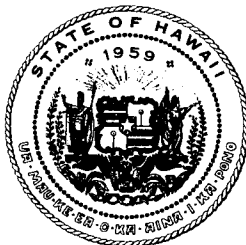


STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor
(808) 587-0800
FAX: (808) 587-0830

DEPT. COMM. NO. 20

March 7, 2002

The Honorable Robert Bunda
President of the Senate
State Capitol, Room 003
Honolulu, Hawaii 96813

Dear Mr. President:

I transmit to you a copy of our report, *Management Audit of the Disability Compensation Division and A Study of the Correlation Between Medical Access and Reimbursement Rates Under the Medical Fee Schedule*.

We found that the division's internal control system contains some serious deficiencies that affect fiscal accountability and if not corrected, could allow fraud to go undetected. The audit also found that the director's weak oversight over the division administrator resulted in significant internal conflicts and human resource management issues. Finally, we found no significant evidence to demonstrate that injured workers' access to medical care was curtailed by tying reimbursement of medical services to the Medicare fee schedule.

We hope that the report will assist you in reviewing the issues examined. The report will be available at our website, www.state.hi.us/auditor, and released to the public and press on Friday, March 8, 2002.

Sincerely,

Marion M. Higa
State Auditor

Enclosure

√c: Paul Kawaguchi, Senate Clerk