



STATE OF HAWAII
DEPARTMENT OF BUDGET & FINANCE
HAWAII PUBLIC EMPLOYEES HEALTH FUND
P. O. BOX 2121
HONOLULU, HAWAII 96805

April 30, 1999

RECEIVED

MAY 3 12 30 PM '99

OFFICE OF THE AUDITOR
STATE OF HAWAII

Ms. Marion M. Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813-2917

Dear Ms. Higa:

Due to the limited amount of time, four days, to respond to your Auditor's draft report, the Board of Trustees and staff is unable to fully respond to the recommendations put forth or to the information and premises upon which those recommendations were based.

Please refer to the attached page for a few of my immediate concerns on certain issues.

Over the next few months, our Board will work with various legislative committees to review your Auditor's findings, explain the rationale for our Board's decisions and implement appropriate program changes.

Sincerely,

BOARD OF TRUSTEES

GEORGE BUTTERFIELD
Chairman

Attachment

CHAIRMAN'S COMMENTS

1. Your report does not acknowledge the Board's efforts since 1992 to convince the Department of Budget and Finance and the Legislature that the replacement of the existing computer was a necessity. It implies that the Board has been slow moving on the computer project.

The Board was already working on this issue prior to the 1994 Segal Management Study. We had hoped the Study's conclusions would enhance our ability to complete the computer replacement project. We submitted budget requests in fiscal years 1993, 1994 and 1995 for this project, but those requests were repeatedly denied by the Department of Budget and Finance and the Legislature. It was not until the Board requested the use of Special Reserve Trust Funds that approval was received, but it has not come easily.

The Health Fund staff and Board should be commended for their persistence in pursuing this project because that persistence is the only reason that this project is where it is today.

2. What was said above regarding the computer project, can also be said about the long-term care insurance project. The Board has sent numerous requests to the Department of Budget and Finance and the Legislature to implement the plan since 1990.
3. The Health Fund's current staffing is insufficient to meet the workload demands and requirements to operate the fund. The staff is smaller today than it was two years ago as a result of budget restrictions and cuts. Any increase in workload or additional operational requirements, such as the monitoring, auditing and oversight of the union plans, is not possible unless the staff is increased and funds for auditors are provided. This concern was raised during the exit conference with the members of your staff. They acknowledged the staff workload situation.