



May 21, 2021

VIA EMAIL

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawai'i State Capitol, Room 409
Honolulu, Hawai'i 96813

VIA EMAIL

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawai'i State Capitol, Room 431
Honolulu, Hawai'i 96813

RE: Financial and Compliance Audit of the Department of Health

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements and compliance of the Department of Health for the fiscal year ended June 30, 2020, was issued on March 30, 2021. The Office of the Auditor retained KMH LLP to perform the financial and compliance audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial and compliance audit report.

You may view the financial and compliance audit report and Auditor's Summary on our website at:

https://files.hawaii.gov/auditor/Reports/2020_Audit/DOH2020.pdf; and

https://files.hawaii.gov/auditor/Reports/2020_Audit/DOH_Summary_2020.pdf.

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

LHK:LYK:emo

Attachment

cc/attach (Auditor's Summary only): Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

Auditor's Summary

Financial and Compliance Audit of the Department of Health

Financial Statements, Fiscal Year Ended June 30, 2020



PHOTO: OFFICE OF THE AUDITOR

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, 2020, and to comply with Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KMH LLP.

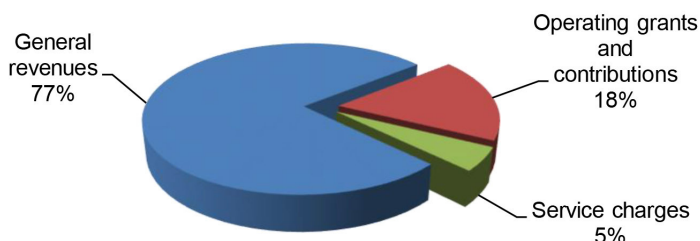
About the Department

The mission of the Department of Health (DOH) is to protect and improve the health and environment for all people in Hawai'i. DOH 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. It administers federal grants to support the State's health services and programs and is organized into four major administrations: Behavioral Health Services Administration, Health Resources Administration, Environmental Health Administration, and General Administration.

Financial Highlights

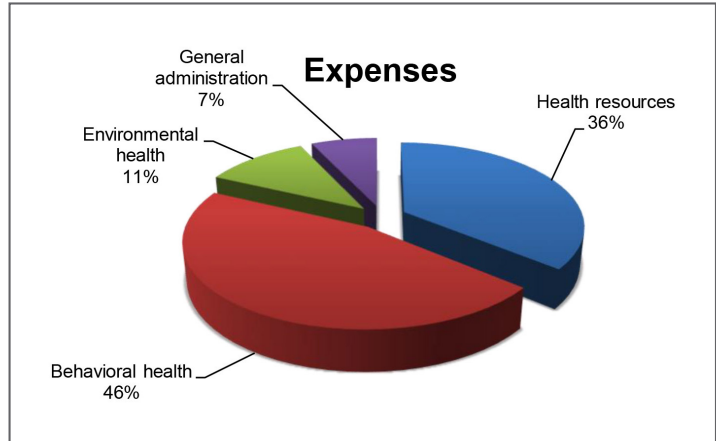
FOR THE FISCAL YEAR ended June 30, 2020, DOH reported total revenues of \$847.4 million and total expenses of \$809 million, resulting in an increase in net position of \$38.4 million. Revenues included \$653.3 million from general revenues, \$154.2 million from operating grants and contributions, and \$39.9 million from service charges.

Sources of Revenues



Expenses included \$291.6 million for health resources, \$374.8 million for behavioral health, \$92.2 million for environmental health, and \$50.4 million for general administration.

As of June 30, 2020, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$1.16 billion. Total assets and deferred outflows of resources of \$1.32 billion included (1) cash of \$518 million, (2) receivables of \$28 million, (3) loans receivable of \$661 million, (4) accrued interest and loan fees of \$2 million, (5) deferred outflows of resources of \$2 million, and (6) net capital assets of \$109 million. Total liabilities and deferred inflows of resources totaled \$158 million. DOH's net position of \$1.16 billion is comprised of a restricted amount of \$845 million, of which \$772 million is for loans; an unrestricted amount of \$208 million; and net investment in capital assets of \$109 million.



Auditors' Opinions

DOH RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOH received a qualified opinion on certain major programs over compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WAS ONE MATERIAL WEAKNESS and one significant deficiency in internal control over financial reporting that are required to be reported under *Government Auditing Standards*. The material weakness is described on pages 93-94 of the report, and the significant deficiency is described on pages 95-97 of the report.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

There were three material weaknesses in internal control over compliance that are required to be reported in accordance with the *Uniform Guidance*. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. The material weaknesses are described on pages 98-102 of the report.