

April 9, 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 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, 2020, was issued on March 15, 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.

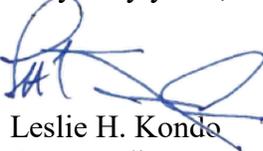
You may view the financial and compliance audit report and Auditor's Summary on our website at:

http://files.hawaii.gov/auditor/Reports/2020_Audit/DHS2020.pdf; and

http://files.hawaii.gov/auditor/Reports/2020_Audit/DHS_Summary_2020.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): Senators

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, 2020



PHOTO: DEPARTMENT OF HUMAN SERVICES

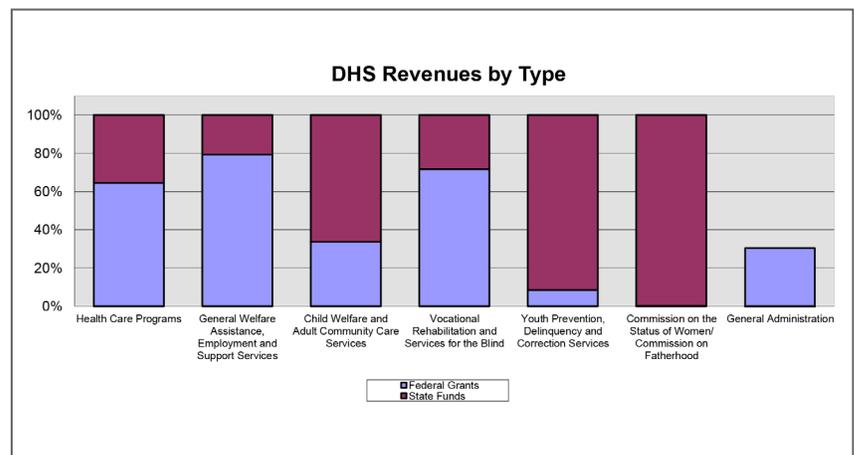
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Human Services, as of and for the fiscal year ended June 30, 2020, and to comply with Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative 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

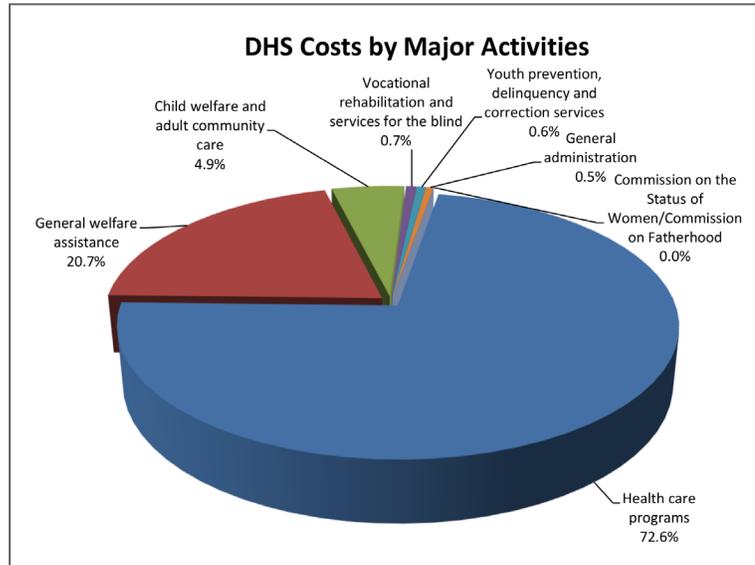
The Department of Human Services (DHS) works to provide benefits and services to individuals and families in need. The majority of DHS' budget is comprised of federal funds. DHS' mission is to direct its funds toward protecting and helping those least able to care for themselves and to provide services 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 Commission on Fatherhood.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2020, DHS reported total revenues of \$3.75 billion and total expenses of \$3.79 billion. Revenues consisted of \$1.28 billion in state allotments, net of lapsed amounts plus non-imposed employee fringe benefits, and \$2.47 billion in operating grants from the federal government. Revenues from these federal grants paid for 64.9 percent of the cost of DHS' activities.



Health care and general welfare assistance programs comprised 72.6 and 20.7 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, 2020, DHS' total assets of \$618 million included (1) cash of \$324 million, (2) receivables of \$226 million, and (3) net capital assets of \$68 million. Total liabilities of \$400 million included (1) vouchers payable of \$26 million, (2) accrued wages and employee benefits

of \$48 million, (3) amounts due to the state general fund of \$193 million, (4) accrued medical assistance payable of \$119 million, and (5) accrued compensated absences of \$14 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, and Political Development of the Territories, which received an unmodified opinion in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO MATERIAL WEAKNESSES in internal control over financial reporting that were required to be reported under *Government Auditing Standards*. However, the auditors identified one significant deficiency in internal controls over financial reporting. 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 deficiency is described on page 70 of the report.

There were 11 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 71-86 of the report.

There were two findings of known questioned costs when likely questioned costs are greater than \$25,000 that were required to be reported in accordance with the *Uniform Guidance*. The findings are described on pages 87-88 of the report.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2020_Audit/DHS2020.pdf