. Some of the Mental Health Clinics are not retaining the accounts receivable account cards after the patient terminates. This not only makes it very difficult to audit these records but is contrary to the records reten-

Mental Health Clinics

Accounts Receivable Records (continued)

tion requirements of the State of Hawaii. The State requires that these records be retained one month after a post audit is completed or five years after the end of the fiscal year, whichever is shorter.

3. The accounts receivable recordkeeping function is not separated from the cash collection function thereby making it possible for a dishonest person to misappropriate collections and alter the records. In many of the clinics, segregation of functions is difficult because there is only one clerical person assigned. However, this situation can be corrected if the professional staff would assume part of the functions which result in a separation of duties.
4. The auditors were not permitted to examine the individual patient case records because of the confidential relationship which exists between the Department of Health and the patients. Consequently, we were not able to determine whether the bases for making the charges to patients were reasonable and within the established guidelines. We were also not able to determine whether the patient was being charged for the proper number of weeks of treatment received or the proper number of diagnostic sessions. Alternative procedures should be established to permit audit in light of the confidential nature of the patient case records. Information on the patient's financial status could be placed in a file separate from the patient's medical case files so that auditors would not find it necessary to examine the medical case records to obtain information on ability to pay. A form could be designed to be filled out and signed by the examining physician each time a patient with the ability to pay makes a visit. This would be the source document for billing patients for services.
5. The Mental Health Clinics are not following the procedures prescribed by Section 34-15.5 of the Revised Laws of Hawaii, 1955, as amended, in the handling of uncollectible accounts. The law reads as follows:

"The directors, boards or executive heads of executive departments may from time to time prepare and submit for the review of the attorney general a list of all uncollectible accounts in their departments. Such accounts as the attorney general finds to be uncollectible shall be entered in a special record and shall be deleted from the accounts receivable records of the departments which shall thereupon be relieved from any further accountability for their collection, provided that

Mental Health Clinics

Accounts Receivable Records (continued)

no account shall be deleted until it has been delinquent for at least two consecutive years. Any account entered in the special record shall be transferred back to the current accounts receivable if the attorney general finds that the facts as alleged and presented to him were not true, or that such account has become collectible. Uncollectible accounts as used in this section means an account with regard to which (1) the debtor or party causing damage to property belonging to the State is no longer within the jurisdiction of the State; (2) the debtor or the party causing damage to property belonging to the State cannot be located; (3) the party causing damage to property belonging to the State is unknown or cannot be identified; (4) the debtor has filed bankruptcy and has listed the State as a creditor; or (5) such other account as may be deemed by the attorney general to be uneconomical or impractical to collect."

At the present time, collection of overdue accounts is not being diligently pursued. Billings are not sent if the patient does not make payment after three or four months. It is recommended that patients be billed for services on a monthly basis and delinquent accounts be turned over to the Office of the Attorney General for collection.

6. Accounts receivable subsidiary ledgers, invoice forms, cash transmittal receipt forms, and other accounting forms should be standardized among the various Mental Health Clinics. Our review of these forms revealed that each clinic had forms of its own design. Standardization will help to bring about uniform results in the accounting process.

Waimano Training School and Hospital

Adjustment of Charges for Support and Care

Commitment of mentally retarded persons to Waimano Training School and Hospital, under currently applicable statutes and regulations, is accomplished in one of two ways:

1. A minor may be committed to Waimano by voluntary agreement between the State of Hawaii and the parents or guardian.
2. Persons over 20 years of age may be committed only by order of the court.

In either case, prior to commitment, the Department of Health social worker on the case makes a financial evaluation on the ability of the parents or guardian to make payments for the support and care of the person to be committed.

After a person is committed to Waimano, the ability of the persons responsible for making payments for support and care to continue to make these payments or to increase their support is not re-evaluated periodically. A re-evaluation is made if information is received as to the change in financial status of the person responsible for making these payments. This information usually results from a request from the responsible party for a reduction of monthly charges. When such a request is received, the Public Health Administration Assistant, who also has supervisory responsibilities over the maintenance of the accounting records for support and care, makes the determination as to whether the monthly payments should be reduced. All determinations require the approval of the Administrator of Waimano. Adjustments of charges for persons committed by court order require the approval of the court. While increases or decreases of monthly charges due to hardship or some other reasonable cause are documented, error corrections or write-offs of minor balances are not explained.

We recommend that the following corrective measures be taken to strengthen the controls in this area:

1. The determination, whether support payments for a particular patient should be reduced, should be made by the social worker rather than the Public Health Administration Assistant. The initiation of any charges for services should be divorced from the recordkeeping function to eliminate the possibility of improper adjustments being made to accounting records.
2. All adjustments to the accounts receivable records for support and care should be fully documented in the accounting records to enable auditors to readily determine whether any adjustment to the records was properly determined and authorized.

Waimano Training School and Hospital

Adjustment of Charges for Support and Care (continued)

3. A periodic review should be made of the financial status of all persons responsible for making payments for support and care who are paying less than the maximum charges. If it is determined that these people are capable of providing additional support, the monthly support charges should be increased. The Department of Health should be cognizant that the economic circumstances of these individuals change.

Billings for Support and Care

Section 82-8 of the Revised Laws of Hawaii, 1955, as amended, stipulates that:

"...the parent or guardian of a minor committed to the Waimano Training School and Hospital shall be liable for such support and treatment and such liability shall continue after the person committed has reached the age of majority."

Upon our inquiry, administrative personnel were unable to say:

1. Whether the law includes persons who reached their majority prior to the enactment of the law whose parents or guardians were liable for their support and treatment or;
2. Whether the law includes only those committed after the enactment of the law or;
3. Whether if persons under 1, above are covered, the liability would be retroactive to the date of attainment of majority.

At the time of our discussions with personnel at Waimano, only the parents or guardians of those persons who attained their majority after the enactment of the law were being billed for support and treatment.

We were informed that during the period from 1960 to 1965, charges for support and care for fifteen patients were stopped due to their attainment of majority. Monthly charges to these patients totaled \$325.00. If the parents or guardians of these persons were to be required to make payments for the period from May 8, 1965, to June 30, 1967, it is estimated that approximately \$7,800.00 would be billable. Information on patients who attained their majority prior to 1960 was not obtained for this report.

