



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 Health

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements and compliance of the Department of Health for the fiscal year ended June 30, 2023, was issued on March 22, 2024. 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 three-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/DOH2023.pdf; and

https://files.hawaii.gov/auditor/Reports/2023_Audit/DOH_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 Health

Financial Statements, Fiscal Year Ended June 30, 2023



PHOTO: OFFICE OF THE AUDITOR

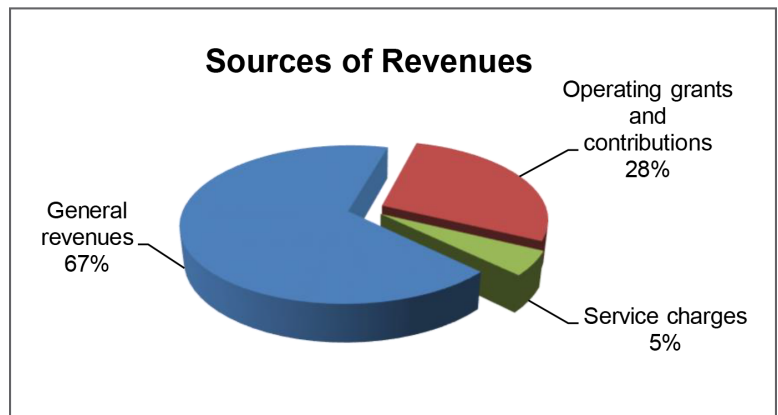
***THE PRIMARY PURPOSE** of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Health, as of and for the fiscal year ended June 30, 2023, and to comply with Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative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

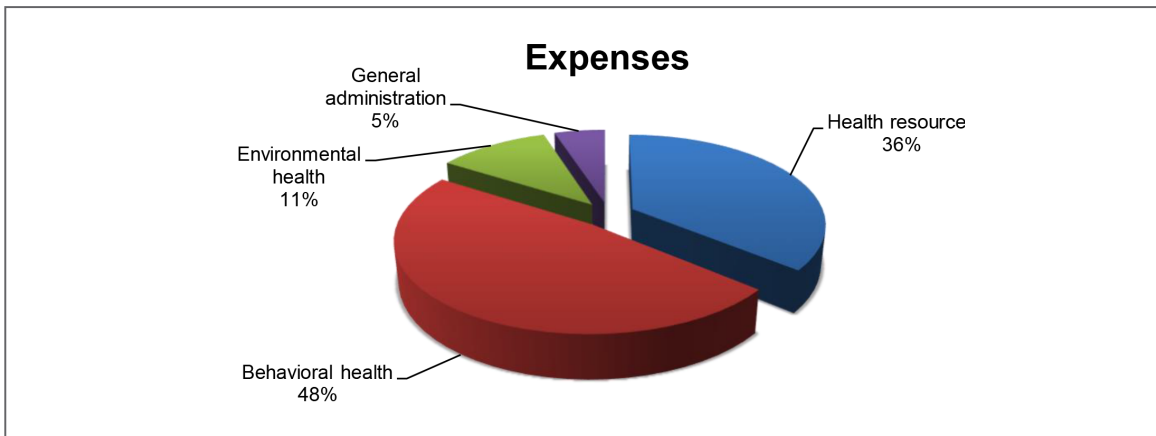
About the Department

The mission of the Department of Health (DOH) is to protect and improve the health and environment for all people in Hawai'i. DOH administers and oversees statewide personal health services, health promotion and disease prevention, mental health programs, monitoring of the environment, and the enforcement of environmental health laws. It administers federal grants to support the State's health services and programs and is organized into four major administrations: Behavioral Health Services Administration, Health Resources Administration, Environmental Health Administration, and General Administration.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2023, DOH reported total revenues of \$952.7 million and total expenses of \$837.4 million, resulting in an increase in net position of \$115.3 million. Revenues included \$635.2 million from general revenues, \$267.4 million from operating grants and contributions, and \$50.1 million from service charges.





Expenses included \$304.7 million for health resources, \$398 million for behavioral health, \$88.4 million for environmental health, and \$46.3 million for general administration.

As of June 30, 2023, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$1.45 billion. Total assets and deferred outflows of resources of \$1.63 billion included (1) cash of \$528 million, (2) receivables of \$104 million, (3) loans receivable of \$753 million, (4) accrued interest and loan fees of \$3 million, (5) deferred outflows of resources of \$2 million, and (6) net capital assets of \$239 million. Total liabilities and deferred inflows of resources totaled \$177 million. DOH's net position of \$1.45 billion is comprised of a restricted amount of \$941 million, of which \$872 million is for loans; an unrestricted amount of \$271 million; and net investment in capital assets of \$239 million.

Auditors' Opinions

DOH RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOH received an unmodified opinion on its compliance for all major federal programs, except for Substance Abuse and Mental Health Services Projects of Regional and National Significance, Immunization Cooperative Agreements, Opioid STR, Block Grants for Community Mental Health Services, and Block Grants for Prevention and Treatment of Substance Abuse, which received a qualified opinion in accordance with the *Uniform Guidance*.

Findings

THERE WAS ONE MATERIAL WEAKNESS and three significant deficiencies 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 a 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 100-101 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 deficiencies are described on pages 102-106 of the report.

There were six material weaknesses and one significant deficiency in internal control over compliance that were required to be reported in accordance with the *Uniform Guidance*. The

material weaknesses are described on pages 107-117 of the report and the significant deficiency is described on pages 118-119 of the report.

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 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.

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.



Link to the complete report:

Financial and Compliance Audit

https://files.hawaii.gov/auditor/Reports/2023_Audit/DOH2023.pdf