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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 Human Services

Financial Statements, Fiscal Year Ended June 30, 2015

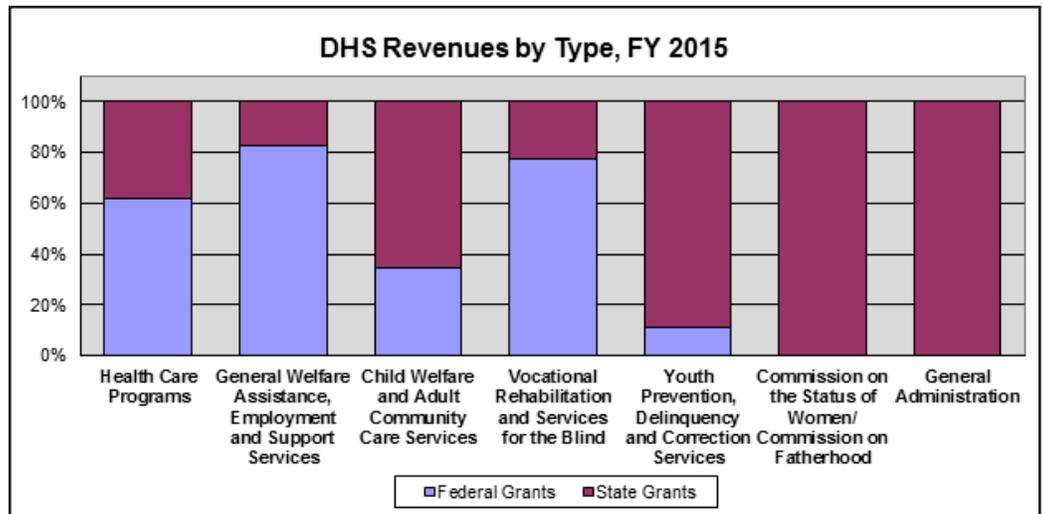
*The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Human Services, as of and for the fiscal year ended June 30, 2015, and to comply with the requirements of federal OMB circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KMH LLP.*

## About the Department

The Department of Human Services' mission is to direct its resources toward protecting and helping those least able to care for themselves and to provide services designed toward achieving self-sufficiency for clients as quickly as possible. The department is committed to maintaining a high level of quality, efficiency, and effectiveness in its services. The department is part of the executive branch of the State of Hawai'i and includes the following activities: Health Care Programs; General Welfare Assistance, Employment and Support Services; Child Welfare and Adult Community Care Services; Vocational Rehabilitation and Services for the Blind; Youth Prevention, Delinquency and Correction Services; General Administration; Commission on the Status of Women; and Commission on Fatherhood.

## Financial Highlights

For the fiscal year ended June 30, 2015, the department reported total revenues of approximately \$3.3 billion and total expenses of approximately \$3.2 billion. Revenues consisted of \$1.2 billion of state revenues and \$2.1 billion in program revenues which consist of operating grants from the federal government. Revenues from these federal grants paid for 65.6 percent of the cost of the department's activities.



Health care and general welfare assistance programs comprised 69.5 and 23.7 percent, respectively, of the total cost. The following chart presents each major activity as a percent of the total cost of all department activities.



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## Auditors' Opinions

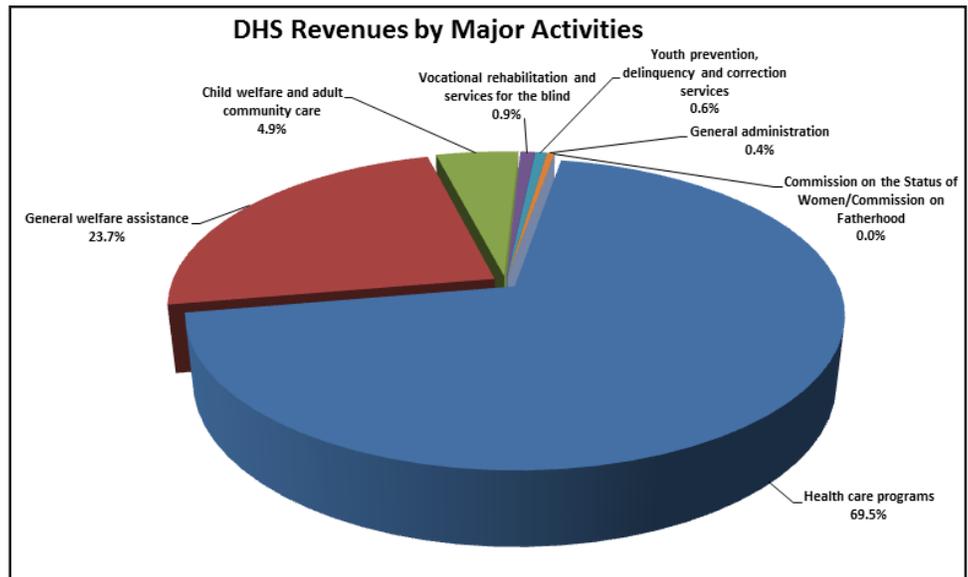
Financial Statements: **+**  
Unmodified opinion

Federal Compliance: **-**  
Qualified opinion

## Issues of Concern

**Material Weaknesses**  
**22**  
**Significant Deficiencies**  
**1**

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Total assets of the department exceeded total liabilities by \$187 million. The department had an unrestricted net position of \$70 million. Total assets were approximately \$610 million and total liabilities were \$423 million. Total assets were comprised of cash of \$291 million, receivables of \$202 million, and net capital assets of \$117 million.

## 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, with the exception of the Children's Health Insurance Program, which received an unmodified opinion.

## Findings

### Material Weaknesses (22):

- Lack of proper documentation to support eligibility determinations or non-cooperating participants resulted in benefits calculated incorrectly (5);
- Procurement procedures were not followed to verify suspension and debarment (3);
- Lack of compliance with the Federal Funding Accountability and Transparency Act (3);
- Untimely, inaccurate, or no submission of federal data reporting (3);
- Eligibility applications, determinations, and annual re-verifications were not completed in a timely manner (2);
- Failure to complete or revise participant's individualized plan for employment (2);
- Lack of post-payment review process over utilization, fraud and accuracy of Medicaid claims;
- Lack of compliance with policies and procedures over physical security of EBT cards;
- Lack of monitoring for earmarked funds; and
- Failure to properly monitor participants' work activity.

### Significant Deficiency

- Lack of subcontractor monitoring procedures over the Medicaid Drug Rebate Program.

### Other Matters

- Lack of timely information to support eligibility determinations resulted in benefit amounts inaccurately calculated for the Supplemental Nutrition Assistance Program; and
- Clerical errors resulted in overpayment of child care benefits.

For the complete report and financial statements visit our website at:  
[http://files.hawaii.gov/auditor/Reports/2015\\_Audit/DHS2015](http://files.hawaii.gov/auditor/Reports/2015_Audit/DHS2015)