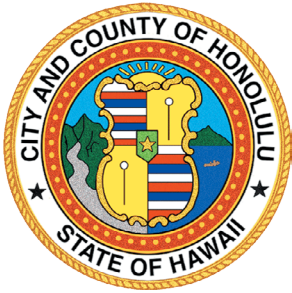


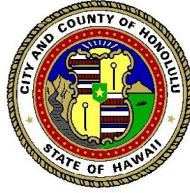


Office of the City Auditor



**City and County of
Honolulu
State of Hawai'i**

**Annual Report
FY2021-22**



**Office of the City Auditor
City and County of Honolulu
State of Hawai'i**

The Honorable Members of the Honolulu City Council:

We are pleased to submit the Annual Report of the Office of the City Auditor for FY 2021-22. Over the course of the year, our office released a variety of performance and financial audits, and other value-added reports aimed at providing stakeholders with vital information and promoting greater efficiency and transparency in city government.

*The Office of the
City Auditor's
mission is to promote
honest, efficient,
effective, and fully
accountable city
government.*

In March 2022, our office successfully completed its sixth peer review. Peer reviews, which are essentially an audit of our office, are required by the U.S. Government Accountability Office for organizations that conduct audits in accordance with generally accepted government auditing standards. Peer reviews are conducted every three years by independent audit professionals. For the review period FY 2019-FY 2021, the review team found that our office complied with government auditing standards. This finding validates the quality of our work and compliance with the highest professional standards.

As we look forward to the year ahead, we reaffirm our commitment to promote honest, efficient, effective, and fully accountable city government through an ambitious FY2022-23 work plan that will examine key city operations and address issues important to the City Council and Honolulu's citizens.

Aloha,

A handwritten signature in cursive script that reads "Arushi Kumar".

Arushi Kumar
City Auditor

This page intentionally left blank.

2022: Year in Review

Fiscal Year 2022 brought new faces and talent to the Office of the City Auditor (OCA). The office welcomed City Auditor Arushi Kumar who was appointed by the Honolulu City Council in December 2021. In addition, a performance auditor from Saipan joined the audit team, and a student from the University of Hawai'i (UH) at Manoa was hired as part of the OCA Internship Program, which finally restarted after being put on hold during the COVID-19 pandemic. While staff worked hard on completing the projects planned for Fiscal Year 2022, they also participated in activities to enhance their professional growth and supported the office's efforts to promote government auditing as a career. The office also passed its sixth triennial peer review and was awarded a Certificate of Compliance from the Association of Local Government Auditors (ALGA).

OCA issued the following reports in Fiscal Year 2022:

<u>Report No.</u>	<u>Title</u>
22-01	Audit of the City's Information Technology Modernization, Services, and Support
22-02	Follow-Up on Recommendations from Report No. 17-06, Audit of the City's Recycling Program
22-03	Audit of the Honolulu Police Department's Overtime Polices, Procedures, and Protocols, Resolution 21-58
22-04	Follow-Up on Recommendations from Report No. 18-02, Audit of the Department of Parks and Recreation's Performance Metrics FY 2015 - FY 2017
N/A	FY 2021 National Community Survey
N/A	Citizen-Centric Report for 2021
N/A	OCA Annual Report for FY 2021

In addition to conducting performance and follow-up audits, OCA continues to administer the charter-mandated audit of the city's financial statements. Accuity LLP, an external accounting firm, completed the following audits for the fiscal year ending June 30, 2021:

- Annual Comprehensive Financial Report;
- Public Transportation System – Bus and Paratransit Operations Financial Statement;
- Sewer Fund Financial Statements; and
- Single Audit of Federal Financial Assistance Programs.

A Management Letter was not issued for Fiscal Year 2021.

OCA staff continue to enhance their professionalism by obtaining certifications, attending conferences, and participating in webinars hosted by professional organizations. Staff earned a Certified Fraud Examiner credential from the Association of Certified Fraud Examiners (ACFE) and a Certified Fraud Specialist designation from the Association of Certified Fraud Specialists (ACFS). Staff served on national committees for the Association of Local Government Auditors (ALGA), conducted peer reviews of other local government audit offices, and also judged peer audit reports

2022: Year in Review (continued)

for ALGA's prestigious Knighton Awards. OCA personnel also served as president, board members, and committee chairs for the Hawai'i Chapter of the AGA (the organization formally known as the Association for Government Accountants). Additionally, staff maintained their memberships and continued to support the government auditing profession through the ACFE, ACFS, AGA, ALGA, Institute for Internal Controls, Institute for Internal Auditors, and ISACA.