The Department of Health requested clarification on these points from the Office of the Attorney General on August 24, 1967. As of the writing of this report, the Office of the Attorney General has not expressed an opinion on this matter.

## Waimano Training School and Hospital

### Safekeeping of Securities

The Waimano Training School and Hospital has custody of U. S. savings bonds for various residents of the school with face values totaling \$70,925.00 as reported in the Accountants' Report - Financial Statements as of June 30, 1967. The bonds are kept in a safe at the Community Placement Office at Kinau Hale and are readily accessible to several employees who are authorized to use the safe.

A safety deposit box should be rented or the State Treasury should be requested to take custody of these securities to prevent their loss or misappropriation. Periodic surprise counts should be made by persons other than those charged with the custody of the bonds or the recordkeeping thereon.

### Maintenance of Individual Patient Trust Accounts

The following observations were made during our examination of patient trust accounts of the Waimano Training School and Hospital reported in the Accountants' Report - Financial Statements as of June 30, 1967:

1. The patient trust accounts were not posted on a current basis. At the time of our inquiry, the accounts were posted to May 31, 1967. We were informed that the postings for the month of June would not be completed until the end of October since they were in the process of hiring someone to do the necessary work. Since the department is performing a banking function in this area, the records should always be kept current even if it means hiring temporary help.
2. There appears to be a considerable amount of duplication of effort in the maintenance of patient trust accounts. A ledger card is maintained for each patient showing the patient's balance in the combined trust fund checking account and the balance in his separate savings account. The balance in the checking account is cleared monthly and the balance is transferred to the savings account or from the savings account if the checking account balance shows an overdraft. In addition, a savings passbook issued by the financial institution is maintained for each patient with savings on deposit. We recommend that the savings passbooks be converted to ledger-type cards by the financial institution and that the postings of the savings account transactions to the patients' ledger cards by department personnel be eliminated. The postings of checking account transactions and the maintenance of control accounts should continue.

Waimano Training School and Hospital

Countersignatures on Bank Accounts

Checks drawn on the checking account used to handle current transactions of the patient trust accounts require only one signature. Furthermore, withdrawals from all savings accounts require only one signature. The balances in both the checking and savings accounts at June 30, 1967, totaled over \$436,000. This is far too much responsibility for one individual to assume.

It is recommended that the following procedures be followed to correct this situation:

1. The "Recommendation for Withdrawal of Savings" should be prepared and signed in ink by the social worker on the case to prevent any subsequent alteration.
2. A check should then be prepared and signed by two persons other than the social worker on the case. These persons should also review the "Recommendation for Withdrawal of Savings."
3. After the check is signed, the "Recommendation for Withdrawal of Savings" should be stamped in some manner to indicate that payment has been made on the request. This will eliminate the possibility of the same request being re-used to draw additional funds.

Disposition of Findings and Recommendations Set Forth in Immediately Preceding Audit Reports

This is the first audit of the Department of Health to be conducted by external auditors. Therefore, there are no prior external audit reports available for our review. However, the Department has been audited by internal auditors from the Department of Accounting and General Services who submitted the following reports:

1. Examination of the Hawaii State Hospital, Department of Health for the period July 1, 1959, to June 30, 1960.
2. Audit Report of the Social Service and Parole Branch, Division of Mental Retardation, Department of Health, for the period February 1, 1955, to August 31, 1960.
3. Cash count of the Petty Cash Fund and Collections of the Department of Health, Hilo Office on September 30, 1960.

Our investigation into the disposition of findings and recommendations set forth in the audit of the Hawaii State Hospital revealed that the hospital is following all recommendations with the following exceptions:

1. In addition to his cashier's duties, the cashier in the Business Office is also responsible for posting the accounts receivable records for support and care of patients. While we found no evidence of improper conduct on the part of the cashier, it would be possible for him to misappropriate payments received and to alter the records to make it appear as though no misappropriation had taken place. Such alteration of the records would be difficult to detect. We recommend that the cashier be relieved of the responsibility for maintaining any accounts receivable or patient trust account records to prevent possible misappropriation of funds.
2. The Business Office is maintaining accounts in the Patients' Trust Fund for patients who have been discharged from the hospital or who died in the hospital. As of June 30, 1967, 52 accounts with balances totaling \$14,828.96 were being carried on the books of account. Normally if after two years the former patient or the executor or administrator of his estate cannot be located, the Office of the Attorney General is requested to start escheat proceedings so that these monies may be transferred to the General Fund. Personnel in the Business Office informed us that the last time the Office of the Attorney General was requested to start such proceedings was in 1962. Our review of the inactive account trial balance revealed that accounts are being maintained for patients who were discharged or deceased as late as 1947. We recommend that the Business Office make every effort to refund monies belonging to former patients or their estates and that escheat proceed-

Disposition of Findings and Recommendations Set Forth in Immediately Preceding Audit Reports (continued)

ings be started as soon as possible to transfer to the General Fund those monies which cannot be refunded.

3. The Hawaii State Hospital Auxiliary operates a canteen for the hospital patients. In order to patronize the canteen, patients buy credit cards at the Business Office which entitles them to make purchases up to the value of the credit cards. The cards are maintained at the canteen by the Auxiliary and are punched as the patients make their purchases. When a card is fully punched, the Auxiliary turns the card over to the Business Office which, in turn reimburses the Auxiliary for the initial value of the card. The Business Office records all monies received in a suspense account. When reimbursement is made to the Auxiliary, the balance in this account is reduced. In order to determine whether the balance in the suspense account is correct, it is necessary for the Business Office to eliminate from the list of credit cards issued, the cards which have been returned. The total value of the cards not returned should represent the balance in the suspense account. The suspense account had a balance of \$92.00 on June 30, 1967. We were informed that the account has not been reconciled since 1962. We recommend that this account be reconciled at least once annually to determine whether the balance is correct.
4. The hospital is maintaining perpetual inventory records for the inventory of groceries and housekeeping supplies. However, these records are of limited value as tools for control because they are not independently controlled and withdrawals from inventory are not documented. In order for any type of subsidiary recordkeeping to be successfully maintained, it is essential that independent controls be established to provide an independent check as to the reasonable accuracy of the postings to the subsidiary records. Without an independent check, it would be difficult to detect errors in posting accounts and in extending balances. All additions and withdrawals of merchandise should be fully documented to give assurance that purchases and withdrawals have been properly authorized. It is recommended that independent controls over perpetual inventory records be maintained by the Business Office and that withdrawal slips be prepared and signed by the recipient of the supplies and kept on file to support the withdrawal of merchandise from inventory.
5. The hospital pharmacy has been taking an annual physical inventory of its drugs and medical supplies. However,

