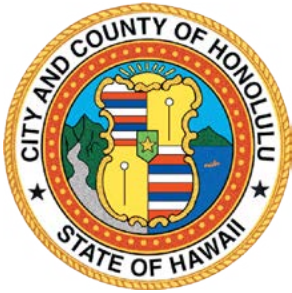




Office of the City Auditor



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

Annual Report FY2018-19

September 2019



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 2018-19. Over the course of the year, our office released a variety of performance and financial audits, studies, 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 October 2018, our office successfully completed its fifth 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 2015-FY 2018, 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.

Our office received the *Certificate of Excellence in Citizen-Centric Reporting* award from the Association of Government Accountants for our FY 2018 Citizen-Centric Report. In presenting the award, the association commended our office for its commitment to good government and responsible fiscal action by issuing the Citizen-Centric Report. The association also complemented the report's layout, design, data tables, and presentation of performance metrics.

The office also bid a fond aloha to Edwin S.W. Young who retired after nine years as Honolulu's City Auditor. Edwin was instrumental in bringing innovative and progressive auditing techniques to our office. His out-of-the-box thinking and affable personality will be missed. Best wishes on your well-deserved retirement, Edwin!

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 FY2019-20 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 black ink that reads "Troy Shimasaki". The signature is written in a cursive, flowing style.

Troy Shimasaki
Acting City Auditor

2019: Year in Review

Fiscal Year 2019 was a busy year for OCA. In addition to our normal audit work and other activities, the office underwent a peer review, and City Auditor Edwin Young retired.

The Office of the City Auditor (OCA) issued the following reports in fiscal year 2019:

1) Single-Use Polystyrene Food Containers and Plastic Bag Study; 2) Follow-Up Audit of the Honolulu Authority for Rapid Transportation, Resolution 17-199, CD1; 3) Service Efforts and Accomplishments (SEA) Report for Fiscal Year 2018; 4) four National Citizen Survey supplemental reports to the SEA; and 5) Citizen-Centric Report for 2018.

OCA continues to administer the charter-mandated audit of the city's financial statements. KMH LLP, an external accounting firm, completed the following audits for the fiscal year ending June 30, 2018: the Comprehensive Annual Financial Report; the 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 2018.

OCA staff worked to improve and enhance their professionalism by taking regular training and participating in professional organization activities. Staff served as board members and members of national committees for the Association of Local Government Auditors and conducted peer reviews of three other audit entities: Los Angeles County Metropolitan Transportation Authority, Office of the Inspector General, Los Angeles, California; Clark County Audit Department, Las Vegas, Nevada; and City of Oakland Office of the City Auditor, Oakland, California. Staff also served as board members and committee chairs for the Association of Government Accountants Hawai'i Chapter. Additionally, staff remained active with the Association of Certified Fraud Examiners, Institute of Internal Auditors,

Institute for Internal Controls, and ISACA (formerly known as Information Systems Audit and Control Association).

In our continuing efforts to promote government public service as a career, OCA mentored three students through the OCA Internship Program and made presentations to accounting students from the University of Hawai'i, Manoa and West O'ahu campuses. OCA also advocated for the government auditing profession by serving on the University of Hawai'i at Manoa, School of Accountancy Advisory Board.

OCA's fifth mandatory triennial peer review was conducted in October 2018. The peer review team, coordinated by the Association of Local Government Auditors, found that OCA's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for performance audits during the period July 1, 2015 through June 30, 2018.



The peer review team briefs Council Chair Ernie Martin on the results of OCA's peer review. Pictured from left to right: Team Leader Larry Stafford, Audit Services Manager, Clark County, Washinton; Team Member Darlene LeSueur, Internal Audit Director, Shelby County Schools, Memphis, Tennessee; Council Chair Ernie Martin; and City Auditor Edwin Young.

Photo: Office of the City Auditor

2019: Year in Review (continued)

In January 2019, City Auditor Edwin Young retired after 8-1/2 years of service with the City and County of Honolulu. Troy Shimasaki served as Acting City Auditor while the Honolulu City Council began their search for a new City Auditor to serve a six-year term.

