



Office of the Auditor
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Jan K. Yamane
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Constitutional Mandate

The Office of the Auditor, pursuant to Article VII, Section 10 of the Hawai'i State Constitution, is required to conduct post-audits of the transactions, accounts, program and performance of departments, offices and agencies of the State and its political subdivisions, and to certify to the accuracy of all financial statements issued by the respective accounting officers.

Financial Audit of the Department of Health

Financial Statements, Fiscal Year Ended June 30, 2013

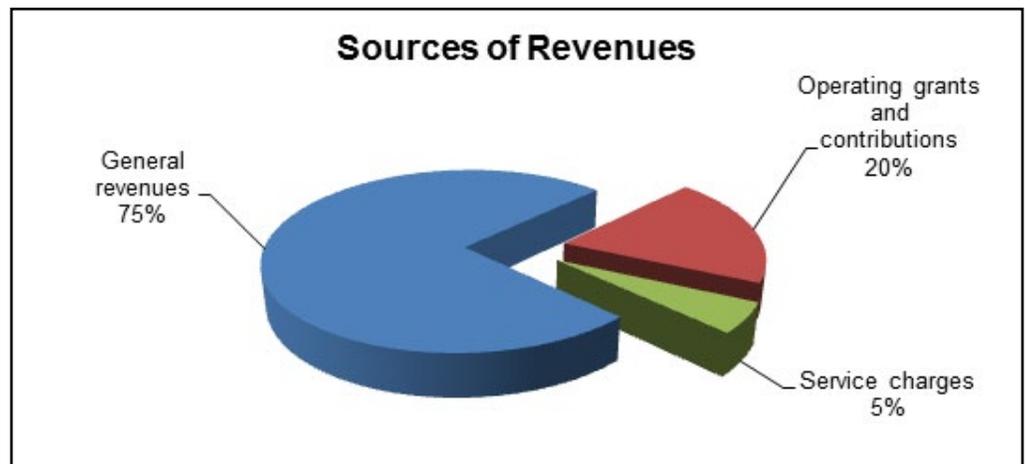
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Health as of and for the fiscal year ended June 30, 2013, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity LLP.

About the Department

The Department of Health administers and oversees statewide personal health services, health promotion and disease prevention, mental health programs, monitoring of the environment, and the enforcement of environmental health laws. Federal grants received to support the State's health services and programs are administered by the department. Overall, the department is organized into four major administrations: Behavioral Health Services, Health Resources, Environmental Health, and General Administration.

Financial Highlights

For fiscal year ended June 30, 2013, the department reported total revenues of approximately \$702 million and total expenses of \$659 million, resulting in excess revenues of \$43 million before transfers. Revenues consisted of \$528 million from general revenues, \$137 million from operating grants and contributions, and \$37 million from service charges.





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Auditors' Opinions

Financial Statements: +
Unmodified opinion

Federal Compliance: -
Qualified opinion

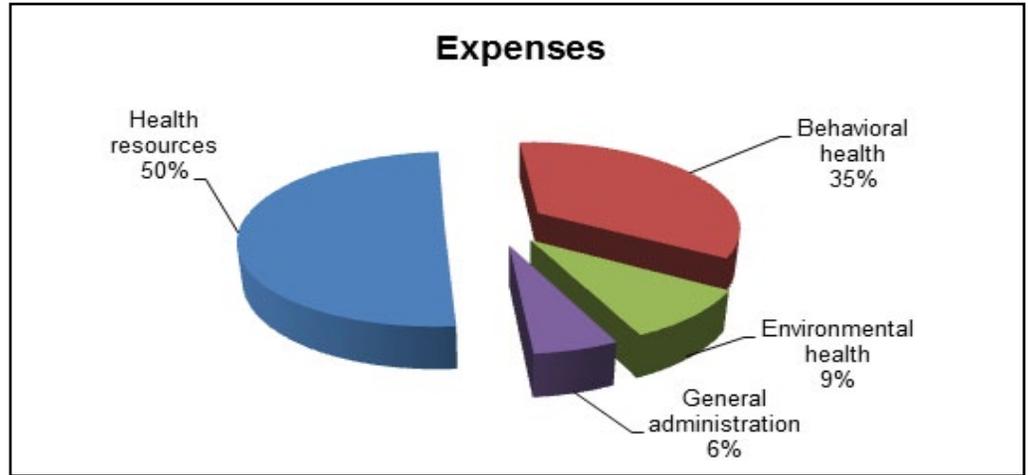
Issues of Concern

Material Weaknesses
2

Significant Deficiencies
3

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<http://auditor.hawaii.gov/>

Expenses consisted of \$331 million for health resources, \$229 million for behavioral health, \$62 million for environmental health, and \$37 million for general administration.



Total assets exceeded total liabilities, resulting in net position of \$796 million. The department has an unrestricted net position of \$17 million. Total assets of \$934 million consisted of cash of \$367 million, receivables of \$165 million, loans receivable of \$336 million, advances of \$12 million, and net capital assets of \$54 million. Liabilities totaled \$138 million. The restricted net position of \$725 million included \$593 million for loans.

Auditors' Opinions

The department received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The department received a qualified opinion on its compliance with requirements that could have a direct and material effect on the department's major federal programs.

Findings

There were two significant deficiencies and no material weaknesses in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

- The department reconciliations of Medicaid transactions are not performed timely.
- Overreliance on self-reporting by distributors and redemption centers exposes the Deposit Beverage Container Deposit Special Fund to fraud.

There were two material weaknesses and one significant deficiency in internal control over compliance:

Material Weaknesses

- The department did not always comply with the Cash Management Improvement Act, which requires federal funds be disbursed within three days or as close as administratively feasible after the department drew down federal funds.
- The department did not always comply with the period of availability requirement, which should ensure that all obligations incurred were liquidated within 90 days of the end of the project period.

Significant Deficiency

- The department did not always comply with the reporting requirements of the Federal Funding Accountability and Transparency Act.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2013_Audit/DOH2013.pdf