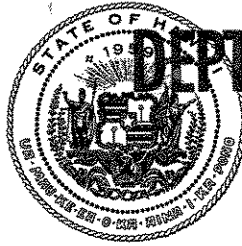


STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



DEPT. COMM. NO. 42

MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

April 16, 2008

The Honorable Colleen Hanabusa
President of the Senate
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President:

I transmit to you a copy of our report, *Financial Review of the Hawaii Health Systems Corporation*.

The review was conducted by the Office of the Auditor and the certified public accounting firm of Accuity LLP. Our audit revealed three material weaknesses. We found the corporation's procurement and asset management policies do not comply with applicable state laws. We also found that the corporation's inattention to information technology management exposes its sensitive data to unnecessary risk. Further, not all of the corporation's facilities have, or adhere to, established policies regarding billings, collections, and receivables.

We also noted three additional reportable matters, including a lack of management cooperation which resulted in significant delays in the completion of the review and our inability to opine on the corporation's financial statements. We also noted that the corporation's June 30, 2006 financial statements excluded \$4 million in bond fund appropriations, and that the corporation's compensation structure is not comparable to other state agencies.

We hope that the report will assist you in reviewing the issues examined. We will place the report on our website, www.state.hi.us/auditor, and release it to the public and press, on Thursday, April 17, 2008.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marion M. Higa".

Marion M. Higa
State Auditor

Enclosure

c: ✓ Carol Taniguchi, Senate Clerk