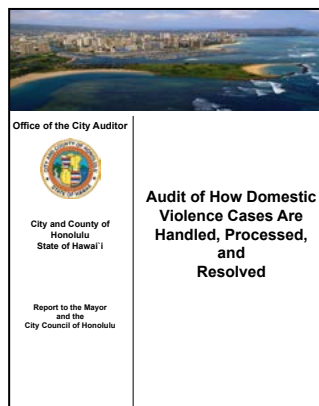


City Auditor Edwin Young (front row, center), accompanied by wife Joan Tay (front row, left) receives an Honorary Certificate from the Honolulu City Council upon his retirement.

Photo: Office of the City Auditor

In June 2019, the Association of Government Accountants presented OCA with a Certificate of Excellence in Citizen-Centric Reporting to recognize our preparation and distribution of a high-quality Citizen-Centric Report for 2018.

Our work was further recognized when Ordinance 19-11, establishing a city domestic violence program based on findings in OCA's *Audit of How Domestic Violence Cases are Handled, Processed, and Resolved*, was enacted.



Summary of Reports to Council

This section summarizes the reports completed in FY2018-19.

Single-Use Polystyrene Food Containers and Plastic Bag Study, (Resolution 18-35, CD1); Report No. 18-04, December 2018
http://www.honolulu.gov/rep/site/oca/oca_docs/PS_Ban_Study_Final_Report.pdf

This study was conducted pursuant to City Council Resolution 18-35, CD1, which requested the city auditor to evaluate the use and impacts of single-use food service containers and single-use plastic bags. The resolution further requested a supplemental study on the potential financial and non-financial impacts of the city banning single-use food containers and single-use plastic bags by restaurants, lunch wagons, and other purveyors of meals and snacks.

Minimizing litter to keep our natural environment beautiful and safe from harm is an important community objective. To be successful, the city should pursue comprehensive methods rather than a simplistic ban on a single kind of litter/trash that is unlikely to effectively reduce the overall amount of litter and its harm to the environment.

The study found that there is general support among residents and businesses for a ban on single-use polystyrene (PS) food containers, even if it means food prices will increase as a result. However, a ban on single-use PS food containers will negatively impact certain classes of small foodservice businesses, who are not prepared to transition to alternate food containers.



Food container in recreational park area prone to loitering, trash and litter.
Photo: Office of the City Auditor

Summary of Reports to Council (continued)

The ban may also disrupt certain business environmental advantages accruing from local manufacturing and distribution of PS food service items, which act to create economic efficiencies, lower prices and increase access for local businesses.

Polystyrene bans are not effective in reducing litter. Most jurisdictions with bans in place use recycling and composting as the primary waste management approach for diverting waste from the landfill. Despite product markings and claims about being compostable or recyclable, all single-use food service products collected by the Department of Environmental Services are taken to H-POWER and burned. There is no composting or recycling of food containers conducted locally.

Follow-Up Audit of the Honolulu Authority for Rapid Transportation, Resolution 17-199, CD1; Report No. 19-01, January 2019
http://www.honolulu.gov/rep/site/oca/oca_docs/HART_Follow-Up_Final_Report.pdf

The audit objectives were to determine whether: 1) The Honolulu Authority for Rapid Transportation's (HART's) contractors fulfilled their obligations in an economical, effective and efficient manner; 2) Expenditures charged to HART by the contractors were valid and accurate; 3) HART has implemented the project management and contract administration controls over the contractors needed to prevent cost overruns for the rail project; and 4) HART addressed the concerns raised and followed the recommendations made in our prior HART audit.

Although HART has made many improvements and is in the process of implementing many of the recommendations made in prior audit reports by the Federal Transit Authority (FTA) and its Project Management Oversight Consultant (PMOC), much more needs to be done to control project costs and to ensure more schedule delays do not occur. In our

opinion, cost overruns and schedule delays resulted from inexperienced HART managers and contractors who initiated and approved a plethora of change orders and amendments without sufficient justifications and a lack of basic internal controls to minimize costs and prevent schedule delays. The PMOC issued and repeated many warnings. HART ignored or only partially addressed the PMOC warnings. Unfortunately, current HART staffing levels and its policies and practices are inadequate to prevent cost overruns and schedule delays from recurring.



Rail construction

Photo: Honolulu Authority for Rapid Transportation

Financial Audit of the City and County of Honolulu, State of Hawai'i for the Fiscal Year ended June 30, 2018

The financial audit under OCA contract was completed by external auditors KMH LLP and the final reports were issued in April 2019.

