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# OFFICE OF THE CITY AUDITOR

City and County of Honolulu  
State of Hawai'i



## Annual Report 2004-2005

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A Report to the  
City Council of  
Honolulu

September 2005

September 1, 2005

# ANNUAL REPORT

## 2004-2005



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

*The Office of the  
City Auditor was  
established on  
July 1, 2003, as an  
independent office  
to promote  
accountability,  
fiscal integrity and  
openness in city  
government.*

The Honorable Members of the Honolulu City Council:

I am pleased to submit the Annual Report of the Office of the City Auditor (OCA) for the period July 1, 2004 through June 30, 2005.

This report summarizes our work program for the fiscal year including major OCA audit results and recommendations made to decision makers to help improve city operations and services.

Copies of all audit reports issued by my office are available on our web site at [www.honolulu.gov/council/auditor](http://www.honolulu.gov/council/auditor).

We will continue to provide you and the public with timely, accurate and objective analyses, options, and recommendations to help promote accountability, fiscal integrity, and openness in city government.

Sincerely,

A handwritten signature in black ink, appearing to read "Leslie I. Tanaka".

Leslie I. Tanaka, CPA  
City Auditor

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## Year Two in Review

The second year of operation for the Office of the City Auditor was one of *growth* and *challenges*. Through council's support and approval of funds for additional staff in the city auditor's budget, we successfully recruited and hired four performance auditors. These four new staff auditors have varied academic background and professional experience in performance auditing, government, law and technology—useful for the type of auditing we do of the city's diverse operations and programs. Due to their experience, our new staff auditors were immediately assigned to work on our planned audits, and contributed much to the successful completion of all of our work product goals for the second year in a row.

Having eight staff members working out of office space designed for four was challenging. The auditor's request for additional space brought forth various suggested new locations, including loft space in Kapolei Hale, near Honolulu Hale and in Chinatown. In April 2005, the office was relocated to larger quarters on the first floor of Kapolei Hale. This move was welcome news for the office staff, especially those who live in the Central and Leeward communities of O'ahu.

During FY2004-05, we completed four performance audits and the contract financial audit of the city—meeting our work goals as proposed in our Work Plan for FY2004-05. These audits identified inefficient and costly practices, violations of state law and city policies, misuse of city staff and resources, significant information not previously reported to city council or the public, and potential cost savings through proper stewardship of city funds.

In March 2005, the city's contract auditor, PricewaterhouseCoopers LLP, provided findings and recommendations for the city's annual financial audit for the fiscal year ended June 30, 2004 in the management letter submitted to the Honolulu City Council by the Office of the City Auditor. During this same month, we issued the *Audit of the City's Sole Source, Emergency, and Professional Services Procurement*—the first of four performance audit reports. This audit revealed a pervasive level of procurement code violations among sole source contracts and found that the city could have easily saved taxpayers \$300,000 had the city purchased trash cans through competitive means.

In April 2005, we released our second performance audit report for the fiscal year, *Audit of Selected Issues of the Honolulu Liquor Commission*. This audit generally found that the commission did not effectively oversee the activities of its administrator, thereby allowing the administrator to remain largely indifferent to longstanding management problems.

In June 2005, we released the year's final two reports. The *Audit of the City's Road Maintenance Practices* found inefficient and expensive practices within the Division of Road Maintenance as well as external requirements that used significant division resources for unrelated programs, including 5,643 hours logged over three years by its workers for the city's *Brunch* and *Sunset on the Beach* programs. A separate audit, *Review of the Costs of the City's Brunch on the Beach, Sunset on the Beach and Rediscover O'ahu Programs* found that the previous administration had grossly underreported the city's expenditures by at least \$2,455,185 and that many more city agencies contributed staff and resources than previously reported.

Even with the lack of office space and the late hire of new staff, the office was able to complete its work product goals for the fiscal year.



## Performance Auditing—Improving Public Sector Accountability and Performance

Improving public sector accountability and performance is central to the work of the Office of the City Auditor. City council and the public expect the city's operations and services to be efficient, effective, economical, and comply with laws and city policy. In the absence of public disclosure, access to accurate and complete information has been frequently denied—hindering accountability for the use of taxpayers' resources.

