



Office of the Auditor
465 S. King Street
Rm. 500
Honolulu, HI 96813
Ph. (808) 587-0800

Jan K. Yamane
Acting State Auditor
State of Hawai'i

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, 2014

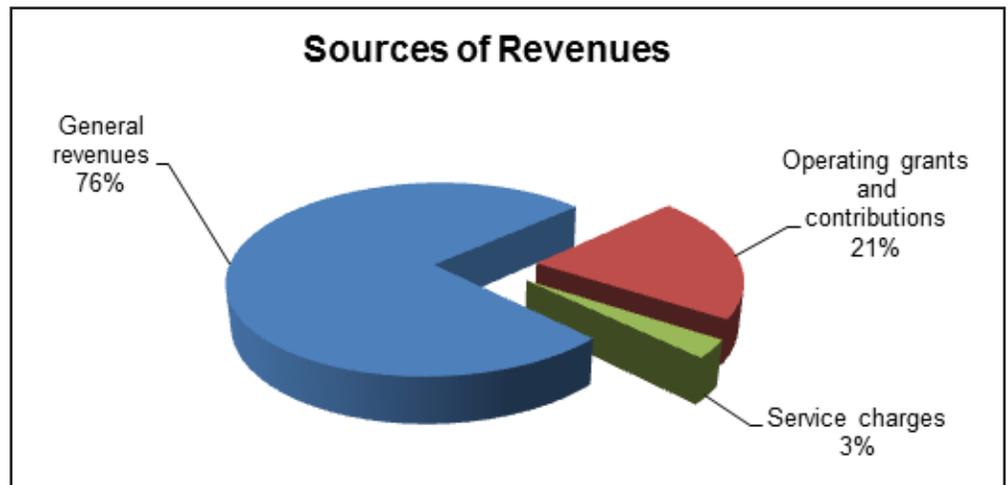
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Health, as of and for the fiscal year ended June 30, 2014, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by N&K CPAs, Inc.

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 the fiscal year ended June 30, 2014, the department reported total revenues of approximately \$746 million and total expenses of \$620 million, resulting in excess revenues of \$126 million before transfers. Revenues consisted of \$568 million from general revenues, \$157 million from operating grants and contributions, and \$21 million from service charges.





Office of the Auditor
465 S. King Street
Rm. 500
Honolulu, HI 96813
Ph. (808) 587-0800

Jan K. Yamane
Acting State Auditor
State of Hawai'i

Auditors' Opinions

Financial Statements: **+**
Unmodified opinion

Federal Compliance: **-**
Qualified opinion

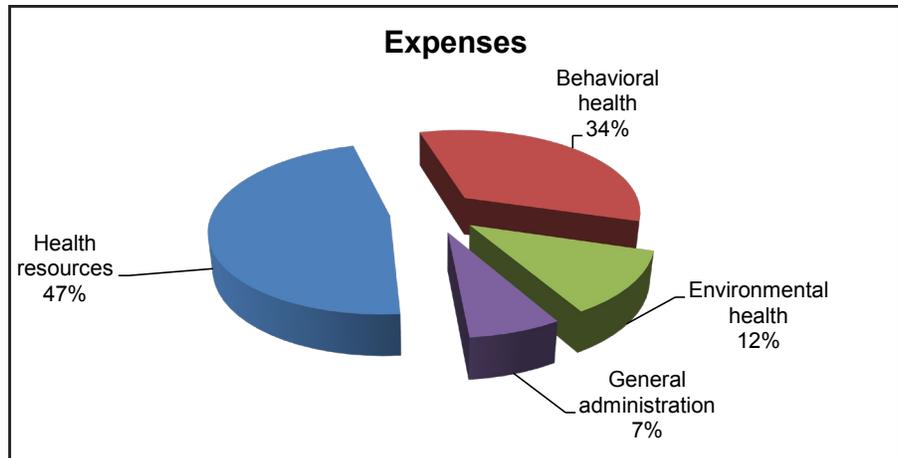
Issues of Concern

Material Weaknesses
3

Significant Deficiencies
8

For the full text of this and other reports, visit our website:
<http://auditor.hawaii.gov/>

Expenses consisted of \$293 million for health resources, \$211 million for behavioral health, \$74 million for environmental health, and \$42 million for general administration.



Total assets exceeded total liabilities, resulting in a net position of \$880 million. The department has an unrestricted net position of \$145 million. Total assets of \$994 million were comprised of cash of \$370 million, receivables of \$167 million, loans receivable of \$383 million, advances of \$12 million, and net capital assets of \$62 million. Liabilities totaled \$114 million. The department's restricted net position of \$673 million included \$624 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 major federal programs in accordance with OMB Circular A-133.

Findings

There were three 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.
- Deposit Beverage Container Deposit Special Fund is highly susceptible to fraud because of an overreliance on self-reporting by distributors and redemption centers.
- The department erroneously prepared the schedule of expenditures of federal awards.

There were three material weaknesses and five significant deficiencies in internal control over compliance:

Material Weaknesses (3)

- The department did not always comply with the Cash Management Improvement Act and sub-recipient monitoring requirements (2); and
- The department did not maintain documentation of allocated employee's work time.

Significant Deficiencies (5)

- The department did not always comply with the reporting requirements of the Federal Funding Accountability and Transparency Act and American Recovery and Reinvestment Act of 2009 (2);
- The department erroneously processed accrued leave due to termination as a direct cost;
- The department did not always comply with the matching requirements; and
- The department did not maintain written procedures for Vaccines for Children site visits.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2014_Audit/DOH2014