- City and County of Honolulu Comprehensive Annual Financial Report (CAFR), June 30, 2018
http://www.honolulu.gov/rep/site/oca/oca_docs/CCH_CAFR_2018.pdf
- City and County of Honolulu - Public Transportation System - Bus and Paratransit Operations, Financial Statements and Supplemental Schedules, June 30, 2018 and 2017
http://www.honolulu.gov/rep/site/oca/oca_docs/CCH-PTS_2018_FS_Final.pdf

Summary of Reports to Council (continued)

- City and County of Honolulu - Sewer Fund Financial Statements, June 30, 2018 and 2017
http://www.honolulu.gov/rep/site/oca/oca_docs/CCH_2018_FS-Sewer_Final.pdf
- Single Audit of Federal Financial Assistance Programs for the Fiscal Year Ended June 30, 2018
http://www.honolulu.gov/rep/site/oca/oca_docs/CCH_2018_FS-SA_Final.pdf

2018 Service Efforts and Accomplishments (SEA) Report, March 2019

http://www.honolulu.gov/rep/site/oca/oca_docs/2018_SEA_Report_Final_030719_for_web.pdf

The SEA Report contains citywide and department specific statistics, information and data on city missions, goals, services and programs. The report quantifies inputs, outputs, performance measures, comparisons, and trends over five years. This is the ninth SEA for Honolulu.

The report includes the results of a Citizen Survey conducted for the city that polls the opinions of a random, representative sample of residents about their community, quality of life, service delivery, civic participation, and unique issues of local interest. It also includes various comparisons to other cities that supplements the results of the citizen survey.

The survey results offer elected officials, city employees, residents, and other stakeholders an opportunity to identify challenges; assess and evaluate service delivery; and establish improvements for long-term success. The goal is to provide the Honolulu City Council, city employees, and the public with information that can be used to strengthen governmental accountability and transparency, improve efficiency and effectiveness, and support future decision making.

The National Citizen Survey (NCS)TM, City and County of Honolulu (2018)

http://www.honolulu.gov/rep/site/oca/oca_docs/NCS_Final_Report_FY2018.pdf

The National Citizen Survey TM report was completed in February 2019. The NCS report was comprised of the following four reports:

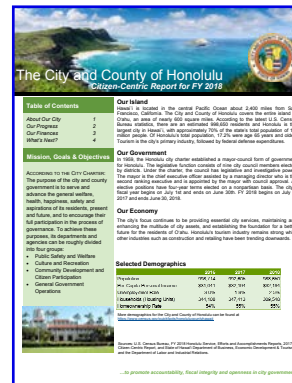
- *National Citizen Survey (NCS)TM City and County of Honolulu (2018) Community Livability Report*
The report presents citizen opinions and ratings for city services, programs, and priorities across eight central facets of community: Safety, Mobility, Natural Environment, Built Environment, Economy, Recreation and Wellness, Education and Enrichment, and Community Engagement.
- *National Citizen Survey (NCS)TM City and County of Honolulu (2018) Dashboard Summary of Findings Report*
The report summarizes citizen opinions of city services, programs, and priorities within the eight facets of community livability, and benchmarks comparisons with other communities across the nation.
- *National Citizen Survey (NCS)TM City and County of Honolulu (2018) Trends Over Time Report*
The report provides trends over time with benchmark comparisons to previous survey results in 2006, 2010, 2011, 2012, 2013, 2014, 2015, 2016, and 2017.
- *National Citizen Survey (NCS)TM City and County of Honolulu (2018) Technical Appendices*
The content of this report includes citizen survey results, benchmark comparisons, survey methodology, and survey materials.

Summary of Reports to Council (continued)

Citizen-Centric Report for Fiscal Year 2018

http://www.honolulu.gov/rep/site/oca/oca_docs/citizen_centric_report_fy2018.pdf

The Citizen-Centric Report for Honolulu for Fiscal Year 2018 was published by the Office of the City Auditor in March 2019. The report succinctly communicates financial and performance information to the citizens of Honolulu.



Status of Council Requests for Audits, FY2016-17 to FY2018-19

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. Two of the six requests adopted by the council in the last three fiscal years (FY 2017 to FY2019) have been completed and three more are underway. The remaining request was recently funded and will be included in OCA's work plan for FY 2020.