Performance auditing provides an effective, efficient, and objective process to ascertain whether the city's operations and programs are achieving their objectives and desired outcomes, effectively managing costs, and monitoring and evaluating subsequent progress. By design, performance audits are conducted in an objective and comprehensive manner to provide necessary transparency and accountability to city decision-makers and the public by:

- helping to ensure that city funds are spent only in the public's interest;
- reviewing and appraising the reliability of the city's financial and operating information;
- providing an independent and objective assessment of decisions and expenditures of public funds;
- identifying risk and evaluating controls;
- identifying and discouraging fraud, waste and abuse;
- reporting results and outcomes of operations, programs and services;
- conducting regular reviews of operations and programs; and
- providing follow-up on recommendations and implementation.

For these reasons, performance audits improve public sector accountability and performance. The city auditor is committed to long-term improvements in city government through its on-going presence and by providing continuity of review and oversight.

## Mandatory Staff Training

Staff training is an important tool for staff development. Such training enables government auditors to learn new skills, become familiar with new auditing standards and legal requirements, and reinforce existing skills. The government auditing profession views ongoing staff training as mandatory.

The city charter mandates the city auditor to conduct all performance and financial audits in accordance with government auditing standards. Under these standards, auditors are required to maintain their professional competence by earning 80 hours of continuing professional education (CPE) every two years. In addition, the standards require that 24 of the 80 hours must be in subjects directly related to government. This training requirement is one of many that are subject to periodic external peer review, ensuring that our staff continue to perform our work in accordance with government auditing standards.

The city auditor places high value on the benefits of CPE as a means to improve the competency of staff and ensure high quality and useful audit reports for city decision makers and the taxpayers.



## Ensuring Compliance with Government Auditing Standards Through Peer Review

By summer 2006, the Office of the City Auditor anticipates reaching a significant milestone for all government auditing agencies that comply with government auditing standards—our first peer review. Peer review is an external evaluation process conducted every three years by audit professionals independent of our office. This comprehensive review verifies compliance with government auditing standards related to everything from audit planning and supervision of staff to our rationale for developing audit objectives, scope and methodology. The review also evaluates the criteria we select for our audits, and our process for ensuring that our evidence is sufficient, relevant and competent.

*The Office of the City Auditor will undergo its first peer review during summer 2006.*

We anticipate contracting with the National Association of Local Government Auditors (NALGA) to conduct our first peer review. NALGA will select experienced auditors from cities and counties across the country to spend a week on-site to perform this review. While a peer review is both comprehensive and work intensive, passing peer review brings special significance to the office within the government audit community and further validates the work of the office staff.

Establishing our audit processes and procedures to ensure compliance with government auditing standards began with proactive planning during the auditor's first year in office. In addition, the city auditor and his staff have extensive experience with the peer review process, both as reviewers of audits conducted by other government audit organizations across the nation as well as successfully undergoing the peer review process every three years in their previous employment at the Hawai'i State Auditor's Office.

In July 2005, NALGA invited City Auditor Leslie Tanaka to participate in the peer review of the Office of the City Auditor, Portland, Oregon. His nomination as an evaluator was based on his prior experiences serving on peer review teams that evaluated the state audit offices of Kansas, Nevada, New York, and South Carolina in his previous position as deputy state auditor. This recent assignment further prepares our office for our own upcoming peer review.

## Summary of Reports to Council

With the additional audit positions that council provided to our office, we were able to issue four performance audit reports during FY2004-05. The four reports are: 1) *Audit of the City's Sole Source, Emergency, and Professional Services Procurement Practices*, 2) *Audit of Selected Management Issues of the Honolulu Liquor Commission*, 3) *Audit of the City's Road Maintenance Practices*, and 4) *Review of the Costs of the City's Brunch on the Beach, Sunset on the Beach and Rediscover O'ahu Programs*. In addition, we continue to oversee the financial audit of the city, which resulted in findings and recommendations for the fiscal year ended June 30, 2004, by PricewaterhouseCoopers LLP, the contract auditor. All of these reports are available to the public on the Office of the City Auditor's web page ([www.honolulu.gov/council/auditor](http://www.honolulu.gov/council/auditor)).



