



**STATE OF HAWAII**  
**DEPARTMENT OF HEALTH**  
**KA 'OIHANA OLAKINO**  
P. O. BOX 3378  
HONOLULU, HI 96801-3378

In reply, please refer to:  
File:

April 14, 2025

**SUBJECT: Response to Registered Deposit Beverage Distributor Submitted Questions**

On February 27, 2025, the State of Hawaii Deposit Beverage Container (DBC) Program issued a notice to all registered deposit beverage distributors (distributors) of the audit requirements in accordance with Hawaii Revised Statutes (HRS) §342G-121.5, *Risk-based selection process; audit*. In that notice, distributors were provided a period to submit questions for the DBC Program response.

Below are the responses to those questions:

**DBC Program Conducted Audits**

1. What is the process of the DBC Program conducted audit?

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 distributors' prior audits. The risk-based audit selection will commence July 1, 2025. If selected, the DBC Program will contact the individual(s) listed on your organization's most recent distributor report form.

**Internal Control Process Document**

2. Is there a sample or template for an internal control process?

The Department will draft a form for distributors' use. It will be disseminated once it is complete.

3. What is the minimum duration of record retention subject for audit?

At this time, there are not rules or regulations that specify the length of record retention. Pursuant to HRS §342G-103(b):

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*“All deposit beverage distributors shall maintain records reflecting the manufacture of their beverages in deposit beverage containers as well as the importation and exportation of deposit beverage containers. The records shall be made available, upon request, for inspection by the department; provided that any proprietary information obtained by the department shall be kept confidential and shall not be disclosed to any other person, except:*

- (1) As may be reasonably required in an administrative or judicial proceeding to enforce any provision of this chapter or any rule adopted pursuant to this chapter; or*
- (2) Under an order issued by a court or administrative agency hearings officer.”*

### Independent Audits

4. What period does the first audit cover?

The first audit shall cover the Department’s 2025 fiscal year, which spans from July 1, 2024, to June 30, 2025.

5. What deliverables does the Department expect from the independent audit?

The Department is expecting an independent assessment of a distributors’ process for determining a product’s DBC eligibility and the accuracy of their deposit and container fee reports. Additionally, the Department is also requiring a product list of all beverages sold by the distributor.

6. What qualifications or certifications does the Department require of the auditors performing independent audits?

The Department is requiring distributors to utilize businesses or individuals who have obtained the appropriate license(s) to practice auditing in the state, in accordance with the State of Hawaii Department of Commerce and Consumer Affairs Board of Public Accountancy. Distributors who hire out of state services are expected to utilize auditors who meet auditing requirements necessary to operate in their state. The Department may request the license information to confirm licensure status.

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### **Other questions and concerns**

7. Concerns of independent audit costs posing as a financial burden to semi-annual distributors.

The Department is aware that audit costs can equal or exceed the deposits and fees paid by semi-annual distributor reporters. However, the statute does not provide exemptions from the audit requirement. Please obtain the required independent audit. When submitting the final audit report, please also include documentation detailing the audit's cost for the Department's assessment.

8. Who is responsible for the Hawaii refund value label compliance?

Deposit beverage container compliance is the responsibility of distributors, manufacturers, and dealers selling DBCs, pursuant to Hawaii Revised Statutes §342G-112, "every deposit beverage container sold in the State shall clearly indicate the refund value of the container and the word 'Hawaii' or the letters 'HI'."