In support of our efforts to promote government public service as a career, OCA staff participated in *Talk Story* sessions with students from UH-Manoa, UH-West O'ahu, UH-Hilo, and Brigham Young University; and connected with graduate students through speaking engagements with the UH-Manoa School of Accountancy. Staff also participated in the UH-West O'ahu Local Accounting Careers event.

In March 2022, OCA passed its sixth triennial peer review and was awarded a Certificate of Compliance from ALGA. ALGA's peer review program is officially recognized by the U.S. Government Accountability Office. The peer review team found OCA's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit engagements during the period July 1, 2018 through June 30, 2021.

OCA continues to fulfill its mission of promoting honest, efficient, effective, and fully accountable city government through our audit work and value-added reports.

Summary of Reports to Council

This section summarizes the reports completed in FY2021-22.

Audit of the City's Information Technology Modernization, Services, and Support; Report No. 21-01, January 2022

https://www.honolulu.gov/rep/site/oca/oca_docs/Audit_of_the_Citys_IT_Modernization_Services_and_Support_Final_Report.pdf

The objectives of this audit were to: review the cost of modernization for IT systems, infrastructure, and other supporting projects during the time period of Fiscal Years 2013-2020; review the implementation of selected IT projects identified as annual priorities, including realized benefits, performance, and improvements; and review technical service and support of city department initiatives and requests for IT support and improvements, including meeting public expectations for IT-based city services.

We found that during Fiscal Years 2013-2020, DIT performed much needed major modernization of the city's IT systems, infrastructure, and staff capabilities to provide appropriate current IT services. In addition, many longstanding projects, such as renovating the city's data center, upgrading the emergency radio system and supporting facilities, and upgrading the mainframe were completed or near completion. However, the cost of major IT projects were incompletely reported, and therefore the department could not provide complete data on cost-effectiveness and savings associated with each IT project. Additionally, support and service limitations in DIT resulted in many department concerns and needs not being met or being significantly delayed






Follow-Up on Recommendations from Report No. 17-06, Audit of the City's Recycling Program; Report No. 22-02, May 2022

https://www.honolulu.gov/rep/site/oca/oca_docs/ENV_Recycling_Follow-up_Final_Report.pdf

The original audit Report No. 17-06, *Audit of the City's Recycling Program* was issued in October 2017 and was conducted pursuant to Council Resolution 15-315. The resolution asked the Office of the City Auditor to review the general effectiveness of the city's recycling efforts and the effectiveness of specific recycling programs. The report made 10 recommendations to the Department of Environmental Services.

In this follow-up audit, we found that six recommendations were *completed* and four were *in process*. The department committed to addressing the four recommendations that were deemed *in process*.

Summary of Reports to Council (continued)

 Completed 6	 Resolved --	 In Process 4	 Not Started --	 Dropped --
Agency has sufficiently implemented the audit recommendation.	Although agency did not implement the audit recommendation, it implemented an alternative solution that sufficiently addressed the applicable audit finding or risk.	Agency started or has partially implemented the audit recommendation.	Agency has not begun implementation of the recommendation.	Agency has no plan to implement the recommendation; the risk associated with the recommendation no longer exists, or is no longer applicable.

Audit of the Honolulu Police Department's Overtime Policies, Procedures, and Protocols, Resolution 21-58; Report No. 22-03, May 2022

https://www.honolulu.gov/rep/site/oca/oca_docs/HPD_OT_Final_Report.pdf

This audit was conducted pursuant to City Council Resolution 21-58, which requested the city auditor to conduct a performance audit of the Honolulu Police Department's (HPD) policies, and procedures related to officer overtime. The audit objectives were to: address whether the HPD's existing policies, protocols, and procedures, as they relate to HPD officer overtime, ensure the fair and equitable distribution of such overtime to all HPD officers, rather than just to certain HPD officers; address whether the HPD's existing policies, protocols, and procedures, as they relate to HPD officer overtime allowances, ensure that HPD overtime privileges are not abused (e.g. that overtime work performed can be accounted for, is not excessive, and is consistent with HPD policies, protocols, and procedures); and make recommendations for improvements to such HPD policies, protocols, and procedures to reduce the overall amount of overtime compensation being paid by the city to HPD officers, to ensure the equitable distribution of the opportunities to earn overtime pay among all HPD officers, and to ensure that such overtime privileges are not being abused.