No.	Resolution Number	Date Adopted	Resolution Title	Status
1.	17-199, CD1	09/06/17	Requesting that the City Auditor Conduct a Follow-up Audit of the Honolulu Authority for Rapid Transportation	Completed <i>Report No. 19-01</i>
2.	18-35, CD1	02/28/18	Requesting the Office of the City Auditor to Evaluate the Use and Impacts of Single-Use Food Service Containers and Single-Use Plastic Bags	Completed <i>Report No. 18-04</i>
3.	18-223, FD1	11/14/18	Requesting that the City Auditor Conduct an Audit of the Department of Planning and Permitting's Permitting and Inspection Processes for Large Detached Dwellings	Fieldwork underway
4.	18-284, CD1, FD1	01/30/19	Requesting the City Auditor to Conduct an Audit of the Department of Planning and Permitting's Processes for Reviewing Building Permits for One-and Two-Family Dwellings	Fieldwork underway
5.	19-29, FD2	02/11/19	Resolution Supporting the Initiation by the Office of the City Auditor of an Independent Forensic Audit of the Honolulu Authority for Rapid Transportation and the City and County of Honolulu Concerning the Honolulu High-Capacity Transit Corridor Project	Not started
6.	19-91, CD1	06/05/19	Requesting that the City Auditor Conduct a Performance Audit of the Department of Parks and Recreation	Audit Initiated

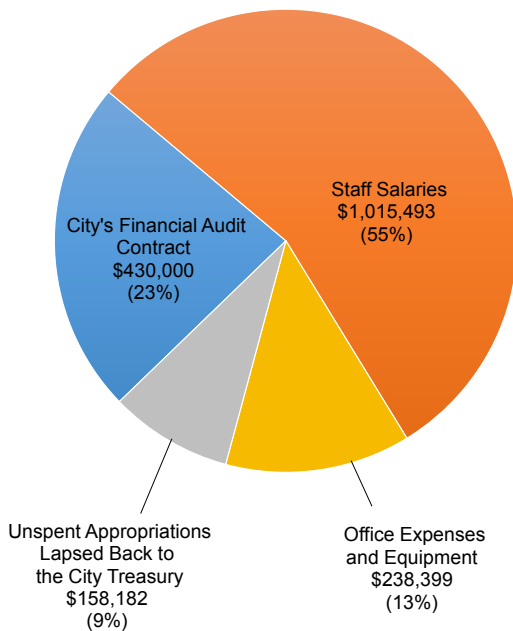
Status of Council Requests for Audits (continued)

In addition to city council-requested audits, in FY2018-19, OCA initiated follow-up audits of the Honolulu Liquor Commission, Real Property Assessment Division and the City's Real Property Tax Delinquency Collection. Our office is also working on audits of the Honolulu Zoo and the City's Grants in Aid Program.

FY2018-19 Appropriations and Expenditures

The Office of the City Auditor was appropriated a total of \$1,842,074 in FY2018-19. Of this total, \$430,000 was encumbered for the city's annual financial audit contract, which OCA oversees for the council; \$1,015,493 was expended for staff salaries; and \$238,399 was expended for office operations and equipment. Unspent appropriations totaling \$158,182 were returned to the city treasury at the end of the fiscal year. Most of the unspent appropriations resulted from salary savings due to vacant positions.

**OCA FY2018-19
Application of Resources**



OCA Staff Listing

- Troy Shimasaki, Acting City Auditor, CRMA
- Susan Hall, Audit Manager, MPA, CFE, CRMA
- Van Lee, Audit Manager, MBA, CRMA, CICA
- Shena Bocalbos, Senior Auditor
- Charisma Fojas, Senior Auditor, MA, CFE
- Dana Karaffa, Senior Auditor, CFE
- Wayne Kawamura, Senior Auditor, JD, MBA, CISA, CRMA
- Christine Ross, Senior Auditor, MBA
- Jordan Alonzo, Auditor I
- Giralaine Duff, Auditor I
- Jordan Garrett, Auditor I, MA
- Sherri Suzawa, Administrative Services Officer
- Bryant Acoba, Intern

Former Staff:

- Edwin S.W. Young, Retired City Auditor



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