

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, 2015

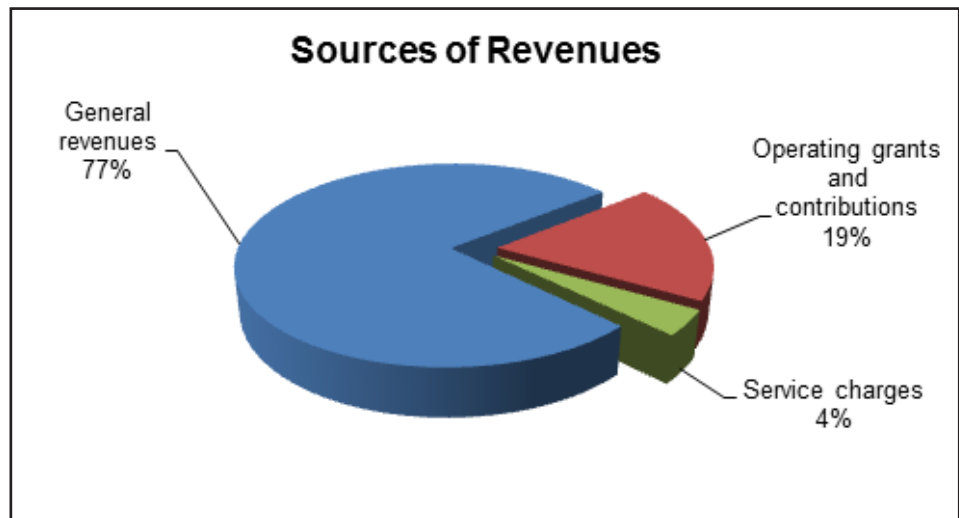
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Health, as of and for the fiscal year ended June 30, 2015, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by N&K CPAs, Inc.

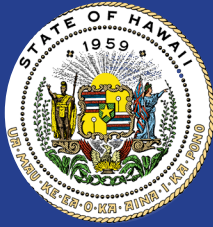
About the Department

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, 2015, the department reported total revenues of approximately \$745 million and total expenses of \$692 million, resulting in excess revenues of \$53 million before transfers. Revenues consisted of \$573 million from general revenues, \$141 million from operating grants and contributions, and \$31 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

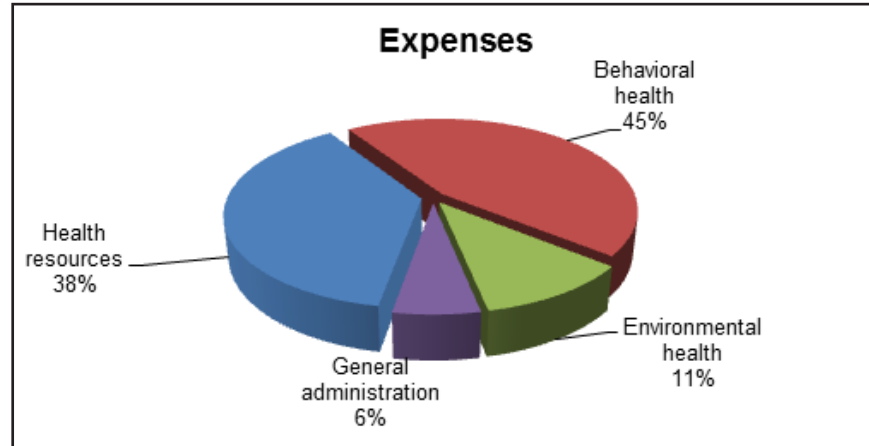
Issues of Concern

Material Weaknesses
1

Significant Deficiencies
6

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

Expenses consisted of \$265 million for health resources, \$309 million for behavioral health, \$76 million for environmental health, and \$42 million for general administration.



Total assets exceeded total liabilities, resulting in a net position of \$903 million. The department has an unrestricted net position of \$141 million. Total assets of \$1.037 billion were comprised of cash of \$378 million, receivables of \$171 million, loans receivable of \$416 million, advances and deferred outflows of resources of \$8 million, and net capital assets of \$64 million. Liabilities and deferred inflows of resources totaled \$134 million. The department's restricted net position of \$698 million included \$643 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 two significant deficiencies and no material weaknesses in internal control over financial reporting that are required to be reported under *Government Auditing Standards*.

Significant Deficiencies (2)

- The department did not determine the settlement of Medicaid transactions in an accurate and timely manner; and
- The Deposit Beverage Container Program is susceptible to fraud because of an overreliance on self-reporting by distributors and redemption centers.

There was one material weakness and four significant deficiencies in internal control over compliance:

Material Weakness

- The department did not always comply with the Cash Management Improvement Act.

Significant Deficiencies (4)

- Federal funds used to payout accrued leave for terminated employees were charged as direct program costs;
- The department did not always comply with matching requirements;
- The department did not always comply with subrecipient requirements; and
- The department does not have written procedures on Vaccines for Children site visits.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2015_Audit/DOH2015