



April 11, 2024

VIA EMAIL

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

VIA EMAIL

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

RE: Financial and Compliance Audit of the Department of Human Services

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements and compliance of the Department of Human Services for the fiscal year ended June 30, 2023, was issued on March 28, 2024. The Office of the Auditor retained Accuity 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/2023_Audit/DHS2023.pdf; and

https://files.hawaii.gov/auditor/Reports/2023_Audit/DHS_Summary_2023.pdf.

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

Very truly yours,

Leslie H. Kondo
State Auditor

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Attachment

ec/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 Human Services

Financial Statements, Fiscal Year Ended June 30, 2023



PHOTO: DEPARTMENT OF HUMAN SERVICES

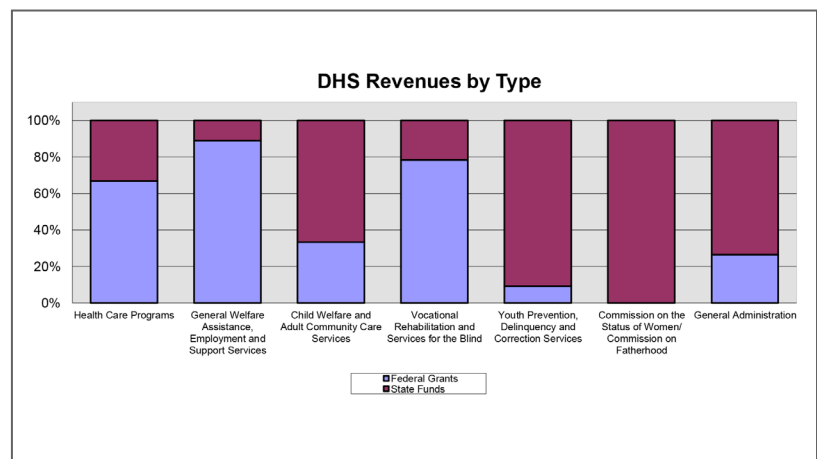
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Human Services, as of and for the fiscal year ended June 30, 2023, and to comply with Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative 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 Accuity LLP.

About the Department

The Department of Human Services (DHS) works to provide benefits and services to individuals and families in need. The majority of DHS' budget is comprised of federal funds. DHS' mission is to direct its funds 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. Activities include 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; and general administration. Attached programs include the Commission on the Status of Women and the Commission on Fatherhood.

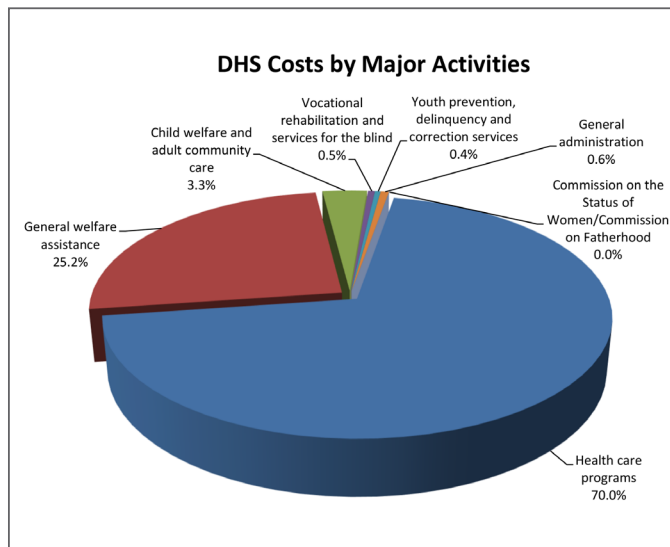
Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2023, DHS reported total revenues of \$5.23 billion and total expenses of \$5.14 billion. Revenues consisted of \$1.54 billion in state allotments, net of lapsed amounts plus non-imposed employee fringe benefits, and \$3.7 billion in operating grants from the federal government. Revenues from these federal grants paid for 71.9 percent of the cost of DHS' activities.



Health care and general welfare assistance programs comprised 70 and 25.2 percent, respectively, of the total cost. The following chart presents each major activity as a percentage of the total cost of all DHS activities.

As of June 30, 2023, DHS' total assets of \$538 million included (1) cash of \$344 million, (2) receivables of \$112 million, and (3) net capital assets of \$82 million. Total liabilities of \$320 million included (1) vouchers payable of \$10 million, (2) accrued wages and employee benefits of \$11 million, (3) amounts due to the State General Fund of \$57 million, (4) amounts due to other governments of \$148 million, (5) accrued medical assistance payable of \$77 million, and (6) accrued compensated absences of \$16 million.



Auditors' Opinions

DHS RECEIVED AN UNMODIFIED OPINION that its financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles. DHS received a qualified opinion on its compliance for all major federal programs, except for Economic, Social, Political Development of the Territories, COVID-19 Coronavirus State and Local Fiscal Recovery Funds, Social Services Block Grant, State Children's Health Insurance Program, and COVID-19 Medicaid Cluster, which received an unmodified opinion in accordance with the *Uniform Guidance*.

Findings

THE AUDITORS IDENTIFIED a material weakness and a significant deficiency in internal control over financial reporting that were required to be reported under *Government Auditing Standards*.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. The material weakness is described on pages 60-61 of the report.

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. The significant deficiency is described on pages 62-63 of the report.

There were 10 material weaknesses in internal control over compliance that were 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 a 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 65-67, 70-78, and 81-82 of the report.

There were five significant deficiencies in internal control over compliance that were required to be reported in accordance with the *Uniform Guidance*. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. The deficiencies are described on pages 64, 68-69, 79-80, and 83 of the report.



Link to the complete report:

Financial and Compliance Audit

https://files.hawaii.gov/auditor/Reports/2023_Audit/DHS2023.pdf