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KE KIAʻĀINA O KA MOKUʻĀINA ʻO HAWAIʻI

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DEPARTMENT OF HEALTH
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HONOLULU, HI 96801-3378

In reply, please refer to:
File:

February 27, 2025

NOTICE TO DEPOSIT BEVERAGE DISTRIBUTORS

SUBJECT: **Required Deposit Beverage Distributor Audits**

The Department of Health's (Department) Deposit Beverage Container (DBC) Program is notifying all deposit beverage distributors of the implementation of the audit requirements set forth in Hawaii Revised Statutes (HRS) §342G-121.5, *Risk-based selection process; audit*.

The purpose of this notice is to provide guidance on these requirements. To that end, we are providing a public comment period (see below) after which we will gather submitted comments and questions and issue a consolidated response document. Please note that, in addition to this public comment period, questions are welcome at any time.

1.   **DBC Program Conducted Audits**
       The statute requires the DBC Program to develop a risk-based process to select and conduct periodic audits on certain deposit beverage distributors. The selection process will be based on various factors, which include, but are not limited to the amount of money transacted, prior audit findings, and frequency of the deposit beverage distributors' prior audits. The risk-based audit selection will commence July 1, 2025. As a distributor, your organization may be selected for such a periodic audit. If selected, the DBC Program will contact the individual(s) listed on your organization's most recent distributor report form.

2.   **Internal Control Process Document**
       The statute requires all deposit beverage distributors to develop and submit to the DBC Program for approval an internal control process document to ensure that the monthly or semi-annual distribution report forms contain accurate data and that adequate records are maintained. As a distributor, you will be responsible to submit this internal control process document which shall, at a minimum, address the following items:

       - The process your organization used to determine the application of the 5¢ deposit and 1¢ container fee for containers distributed;
       - The process your organization used to ensure products manufactured in Hawaii and/or distributed in Hawaii are compliant with the DBC Program;
       - The process your organization used to ensure the reported number of containers and its corresponding payments are correct; and

- Methods and duration of your organization's record retention policies.

The internal control process document is due to the DBC Program by June 30, 2025.

3.   Independent Audits
The statute further requires all deposit beverage distributors to obtain independent audits for years ending in an odd number. The first audit shall cover the 2025 fiscal year, and shall be submitted to the DBC Program by September 30, 2026. The audits shall:

- Assess whether the reported DBCs are compliant with the DBC Program.
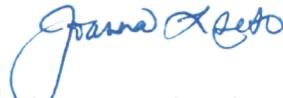- Assess whether the reported DBCs match the corresponding sales or vendor documents.

All documents shall be submitted via email to DOH.DBCDistributor@doh.hawaii.gov, or via mail to:

> Department of Health
> Solid and Hazardous Waste Branch
> Deposit Beverage Container Program
> 2827 Waimano Home Road, Suite #100
> Pearl City, Hawaii 96782

Please submit any questions you have to the DBC Program by March 14, 2025. All questions will be consolidated and answered by March 28, 2025. You may contact the program by phone at (808) 586-4226, or via email at DOH.DBCDistributor@doh.hawaii.gov. If submitting questions through email, please include "audit" in the subject line.

Please be advised that failure to comply with the new requirements of HRS §342G-121.5, or any other requirements of the statute or administrative rules, may result in administrative penalties being assessed and/or suspension, modification, or revocation of any permit or certification issued by the Department.

Sincerely,

JOANNA L. SETO, P.E., CHIEF
Environmental Management Division