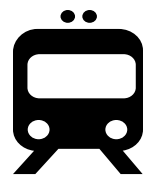


# City Auditor's Highlights

Follow-Up Audit of the Honolulu Authority for Rapid Transportation (HART), Resolution 17-199, CD1 Report No. 19-01

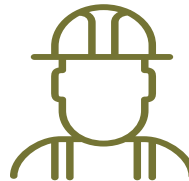


We found that cost overruns and schedule delays resulted from inexperienced HART managers and contractors who initiated and approved a plethora of change orders and amendments without sufficient justifications, inadequate documentation for many change orders and amendments, and insufficient internal controls to minimize costs and prevent schedule delays. The Project Management Oversight Consultant (PMOC) issued and repeated many warnings. HART ignored or only partially addressed the PMOC warnings. HART has made improvements and is in the process of implementing recommendations made in prior audit reports, by the Federal Transit Administration, and by the PMOC. Despite the progress, **much more needs to be done to control project costs and to ensure more schedule delays do not occur.**



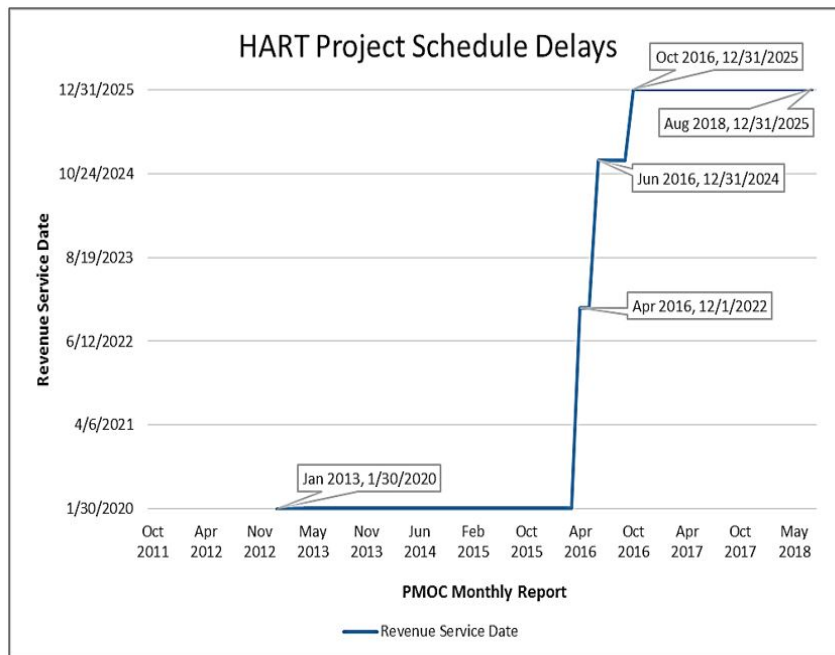
## A plethora of change orders and amendments were approved without sufficient justifications and delayed the project

- We reviewed **10 high-risk contracts** awarded between FY 2008 and FY 2016 and analyzed 208 change orders and 63 contract amendments
- The combined 271 change orders and contract amendments increased costs by nearly **\$416 million, a 16% increase over the original contract value**
- Contract files often lacked key documents such as independent cost estimates, records of negotiation, or proper approvals
- Change orders in three construction contracts added 2,246 days to the project schedule



## HART's staffing and succession planning is incomplete and does not adequately prepare for the project's future

- 2012 succession plan called for HART to transition at least 16 key positions from consultants to HART employees; as of November 2018, only 6 of 16 were transitioned to HART employees
- HART continues to rely on costly consultants to manage the project
- HART **relies heavily on short-term personal services contracts to staff its organization**, with 133 of 137 HART employees on personal services contracts
- By relying on personal service contracts, HART personnel are at **risk for high turnover and a loss of key project experience, skill, and knowledge**



## HART's internal control were inadequate to prevent cost overruns and schedule delays

- HART's Contract Management System (CMS) database is incomplete and the agency relies on an inefficient paper-based contract filing system for contract oversight
- HART made exceptions to policies and procedures related to change orders and contract amendments
- HART **violated the state procurement code 18 times** by making \$4.5 million in after-the-fact payments to contractors
- 41 of 100 contractor invoices totaling nearly **\$198 million lacked sufficient documentation or approvals**

Source: PMOC Reports 2011-2018

**We made 7 recommendations to ensure the effectiveness and efficiency of HART's operations in preventing future cost overruns and schedule delays.**



For the full report, click or go to: <http://www.honolulu.gov/auditor>  
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