Disposition of Findings and Recommendations Set Forth in Immediately Preceding Audit Reports (continued)

the inventory procedures do not include the use of independent observers to verify the accuracy of the counts made. The pharmacy maintains no perpetual inventory records except in accounting for its supply of narcotics which is required by Federal law. A perpetual inventory plan which is independently controlled and provides for documentation of all additions and withdrawals would provide a basis for determining whether drugs and medical supplies are being properly purchased and issued. Perpetual inventory records should be maintained only for items of high unit value to provide optimum control. We recommend that the pharmacy establish a perpetual inventory system for items of high unit value. We also recommend that independent observers be used in making the annual count of drugs and medical supplies.

6. A statement of policies and procedures for the operation of the hospital pharmacy has been drawn up as recommended by the internal auditors from the Department of Accounting and General Services. However, the statement appears to be somewhat incomplete. It should include statements of policies and procedures for the following:
  - a. Ordering of drugs.
  - b. Issuance of drugs.
  - c. Disposition of overstocked or obsolete items.
  - d. Determination of minimum inventory levels.
  - e. Budget preparation.
  - f. Recordkeeping and annual inventory taking.
  - g. Relations with other operating units.
  - h. Employees' duties and responsibilities.

We recommend that the Medical Director review the statement of policies and procedures and take steps to amend the statement to include all of the above items.

7. The hospital terminated drug sales to all employees beginning in August 1967. However, the hospital continues to provide laboratory and x-ray services to employees on a fee basis. We recommend that the hospital re-evaluate its policy of providing laboratory and x-ray services to employees since it is in competition with private medical and x-ray laboratories.
8. The Business Manager of the hospital has been appointed guardian of certain patients by the court. While the number of these guardianships has diminished in recent years, this activity continues and there are currently ten active guardianships. The Business Manager has several inactive guardianships on file which contain no assets and the wards of which have either died or been discharged. The guardian

Disposition of Findings and Recommendations Set Forth in Immediately Preceding Audit Reports (continued)

is required by the court to obtain a formal discharge from his guardianship. We recommend that the Business Manager takes the necessary legal steps to terminate his guardianship over their inactive cases.

9. Section 7B-1 of the Revised Laws of Hawaii, 1955, as amended, requires that all concession space to sell goods, wares, merchandise and services be leased after public advertisement for sealed tenders. The space being utilized by the Hawaii State Hospital Auxiliary to operate the hospital canteen has not been leased by the Auxiliary. The Auxiliary, in operating the canteen, is performing a function previously handled by the State. Any profits realized from the operation of the canteen is used in the Auxiliary's program with the patients at the hospital. When the internal audit report of the Department of Accounting and General Services, which included a comment on this point, was released, the Medical Director of the hospital recommended that an opinion be obtained from the Office of the Attorney General to determine whether compliance with Section 7B-1 was necessary in this instance. We were unable to determine whether an opinion was, in fact, obtained. We recommend that the Department of Health resolve this matter with the Office of the Attorney General.

The recommendations contained in the Audit Report of the Social Services and Parole Branch, Division of Mental Retardation were complied with in all material respects with the following exceptions:

1. The Social Services and Parole Branch has the responsibility for making disbursements out of trust accounts maintained for mentally retarded persons on parole. Disbursements are made either directly to parolees themselves or to vendors on their behalf. At the present time, payments in the latter category are not being acknowledged by the parolees. Should a parolee deny that he requested that a payment of this nature be made, branch personnel would find it necessary to go through much effort to establish that the disbursement was authorized by the parolee. We recommend that parolees be required to acknowledge all disbursements from trust accounts.
2. Section 34-15 of the Revised Laws of Hawaii, 1955, as amended, requires that "...all state officers, departments, boards, bureaus, commissions or agencies collecting or receiving any monies not required by law to be deposited in the state treasury shall report to the auditor all such receipts and disbursements on account thereof not later than the

Disposition of Findings and Recommendations Set Forth in Immediately Preceding  
Audit Reports (continued)

tenth day of each month on such forms and under such rules and regulations as may be prescribed by the auditors." Monthly reports on bank accounts maintained for parolees and patients are not being submitted as required. We recommend that the Social Services and Parole Branch comply with this requirement immediately.

The Hilo District Office was found to be in compliance in all material respects with the recommendations contained in the report on Cash Count of the Petty Cash Fund and Collections of the Department of Health, Hilo Office on September 30, 1960.

## Summary

Our review of the system of internal control and accounting of the Department of Health has resulted in recommendations for changes in many areas. In reflecting upon the deficiencies which we observed, we have concluded that they exist by and large not because of a lack of concern or effort on the part of the individuals directly involved but because of a lack of guidance and review.

The Department of Accounting and General Services and the Administrative Services Office of the Department of Health have the responsibility for establishing procedures for and implementing basic accounting policies. We were unable to find sufficient statements of policies and procedures which would provide departmental personnel with operating guidelines.

Prior to the current fiscal year, a complete audit of the financial operations of the Department of Health was never made. The last time an audit of any segment of Departmental operations was made was in 1960. Part of the responsibility for the deficiencies we observed must be placed on the lack of review which would have been provided by periodic audits.

Personnel within the Department of Health concerned with its financial operations are generally capable and conscientious. With proper guidance and review much can be done to improve the system of internal control and accounting.

