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HOUSE COMMITTEE ON HEALTH & HUMAN SERVICES  
The Honorable John M. Mizuno, Chair  
The Honorable Bertrand Kobayashi, Vice Chair

**H.B. NO. 2427, RELATING TO THE HAWAII HEALTH SYSTEMS  
CORPORATION**

Hearing: Thursday, February 8, 2018, 9:00 a.m.

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The Office of the Auditor **has no position** regarding H.B. No. 2427, which requires us to conduct a management and financial audit of the Hawaii Health Systems Corporation (“HHSC”). **However, we have the following comments and requests for clarification.**

First, HHSC’s financial statements are currently audited by an independent certified public accounting firm annually. The most recent financial audit, which is for the fiscal year ending June 30, 2017, is accessible through our website at:  
<http://files.hawaii.gov/auditor/Reports/2017/HHSCFinancialAuditReport2017.pdf>.

The financial audit of HHSC required by the bill appears to duplicate that audit. However, if we are required to conduct a financial audit of HHSC, we request an appropriation of \$100,000 to retain a certified public accounting firm to perform the audit. We do not perform any financial audits in-house; rather, we contract with certified public accounting firms to audit the financial statements of 18 State agencies and for the State’s Comprehensive Annual Financial Report.

Second, with respect to the management audit required by the bill, we request the bill be amended to limit the management audit to a specific HHSC region (i.e., East Hawaii Region, West Hawaii Region, Kauai Region, Oahu Region), HHSC facility, or the HHSC corporate office. Considering our staffing resources, other audit obligations, and the deadline by which the bill requires us to report our audit findings and recommendations, we cannot assess all of the regions and the corporate office.

Thank you for considering our testimony regarding H.B. No. 2427.



## HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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The Twenty-Ninth Legislature, State of Hawaii  
House of Representatives  
Committee on Health and Human Services

Testimony by  
Hawaii Government Employees Association

February 8, 2018

### H.B. 2427 – RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 2427 which requests the Office of the Auditor to complete a full financial and management audit of the Hawaii Health Systems Corporation.

In addition to the audit that requests an analysis of the corporation's accounting procedures, procurement practices, and personnel and fiscal accountability, the audit should also consider analyzing the cost-benefit of recentralizing the System. The Legislature must ensure that the HHSC is prudently spending its appropriated funds and must accurately assess the entire system's current financial and operational state. We have long raised very serious concerns over proposed concepts to continue to privatize our safety net hospital system. A thorough financial and management audit has the potential to highlight opportunities for the whole system to operate more efficiently.

Thank you for the opportunity to provide testimony in support of H.B. 2427.

Respectfully submitted,

Randy Perreira  
Executive Director