

ACT 12

S.B. NO. 2998

A Bill for an Act Relating to Recycling.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that the office of the auditor conducts a financial and program audit of the department of health's deposit beverage container program every other year. Time after time, these audits demonstrate the program's failure to develop and execute procedures to verify the accuracy and completeness of data used to support claims of the deposit and container fees paid to the program by the distributors, as well as deposits and handling fees paid to the redemption centers. Without such procedures, the program relies on self-reported data and accepts that cash receipts from the distributors and

payments made to redemption centers are accurate and complete. As a result, these audits have found inaccuracies and possible fraudulent reporting in the data used in these calculations. In the auditor's 2019 report to the legislature, one of the recommendations made for the deposit beverage container program management was to develop a risk-based process to select, for periodic audit, certain distributor and redemption center reports submitted to the program.

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

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

“§342G- Risk-based selection process; audit. (a) The department shall develop a risk-based process to select, for periodic audit, certain deposit beverage distributor and redemption center reports submitted to the deposit beverage container program. The department may hire personnel or external consultants to perform the audits. In developing a risk-based process to audit certain deposit beverage distributor and redemption center reports, the department shall:

- (1) Consider a variety of risk factors, including but not limited to the amount of money transacted, prior audit findings, and frequency of the deposit beverage distributor's or redemption center's prior audits;
 - (2) Require deposit beverage distributors to send monthly or semi-annual distribution reports and supporting records, such as schedules of invoices, shipping documents, point-of-sale reports, and other documentation as required by the department, to the deposit beverage container program; and
 - (3) Ensure that the audit process includes a risk assessment derived from deposit beverage distributor and redemption center data based on the reports submitted, including but not limited to carrying out analytics and trend analyses to target certain deposit beverage distributors and redemption centers having unusual fluctuations.
- (b) The department shall:
- (1) Summarize the results of the deposit beverage distributor and redemption center audits and assess whether enforcement actions should be considered to ensure that the amounts that are being reported are accurate;
 - (2) Consider conducting follow-up audits; and
 - (3) Consider publicly announcing violations.
- (c) All deposit beverage distributors shall:
- (1) Develop and submit to the deposit beverage container program for approval an internal control process to ensure that the monthly or semi-annual distribution report forms contain accurate data and that adequate records are maintained; and
 - (2) Obtain independent audits for years ending in an odd number.”

SECTION 3. New statutory material is underscored.¹

SECTION 4. This Act shall take effect upon its approval.

(Approved April 27, 2022.)

Note

1. Edited pursuant to HRS §23G-16.5.