**PART III**

**COMMENTS BY AFFECTED AGENCIES**

**INDEX OF RECOMMENDATIONS  
BY STATE AGENCIES AFFECTED  
(Part II – Management Letter)**

Health 5-7, 9-36

Accounting and General Services 6-7, 9-10, 18, 21

Budget and Finance 10

Personnel Services 20

## MEMORANDA OF COMMENTS OF AFFECTED AGENCIES

This financial audit report of the department of health was completed in December 1967 by a joint venture of certified public accounting firms headed by the firm of Hokada & Hayashi. On January 4, 1968, we distributed copies of the pertinent parts of the report to the various agencies affected by this report,<sup>1</sup> via a transmittal letter, a copy of which is attached as Attachment No. 2. Each agency was requested to submit its comments on the recommendations contained in the report, including information as to the specific action it has taken or intends to take with respect to the recommendations.

The following agencies submitted their responses:

State department of health (Attachment No. 3)

State department of accounting and general services (Attachment No. 4)

State department of budget and finance (Attachment No. 5).

The agencies that responded were in general agreement with the recommendations. They have indicated that they are implementing or will implement most of the changes recommended.

After receiving the replies from the agencies, we requested the contract auditors to submit their comments on the agencies' responses. A copy of the contract auditors' reply is attached as Attachment No. 1. The auditors limited their reply to those areas where the agencies had some special comment to make. We concur with the comments made by the contract auditors.

<sup>1</sup> See p. 1 of Part III of the report for a listing of all affected agencies.

January 29, 1968

Mr. Clinton Tanimura, Auditor  
State of Hawaii  
Honolulu, Hawaii

Dear Mr. Tanimura:

In accordance with your request, we submit the following comments to the letter dated January 19, 1968 which you received from the Department of Health in response to the recommendations contained in the Management Letter dated June 30, 1967. Our remarks are limited to those areas where the Department has had some special comment to make.

In our recommendation that the duplicate recordkeeping between the Department of Health and the Department of Accounting and General Services be eliminated, the Department indicated that the records maintained by the Department of Accounting and General Services is in summary form, whereas the records of the Department of Health contain information in greater detail. We are aware of the needs of the Department of Health and we do not suggest that the detailed information which they require be eliminated. We do recommend one set of accounting records which will satisfy the requirements of both departments.

The Department believes that our recommendation for centralization of purchasing within the Administrative Services Office should be modified because the State policy is to centralize this activity in the Department of Accounting and General Services. Our recommendation was directed at the Administrative Services Office because while the Department of Accounting and General Services has entered into requirement contracts and has furnished price lists for standard items, the actual day to day purchasing functions have been delegated to the Departments. The emphasis intended on this recommendation was on centralization. If the Department of Accounting and General Services can perform this function more effectively, they should be given the responsibility.

The recommendation that the signatures of two persons be required in making withdrawals from patient bank accounts for patients at Hale Mohalu was made for the protection of the custodian of the accounts. We agree that the amounts involved are not significant. However, the Department has the responsibility of removing temptation from the hands of its employees. The loss of \$600.00 will not be a significant loss to the State but the damage to an embezzler's character and reputation will remain.

In making our recommendations to correct the deficiencies in the accounting records and the system of internal control in the various Mental Health Clinics, we were very much aware of the possible extra costs involved. However, after giving some thought to the matter, we concluded that with the establishment of proper procedures, the desired controls can be achieved with very little additional work on the part of the clerical staff and with very minimal use of professional time.

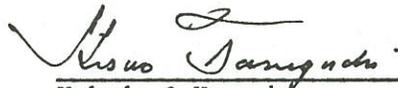
Clinton Tanimura  
Page 2  
January 29, 1968

The recommendation to the Waimano Training School and Hospital on documentation of charges for support and care has been revised to indicate that while increases or decreases of monthly charges due to hardship or some other reasonable cause are properly documented, error corrections or writeoffs of minor balances are not explained.

The letter you received from the Department of Accounting and General Services dated January 18, 1968 requires no special comment on our part.

We are gratified that the Department of Health has accepted the recommendations in the constructive spirit in which they are intended. Should you have any questions on the above comments or if we can be of any further assistance to you, please call us.

Very truly yours,

  
Hokada & Hayashi  
Clay, Wulfekuhler & Co.  
Inagaki, Mukai & Fo  
Ishimoto, Imamoto & Co.  
Lemke & Company

HT:en

Clinton T. Tanimura  
Auditor

THE OFFICE OF THE AUDITOR  
State of Hawaii  
Iolani Palace  
Honolulu, Hawaii 96813

January 4, 1968

Dr. Walter B. Quisenberry, Director  
Department of Health  
State of Hawaii  
Honolulu, Hawaii

Dear Dr. Quisenberry:

Under a contract with this office, Hokada & Hayashi, et.al., certified public accountants, conducted an examination of the accounting records of your department for the fiscal year ended June 30, 1967. The examination was conducted pursuant to the duties and powers vested in our office by Article VI, Section 8, of the Constitution of the State of Hawaii and Chapter 2, Part III, of the Revised Laws of Hawaii 1955, as amended. We are deeply thankful for the help and cooperation extended by your staff to our contract auditors.

Enclosed is a copy of the preliminary report of the audit. The report is presented in two parts—the first entitled, *Accountants' Report*, and the second, *Management Letter*. The term, *preliminary*, indicates that the report has not been released for general distribution. However, copies of this report have been submitted to the Governor, the Speaker of the State House of Representatives, the President of the State Senate, and all State and local agencies directly affected by the examination.

The report contains a number of recommendations. I would appreciate receiving your written comments on those recommendations which are directed to your department, including information as to the specific actions you have taken or intend to take with respect to each of them. Your comments must be in our hands by January 19, 1968. The report will be finalized and released shortly thereafter.

If you wish to discuss the report with us, we will be pleased to meet with you on or before January 12, 1968. We await a call from your office to fix the appointment. A *no call* will be assumed to mean that a meeting is not required.

Yours truly,

  
Clinton T. Tanimura  
Legislative Auditor

Encl.

cc: Governor John A. Burns  
Hokada & Hayashi, et.al.