We found that although HPD developed policies and procedures for managing overtime, those policies and procedures are inconsistently applied and interpreted across the various HPD districts and divisions. This results in overall ineffective management of overtime, including an unequal distribution of overtime hours among officers. In addition, overtime cards used to document overtime requests and approval for payroll purposes, are managed manually, increasing the risk for human error, abuse, and fraud. We also found that there are no limits to the amount of overtime an individual officer can work. By allowing an unlimited use of overtime, HPD is not accounting for risks such as officer fatigue. Additionally, despite the overtime use, the department was still unable to meet staffing minimums in certain districts in FY 2020.

Summary of Reports to Council (continued)

Follow-Up on Recommendations from Report No. 18-02, Audit of the Department of Parks and Recreation’s Performance Metrics FY 2015 – FY 2017; Report No. 22-04, June 2022
https://www.honolulu.gov/rep/site/oca/oca_docs/DPR_Follow-Up_Final_Report.pdf

The original audit, issued in May 2018, was conducted pursuant to Section 3-502.1(c) of the Revised Charter of Honolulu and the Office of the City Auditor’s Annual Work Plan for FY 2017-2018. The Office of the City Auditor determined that the audit was warranted because the development of meaningful performance metrics can improve operational efficiency and accountability within the city. The original report made six recommendations to the Department of Parks and Recreation.

In this follow-up audit, we found that three of the six recommendations were *completed*, two were *in process*, and one was *dropped*.

 Completed 3	 Resolved --	 In Process 2	 Not Started --	 Dropped 1
Agency has sufficiently implemented the audit recommendation.	Although agency did not implement the audit recommendation, it implemented an alternative solution that sufficiently addressed the applicable audit finding or risk.	Agency started or has partially implemented the audit recommendation.	Agency has not begun implementation of the recommendation.	Agency has no plan to implement the recommendation; the risk associated with the recommendation no longer exists, or is no longer applicable.

Financial Audit of the City and County of Honolulu, State of Hawai’i for the Fiscal Year ended June 30, 2021

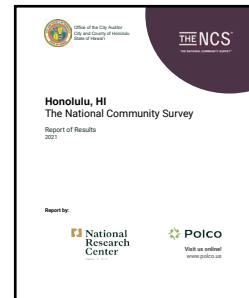
The financial audit under OCA contract was completed by external auditors Accuity LLP with the following reports being issued:

- *City and County of Honolulu Annual Comprehensive Financial Report (ACFR), June 30, 2021.* Report issued in December 2021.
https://www.honolulu.gov/rep/site/oca/oca_docs/ACFR_FY2021.pdf
- *City and County of Honolulu - Public Transportation System - Bus and Paratransit Operations, Financial Statements and Supplemental Schedules, June 30, 2021 and 2020.* Report issued in November 2021.
https://www.honolulu.gov/rep/site/oca/oca_docs/Bus_FY2021.pdf

- **City and County of Honolulu - Sewer Fund Financial Statements, June 30, 2021 and 2020.**
Report issued in January 2022.
https://www.honolulu.gov/rep/site/oca/oca_docs/oca-2022.01-2021SewerFundFinancialStatements.pdf
- **Single Audit of Federal Financial Assistance Programs for the Fiscal Year Ended June 30, 2021.**
Report issued in March 2022.
https://www.honolulu.gov/rep/site/oca/oca_docs/singleaudit2021.pdf

The National Community Survey (NCS)™, City and County of Honolulu (2021)
https://www.honolulu.gov/rep/site/oca/oca_docs/2021_NCS_Final_Report.pdf

The National Community Survey™ report was completed in April 2022. The report captures residents' opinions across 10 facets of community: Economy; Mobility; Community Design; Utilities; Safety; Natural Environment; Parks and Recreation; Health and Wellness; Education, Arts, and Culture; and Inclusivity and Engagement. This was the 13th national Community Survey of Honolulu residents conducted for the City and County of Honolulu.



