
A BILL FOR AN ACT

RELATING TO RECYCLING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the office of the
2 auditor conducts a financial and program audit of the department
3 of health's deposit beverage container program every other year.
4 Time after time, these audits demonstrate the program's failure
5 to develop and execute procedures to verify the accuracy and
6 completeness of data used to support claims of the deposit and
7 container fees paid to the program by the distributors, as well
8 as deposits and handling fees paid to the redemption centers.
9 Without such procedures, the program relies on self-reported
10 data and accepts that cash receipts from the distributors and
11 payments made to redemption centers are accurate and complete.
12 As a result, these audits found inaccuracies and possible
13 fraudulent reporting in the data used in these calculations. In
14 the auditor's 2019 report to the legislature, one of the
15 recommendations for the deposit beverage container program
16 management was to develop a risk-based process to select



1 distributor and redemption center reports submitted to the
2 program to audit on a periodic basis.

3 Therefore, the purpose of this Act is to require the
4 department of health to develop a risk-based process to help
5 remedy the flaws in the deposit beverage container program.

6 SECTION 2. Chapter 342G, Hawaii Revised Statutes, is
7 amended by adding a new section to part VIII to be appropriately
8 designated and to read as follows:

9 "§342G- Risk-based selection process; audit. (a) The
10 department shall develop a risk-based process to select deposit
11 beverage distributor and redemption center reports submitted to
12 the deposit beverage container program for periodic audit. The
13 department may hire personnel or external consultants to perform
14 the audits. In developing a risk-based process to monitor
15 deposit beverage distributors and redemption centers, the
16 department shall:

17 (1) Consider a variety of risk factors, including but not
18 limited to the amount of money transacted, prior audit
19 findings, and frequency of the deposit beverage
20 distributor's or redemption center's prior audits;



- 1 (2) Require deposit beverage distributors to send monthly
2 or semi-annual distribution reports and supporting
3 records, such as schedules of invoices, shipping
4 documents, point-of-sale reports, and other
5 documentation as required by the department, to the
6 deposit beverage container program on a periodic
7 basis; and
- 8 (3) Ensure that the audit process includes a risk
9 assessment derived from deposit beverage distributor
10 and redemption center data based on the reports
11 submitted, including but not limited to performing
12 analytics and trend analyses to target certain deposit
13 beverage distributors and redemption centers with
14 unusual fluctuations.
- 15 (b) The department shall:
- 16 (1) Summarize the results of deposit beverage distributor
17 and redemption center audits and assess whether
18 enforcement actions should be considered to ensure
19 amounts that are being reported are appropriate;
- 20 (2) Consider conducting follow-up audits; and
- 21 (3) Consider public announcements of violations.



- 1 (c) All deposit beverage distributors shall:
2 (1) Develop and submit to the deposit beverage container
3 program for approval an internal control process to
4 ensure that accurate data is entered on the monthly or
5 semi-annual distribution report forms and adequate
6 records are maintained; and
7 (2) Obtain independent audits for years ending in an odd
8 number."

9 SECTION 3. New statutory material is underscored.

10 SECTION 4. This Act shall take effect on January 1, 2050.

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H.B. NO. 1641 H.D. 1

Report Title:

Deposit Beverage Container Program; Auditor Recommendations;
Risk-based Selection Process; Distributors; Redemption Centers

Description:

Requires the department of health to implement the auditor's recommendations for the deposit beverage container program, including developing a risk-based selection process to select reports submitted by distributors and redemption centers for audit. Effective 1/1/2050. (HD1)

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