JOHN A. BURNS  
GOVERNOR OF HAWAII



WALTER B. QUISENBERRY, M.P.H., M.D.  
DIRECTOR OF HEALTH

WILBUR S. LUMMIS, JR., M.S., M.D.  
DEPUTY DIRECTOR OF HEALTH

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
P. O. BOX 3378  
HONOLULU, HAWAII 96801

January 19, 1968

RECEIVED

JAN 22 1968

OFFICE OF THE AUDITOR  
TIME \_\_\_\_\_

Mr. Clinton T. Tanimura  
Legislative Auditor  
State of Hawaii  
Honolulu, Hawaii

Dear Mr. Tanimura:

Subject: Audit Report

This is in response to your request of January 4, 1968, for comments on the recommendations made by the auditors who conducted an examination of our accounting records.

May we say at the outset that we appreciate the opportunity of having our accounting records, practices and procedures examined by a group with the talent and time to do the audit objectively and in depth. The audit staff members were most courteous and considerate in the conduct of their work and caused a minimum of disruption of activities in our business offices. We appreciate all the recommendations that were made and will give them our most serious consideration. Some of them have been implemented, others can be done soon, while others will depend upon joint action with other state agencies. Some recommendations will require additional staff and implementation will have to depend upon our ability to acquire additional staff, reassign duties of existing staff or implement labor saving methods.

Considering that the report is the result of months of effort by several individuals, we cannot give you too definitive answers on all actions we propose to take in the two weeks that were allotted to us to reply. However, we shall be as specific as we can and list below our comments to the recommendations.

Recommendation: It is recommended that monthly reports showing comparisons between actual and estimated revenues for the current, as well as the immediately preceding fiscal year, be prepared for use by management.

Comment: This will be done effective the month of January, 1968.

Recommendation: We strongly recommend that the State of Hawaii adopt the accrual method of recording revenues at the earliest possible date.

Comment: This recommendation is beyond the purview of this department and involves the responsibility of the State Comptroller.

January 19, 1968

Recommendations: (1) Whenever a new memorandum, directive or circular is issued by the Department of Health or the Department of Accounting and General Services which replaces one in existence, the fact should be noted on the new memorandum so that the old one may be removed from the file of memoranda correctly in effect. (2) Memoranda files should be reviewed once annually by persons responsible for maintaining the files and those items no longer in effect should be removed.

Comment: These suggestions will be implemented immediately.

Recommendation: The Administrative Services Office of the Department of Health should have an accounting and procedures manual.

Comment: This need has been recognized for a long time. However, the volume of work in the office has been increasing steadily and the things that just don't have to be done seem to get deferred. Every effort will be made to get this done by June 30, 1968.

Recommendation: (Re: Reporting of Special Monies) It is recommended that the Comptroller provide the necessary format and guidance for preparing these reports and the agencies furnish these reports in accordance with the requirement of the statute.

Comment: Waimano Training School and Hospital has been reporting effective July 1, 1967 in letter form. Hansen's Disease Branch reports will begin on February 1, 1968. We shall consult with the State Comptroller's office regarding standard format.

Recommendation: It is recommended that duplicate recordkeeping between the Department of Accounting and General Services and the Department of Health be eliminated.

Comment: The Department of Accounting and General Services keeps summary records only. The Health Department keeps detailed records. The Department of Accounting and General Services has arranged to study the accounting system of this Department and has assigned an individual to this task beginning January 22, 1968. We are most anxious to make improvements whenever possible and will give them our utmost cooperation in attempting to develop a better system.

Recommendation: We recommend that a review be made of all Funds within the Department of Health and that those Funds which have no statutory or other basis for their existence be eliminated and those Funds which are required to be established by statute be established and maintained. This review should be made jointly by representatives of the Director of Budget and Finance, The State Comptroller and the Director of Health.

Comment: The account titles and symbols used by this department are all approved by the Department of Accounting and General Services. We shall be most happy to participate in a joint review with the above named departments.

Recommendation: We recommend that the purchasing function be centralized within the Administrative Services Office with the purchasing staff doing all of the actual purchasing to the extent feasible with technical assistance being provided by other Divisions within the Department.

Comment: We certainly agree with the concept of centralized purchasing. However, the state policy is to centralize this activity in the Department of Accounting and General Services. We believe that in a state as small as Hawaii, the state policy is better and that purchasing should be centralized in that department rather than setting up many units in the various departments. The Department of Accounting and General Services already does centralized purchasing of certain commodities, such as food, standard office supplies, some automotive supplies, office equipment and automobiles.

Recommendation: The department should handle purchases of less than \$5.00 through a petty cash imprest fund.

Comment: We shall request authority to do this in some of our larger installations and in the main office.

Recommendation: The Department should take necessary steps to minimize the problem of having merchandise delivered before a purchase order is issued.

Comment: It had not been realized that this was at a 15% level. Steps will be taken immediately to minimize the problem. A directive will be issued to restrict the practice to emergencies and to require written explanation of each incident.

Recommendation: There are several miscellaneous recommendations in the report referring to purchasing practices, retention of bid information and contracting practices.

Comment: We have not had time to study these in sufficient detail to make specific comments. We shall, however, review these as soon as possible and seek advice from the Department of Accounting and General Services. Corrective actions will be taken as soon as possible.

Recommendation: It is recommended that regardless of the accounting procedure used, the information contained in the financial report (on certain federal project grants) be restricted to expenditures for the period shown on the report.

Comment: The problem is that certain federal project grants have fiscal years which differ from the State's. It is preferable to report on the project year basis. On future reports, the project year will be identified.

Recommendation: (Concerning Unliquidated encumbrances at the end of the fiscal year) (1) Record all contracts entered into as encumbrances when the contract is executed. (2) Require that receiving copies of purchase orders be transmitted to the Administrative Services Office immediately upon receipt of service or supplies to establish the date of actual liability which can be used in the review of unliquidated encumbrances pending receipt of the vendors' invoices.

January 19, 1968

Comments: Both of these are standard operating procedures in the department. Regarding item 1, this was an inadvertent omission. The biggest problem in item 2 is in situations where partial deliveries are made. A change in procedures has been instituted to facilitate payment of partial deliveries more promptly.

Recommendation: The purchase order date, rather than the date posted should be shown on the encumbrance ledger.

Comment: This will be done immediately.