Citizen-Centric Report for Fiscal Year 2021
https://www.honolulu.gov/rep/site/oca/oca_docs/citizen_centric_report_fy_2021.pdf

The Citizen-Centric Report for Honolulu for Fiscal Year 2021 was published by the Office of the City Auditor in June 2022. The report succinctly communicates financial and performance information to the citizens of Honolulu.

Status of Council Requests for Audits, FY2019-20 to FY2021-22

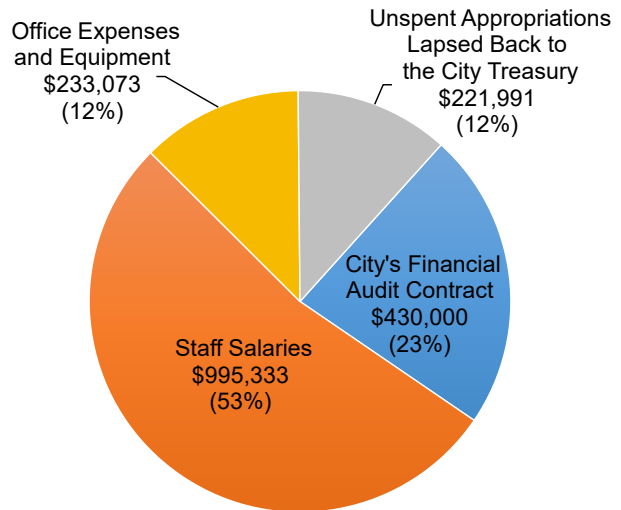
In accordance with city charter, the city auditor shall conduct performance audits of the funds, programs, and operations of any agency or operation of the city as requested by the council by resolution. We continue to give high priority to council's requests. All four requests adopted by the council in the last three fiscal years (FY 2020 to FY 2022) have been completed.

No.	Resolution Number	Date Adopted	Resolution Title	Status
1.	19-255	11/06/19	Requesting that the City Auditor Conduct Performance Audits of the Honolulu Police Department and Department of the Prosecuting Attorney	Completed <i>Report No. 20-07 (HPD)</i> <i>Report No. 20-09 (PAT)</i>
2.	19-264	11/06/19	Directing the City Auditor to Conduct a Performance Audit of the Operations of the Ticket Sales Operations of the Department of Enterprise Services' For Events Held at the Neal S. Blaisdell Center	Completed <i>Report No. 20-06</i>
3.	19-290	12/04/19	Requesting the City Auditor to Conduct an Audit of the City and County of Honolulu's Relationship With Bikeshare Hawaii	Completed <i>Report No. 20-08</i>
4.	21-58	04/14/21	Directing the City Auditor to Conduct a Performance Audit of the Honolulu Police Department	Completed <i>Report No. 22-03</i>

FY2021-22 Appropriations and Expenditures

The Office of the City Auditor was appropriated a total of \$1,880,397 in FY2021-22. Of this total, \$430,000 was encumbered for the city's annual financial audit contract, which OCA oversees for the council; \$995,333 was expended for staff salaries; and \$233,073 was expended for office operations and equipment. Unspent appropriations totaling \$221,991 were returned to the city treasury at the end of the fiscal year and was mainly attributed to salary savings from the vacant city auditor and audit staff positions, and continuing professional education events that were not attended due to COVID-19.

OCA FY2021-22 Application of Resources



OCA Staff Listing

- Arushi Kumar, City Auditor, MPP (Appointed 12/1/21)
- Troy Shimasaki, Senior Auditor, CRMA (Acting City Auditor until 11/30/21)
- Van Lee, Audit Manager, MBA, CRMA, CICA
- Shena Bocalbos, Senior Auditor, CICA, CFS
- Charisma Fojas, Senior Auditor, MA, CFE
- Wayne Kawamura, Senior Auditor, JD, MBA, CISA, CRMA
- Christine Ross, Senior Auditor, MBA
- Jordan Alonzo, Auditor II, CFE
- Joshua Diaz, Auditor II, MPA, CFE
- Ciress Quidilla, Auditor II
- Kyle Detke, Auditor I, MEd, CFE
- Jonathan Yi, Auditor I (separated 12/6/21)
- Sherri Suzawa, Administrative Services Officer
- Rana Mejes, Intern (separated 6/17/22)



James Campbell Building

Office of the City Auditor
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawai'i 96707

PH: (808) 768-3134
FAX: (808) 768-3135

email: oca@honolulu.gov

website: www.honolulu.gov/auditor