Recommendation: A cross reference list should be prepared listing Summary Warrant Voucher in departmental number order and showing the corresponding Comptroller's Number next to it. This step will provide the necessary audit trail and reduce time required in the auditing process.

Comment: As stated above, this recommendation is for the benefit of the auditing process. It would take quite a bit of work to maintain this cross reference file unless a convenient mechanized method of doing this could be found by the Department of Accounting and General Services. This problem would apply to all departments. We will discuss this when reviewing our accounting system with that department.

Recommendation: It is recommended that the Department of Health maintain departmental personnel files, as required, and that the Department of Personnel Services study the possibility of centralizing all personnel records and eliminating the duplicate records maintained by the Departments.

Comment: A change of procedure has been effected so that SF-5's will be directly placed in the individual personnel jackets instead of the chronological file. Assignments and deductions will be placed in personnel jackets shortly after the once-a-month delivery to the Personnel Office. Files will be maintained as required. We would be happy to cooperate with the Department of Personnel Services in studying the possibility of centralizing personnel records.

Recommendation: (Relating to payroll procedures at Hale Mohalu)  
(a) All cash should be counted, upon arrival, by the institution administrator in the presence of a second employee and the total compared with the total of the cash payroll list. The Department of Budget and Finance should be notified of any shortage and any overage should be returned to them. (b) Each employee's pay should be counted out and placed in a pay envelope. (c) Employees should sign the payroll register only upon receiving their pay.

Comment: The above recommendations will be implemented immediately.

Recommendation: The annual tabulation of Department of Health employee vacation and leave status is currently being done on a calendar year basis. This tabulation includes, unused leave time at the beginning of the year, leave earned during the year, leave taken during the year and unused leave time at the end of the year. Section 5-42 of the Revised Laws of Hawaii requires that information on accumulated vacation leave be furnished once annually as of December 31 to each employee. The State legislature should consider changing the date of the report from December 31 to June 30 to make the reporting date coincide with the State's fiscal year, particularly if the information is used for purposes other than reporting to employees, such as in the preparation of budgets. This will also enable the independent auditors to obtain the information to make the necessary disclosures regarding accumulated vacation pay.

Comment: It is suggested that the Legislative Auditor present this to the Legislature. Unless the State requires budgeting for vacation pay, there would be no advantage to the department to change to a fiscal year basis. Numerous reports now are due on June 30 and changing would add to that problem. Also, employees would have to re-orient their thinking with regard to accumulating vacation on a fiscal rather than calendar year basis.

Recommendation: (Relating to Patient Trust Funds) The Department of Health should obtain an opinion from the Attorney General of the State of Hawaii as to whether the Hawaii State Hospital, as trustee, is acting in the best interest of the patients and former patients in not insisting that the trust funds be deposited in interest-bearing accounts or applied to the purchase of interest-bearing securities and in not insisting that the interest earned be credited to the individual patient trust accounts.

Comment: An opinion will be requested immediately.

Recommendation: The Hawaii State Hospital should institute a passbook system to provide each patient with a personal record of his account and to give the patient trust accounts an added dimension of control.

Comment: Many of the patients are not able to take adequate care of passbooks and we may have considerable difficulty issuing duplicates. There is also some danger in having information on savings around the hospital. Other patients or even employees may be tempted to induce patients with funds to spend it on their behalf. However, we also recognize the internal control merit of such a system and think that a cautious approach is appropriate. We shall try the system out in one or two better wards and see if any difficulty is encountered. However, this will have to wait until the business office staff of the hospital is augmented. (Three additional employees are recommended in the Governor's budget for 1968-1969). There have been vacancies recently in some of the positions and a backlog of work has developed.

Recommendation: The responsibility for collection, custody and recordkeeping is in the hands of one individual for donation funds; the responsibility for custody and recordkeeping for patient accounts rests with the same individual. This makes it possible for the individual to misappropriate funds and alter the records. (This refers to Hale Mohalu)

Comment: Arrangements will be made immediately for the separation of collection, record keeping and custody functions.

Recommendation: Patients do not have personal records of the status of their individual accounts. While the information is available to them at the administration office, it is difficult for any individual to remember from day to day the status of his account without a written personal record. The knowledge that the patient has of the balance in his account serves as a control on the person keeping the records. (This refers to Hale Mohalu)

Comment: Photo copies of patients accounts will be given to them quarterly.

Recommendation: (Relating to Hale Mohalu) The signature of only one staff person is required to make withdrawals from patient bank accounts for patients who are minors. This person also has the responsibility for custody of the patient account records. All withdrawals should require the signature of two persons to minimize the possibility of misappropriation of funds.

Comment: At the present time the Institution Administrator has control over five bank accounts. Four of these belong to patients who are minors; the fifth one is for church funds for the Protestant Church group connected with Hale Mohalu. The aggregate total in these five accounts on January 11, 1968 came to about \$606. Withdrawals are made only upon request of the owner of the account and in the case of the minors, approval of the request is first obtained from an appropriate adult who has supervision over the minor. It would be more cumbersome to require two signatures to make withdrawals and we do not feel that this is necessary.

Recommendation: (Relating to Hale Mohalu) Control accounts, independent of individual patient trust account recordkeeping, should be maintained to serve as a check against individual patient trust account records. Without control accounts an auditor would have difficulty in determining that an account card has been removed.

Comment: This will be done within two months.

Recommendation: The Convalescent Center should bill patients for professional services rendered.

Comment: The Center corrected this deficiency in October, 1967, and since that time has been routinely following the established guidelines.

Recommendation: Several deficiencies in the accounting records and the system of internal control in the various Mental Health Clinics were observed: (1) Independent control accounts should be maintained for the accounts receivable subsidiary records. (2) Some clinics are not retaining accounts receivable cards after the patient terminates. (3) The accounts receivable recordkeeping function is not separated from the cash collections function. (4) Inadequate records were kept of patient visits. (5) Clinics were not referring uncollectible accounts to the Attorney General. (6) Accounting forms in the various clinics are not standardized.

Comment: Corrective procedures will be instituted immediately concerning observations 2, 5, and 6. The other observations require further study. There is a very small staff in many of the clinics usually including only one stenographic position. Our initial reaction is that while better internal control procedures are desirable, they may not be worth the extra cost involved. Furthermore, separation of functions would require the inappropriate use of scarce and expensive professional time for clerical functions. The advisability of this is also questionable. Perhaps the review of our accounting system with the Department of Accounting and General Services will disclose a less cumbersome system of maintaining adequate internal controls over the clinics.

Recommendations: (Relating to adjustment of charges for support and care of patients at Waimano Training School and Hospital) (1) The decision to determine whether support payments for a particular patient should be reduced be made by the social worker rather than the Public Health Administration Assistant. The initiation of any charges for service should be divorced from the recordkeeping function to eliminate the possibility of improper adjustments being made to accounting records. (2) All adjustments of charges for support and care should be fully documented in the accounting records to enable auditors to readily determine whether any adjustment to the records was properly determined and authorized. (3) A periodic review should be made of the financial status of all persons responsible for making payments for support and care who are paying less than the maximum charges. If it is determined that these people are capable of providing additional support, the monthly support charges should be increased. The Department of Health should be cognizant that the economic circumstances of these individuals change.

Comments: (1) We do not believe that a social worker's responsibility should include the determination or adjustment of support payments. However, we acknowledge the recommendation that someone other than the person responsible for recordkeeping should assume this function. This procedure is being corrected immediately. (2) Full documentation is provided for any adjustments to support and care charges. (3) A periodic review of the financial status of all persons responsible for payments has always been our concern, but has not been possible because of lack of staff. This will be considered in our next budget.

Recommendation (Relating to safekeeping of securities, Waimano Training School and Hospital) A safety deposit box should be rented or the State Treasury

should be requested to take custody of these securities to prevent their loss or misappropriation. Periodic surprise counts should be made by persons other than those charged with the custody of the bonds or the recordkeeping thereon.

Comment: The U.S. Savings Bonds were transferred for safekeeping to the vault at the Department of Accounting and General Services on January 11, 1968. Arrangements for periodic surprise counts will be made with the audit staff of the Department of Accounting and General Services or conducted by the Administrative Services Office of the Department of Health.

Recommendations (Relating to individual patient trust accounts, Waimano Trainint School and Hospital) (1) Patient Trust accounts should be kept current. (2) Savings passbooks should be converted to ledger type cards by Savings and Loan Associations to avoid the need for duplication of records.

Comments: (1) The Trust Fund accounts are now posted up to date (within a week of transactions). Posting had fallen behind because of a vacancy. Other personnel are being trained in machine operation to prevent the situation from recurring. (2) We are now negotiating with the three savings and loan organizations to convert the patients' pass books to a ledger card record. They have indicated that this is feasible and we anticipate that the change in the form will be in effect by February 1, 1968.

Recommendations: (Relating to Countersignatures on Bank Accounts, Waimano Training School and Hospital) (1) The "Recommendation for Withdrawal of Savings" should be prepared and signed in ink by the social worker on the case to prevent any subsequent alteration. (2) A check should then be prepared and signed by two persons other than the social worker on the case. These persons should also review the "Recommendation for Withdrawal of Savings." (3) After the check is signed, the "Recommendation for Withdrawal of Savings" should be mutilated in some manner to indicate that payment has been made on the request. This will eliminate the possibility of the same request being reused to draw additional funds.

Comment: These recommendations will be implemented effective February 1, 1968.

Recommendation: (Relating to Hawaii State Hospital) In addition to his cashiering duties, the cashier in the Business Office is also responsible for posting the accounts receivable records for support and care of patients. We recommend that the cashier be relieved of the responsibility for maintaining any accounts receivable or patient trust account records to prevent possible misappropriation of funds.

Comment: The Business Office has had an inadequate staff for several years. Long vacancies have added to the problem. Three new employees are recommended in the Governor's Budget for 1968-1969. It is hoped that the additional staff can be hired soon after July 1, 1968, so that separation of functions can be accomplished by September 30, 1968.

Recommendation: The Business Office is maintaining accounts in the Patients' Trust Fund (Hawaii State Hospital) for patients who have been discharged from or died in the hospital.

Comment: Please refer to comment immediately above. With the additional staff, this is planned to be completed by June 30, 1969.

Recommendation: (Relating to Hawaii State Hospital Canteen credit cards) It is reconciled that this account be reconciled at least once annually to determine whether the balance is correct.

Comment: While an annual reconciliation is made annually, there is an unresolved error of \$28.00 dating back to 1962. Advice will be sought from the Department of Accounting and General Services on how to resolve the problem. Serious consideration is being given to elimination of the credit card system since it involves so much bookkeeping.

Recommendation: (Relating to the perpetual inventory records for the inventory of groceries and housekeeping supplies) It is recommended that independent controls over perpetual inventory records be maintained by the Business Office and that withdrawal slips be prepared and signed by the recipient of the supplies and kept on file to support the withdrawal of merchandise from inventory.

Comment: The latter part of the recommendation will be implemented immediately. However, the maintenance of independent controls will require additional staff. This must be studied further to determine how much additional staff is required.

Recommendation: We recommend that the pharmacy (Hawaii State Hospital) establish a perpetual inventory system for items of high unit value. We also recommend that independent observers be used in making the annual count of medicine and drug supplies.

Comment: Independent observers will be present at the next annual count. The pharmacy feels that additional help is required before a perpetual inventory system can be set up. This must be reviewed to determine how much help is needed.

Recommendation: We recommend that the medical director (of Hawaii State Hospital) review the statement of policies and procedures (of the pharmacy) and take steps to amend the statement to include several additional policy items.

Comment: This will be done as soon as possible.

Recommendation: We recommend that the Hospital (Hawaii State Hospital) re-evaluate its policy of providing laboratory and x-ray services to employees which are in competition with private medical and x-ray laboratories.

Comment: This will be stopped effective February 1, 1968.

January 19, 1968

Recommendation: We recommend that the Business Manager (of Hawaii State Hospital) take the necessary legal steps to terminate his guardianship over inactive cases.

Comment: With the additional staff authorized for the next fiscal year, this can be accomplished by June 30, 1969.

Recommendation: (Relating to whether the space being utilized by the Hawaii State Hospital Auxiliary is covered by Section 7B-1 of the Revised Laws of Hawaii which requires concession space to be leased after public advertisement for sealed tenders) We recommend that the Department of Health resolve this matter with the Office of the Attorney General.

Comment: This will be done very soon.

Recommendation: (Relating to the Social Services and Parole Branch) We recommend that parolees be required to acknowledge all disbursements from trust accounts.

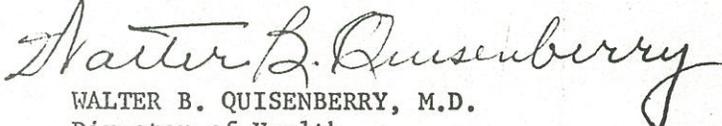
Comment: A revised "Recommendation for Withdrawal of Savings" form will be effective February 1, 1968, which will include the patients' acknowledgement of payment from his account. In cases where the patient cannot sign his name, the supervisor will acknowledge the patients' mark by his own signature.

Recommendation: (Relating to monthly reports of funds not covered into the State treasury) We recommend that the Social Services and Parole Branch comply with this requirement immediately.

Comment: The first report was submitted on November 1, 1967 for the period July 1, 1967 - October 30, 1967. Monthly reports have been sent to the State Comptroller since.

Should you desire, we would be most happy to elaborate on any of our comments. Again, may I say that we appreciate the audit. My staff informs me that they have gained much information from the auditing staff members and from your own staff members on improving our accounting and internal control procedures. We look forward to continuing periodic examinations.

Sincerely yours,

  
WALTER B. QUISENBERRY, M.D.  
Director of Health

cc: Governor of Hawaii  
President of the Senate  
Speaker of the House  
State Central Staff Agencies  
Selected Department of Health Administrators

KENAM KIM  
~~XXXXXXXXXX~~  
 COMPTROLLER

JOHN A. BURNS  
 GOVERNOR



STATE OF HAWAII  
 DEPARTMENT OF ACCOUNTING  
 AND GENERAL SERVICES  
 HONOLULU, HAWAII 96810

January 18, 1968

RECEIVED  
 JAN 19 1968  
 OFFICE OF THE AUDITOR  
 TIME

Mr. Clinton Tanimura  
 Legislative Auditor  
 The Office of the Auditor  
 State of Hawaii  
 Honolulu, Hawaii

Dear Mr. Tanimura:

We appreciate the opportunity to review and comment on the following audit reports:

Department of Regulatory Agencies  
 Department of Planning and Economic Development  
 Department of Health.

We list our comments on recommendations directed to the Department of Accounting and General Services:

Audit Recommendations

Our Comments

Department of Regulatory Agencies

- |   |   |
|---|---|
| 1. Prepare an operating manual, possibly by the State systems accounting personnel, to avoid confusion within the department and to prevent variations in accounting methods. | Each department should prepare its own operating manual. When the State-wide uniform accounting system is fully developed and implemented, it should be incorporated into the operating manual. |
| 2. Consider legislation to adopt the accrual method of accounting.  | This matter is under consideration in our present accounting system study.  |

Department of Planning and Economic Development

- |   |   |
|---|---|
| 1. Failure to provide a procedural manual resulted in inadequate reports to program managers. | Each department should prepare its own operating or procedural manual and incorporate applicable sections of the Statewide accounting system being developed. |
| 2. Review the present method for the accounting of property and equipment.                    | This matter is under consideration in the Statewide accounting system study.  |

Audit Recommendations

Our Comments

Department of Health

1. Prepare accounting manual and convert from the cash to the accrual basis of accounting.
2. Eliminate duplicate recordkeeping between the Department of Health and the Department of Accounting and General Services.
3. Provide necessary format and guidance for preparing reports to the State Comptroller in accordance with the requirement of Section 34-15 R.L.H. 1955.
4. Representatives of the Director of Budget and Finance, the State Comptroller, and Director of Health jointly review the necessity for maintaining certain Special Funds.

An accounting manual will be prepared in connection with the present accounting system study. A procedural or operating manual should be prepared by the department.

This matter will be reviewed in our study of the Statewide accounting system.

We plan to handle this matter on an individual basis. The funds mentioned in this report will be reviewed within this fiscal year and appropriate recommendations will be made to the department.

We will be glad to participate in this matter. We will contact the other departments involved for the review and make adjustments where necessary.

Other findings and recommendations relating to fiscal and internal control matters will be reviewed at our next audit of the departments involved to determine the adequacy of the action taken by the respective departments.

If you have any questions regarding our comments, please call us.

Very truly yours,

  
KENAM KIM  
STATE COMPTROLLER

KK:TT/ho

JOHN A. BURNS  
GOVERNOR



ANDREW T. F. ING  
DIRECTOR

COMMISSION ON CHILDREN AND YOUTH  
(ADVISORY)

EMPLOYEES' RETIREMENT SYSTEM  
(ADMINISTRATIVE)

EMPLOYEES' GROUP MEDICAL AND  
HOSPITAL CARE INSURANCE PLAN  
(ADMINISTRATIVE)

STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OFFICE BUILDING  
P. O. BOX 150  
HONOLULU, HAWAII 96810

DIVISIONS:  
BUDGET  
FINANCE  
MANAGEMENT SERVICES

January 12, 1968

RECEIVED

JAN 12 1968

OFFICE OF THE AUDITOR  
TIME \_\_\_\_\_

Mr. Clinton T. Tanimura  
Legislative Auditor  
Office of the Auditor  
State of Hawaii  
Honolulu, Hawaii

Dear Mr. Tanimura:

This is in reply to your letter of January 4, 1968 concerning a preliminary audit report entitled, "State of Hawaii, Department of Health, Management Letter, June 30, 1967."

Please be assured that we will join with the State Comptroller and the Director of Health in reviewing all funds within the Department of Health with the objective of eliminating those funds which have no statutory or other basis for their existence as recommended in your report.

We appreciate your assistance in calling attention to discrepancies of this nature and for the opportunity to take corrective action.

Very truly yours,

NILS K. UEKI  
Acting Director