***Financial Audit of the City and County of Honolulu, State of Hawai'i,  
For the Fiscal Year Ended June 30, 2004, Management Letter  
March 2005***

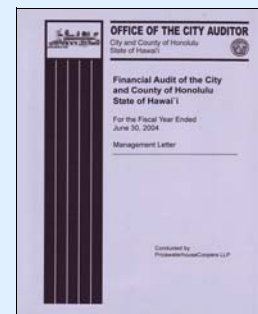
PricewaterhouseCoopers, LLP submitted its findings and recommendations for the financial audit of the City and County of Honolulu for FY2003-04 to the city council in March 2005. Their findings included: delinquent filing of the March 31, 2004 Report of Disadvantaged Business Enterprise (DBE) Awards and Commitments; missing applicable housing choice vouchers, which verify tenants' eligibility for Section 8 housing assistance; and inappropriate listing of reconciling items between the city's book balance and the bank balance. In addition, the Department of Housing and Urban Development's (HUD) Honolulu Office of Public Housing conducted a follow-up Rental Integrity Monitoring review of the city's Section 8 Housing Choice Voucher Program's tenant files. Findings included: improper calculations to determine housing assistance payments or tenant rent; improper transfer of data from the tenant file to the HUD-50059, Family Report, and to the Multifamily Tenant Characteristics System; non-utilization of the Quality Control Plan to monitor program compliance in tenant files; and incomplete and missing documents in certain files.

Furthermore, the auditors found that the Federal Transit Administration (FTA) performed a Triennial Review of the city's FTA funded program and issued a report which included the following findings: inconsistent reporting on Milestone Progress Reports (MPRs); failure to notify the FTA of all change orders in excess of \$100,000 on its MPRs during the review period; no documentation that the city had ever sought or received FTA approval to lease a portion of the Kalihi-Palama bus facility to the Oahu Transit Services Credit Union; lack of monitoring of contractors to ensure that DBE obligations were fulfilled; failure to perform separate pre-award and post-delivery *Buy America* audits and certifications related to two option orders under a single bus procurement; unquantifiable or insufficient service standards and policies for assessing Title VI compliance; failure of the city's Americans with Disabilities Act (ADA) policies and procedures for FTA-funded services to meet ADA requirements; and lack of documentation that the private operator of a city trolley service had a Drug and Alcohol Policy/Program for its safety-sensitive employees that conformed to FTA regulations.

It was also reported that five of the eight findings from the previous year's audit have been resolved. The other three findings were still applicable in the FY2003-04 audit. In addition, three out of six findings from FY1999-2000 through FY2001-02, which were reported as still applicable in the previous year's audit, were resolved in FY2003-04. The remaining three findings for that time period were still applicable in the FY2003-04 audit.

***Audit of the City's Sole Source, Emergency, and Professional Services  
Procurement Practices  
Report No. 05-01, March 2005***

This audit was initiated by the city auditor due to longstanding concerns about the city's procurement practices in awarding contracts for construction, goods, and professional services. The audit assessed the city's use of sole source, emergency, and professional services procurement methods in accordance with the Hawai'i Public Procurement Code. We found that although the Purchasing Division has implemented improvements to make the city's procurement operations more



Financial Audit of the City and County of Honolulu, Fiscal Year Ended June 30, 2004, Management Letter

“Had the department sought competitive bids, the city would have easily saved taxpayers around \$300,000.”

efficient, the city's lax oversight and enforcement has allowed departments to bypass competitive procurement methods, resulting in higher costs for goods and services, and reducing available funds for other city programs and activities. Certain sole source contracts violated the state procurement code and city policies. Our tests indicated a pervasive level of inappropriate sole source approvals, including the improper sole source purchase of 990 litter receptacles using nearly \$700,000 in capital improvement funds. Had the department sought competitive bids, the city could have easily saved taxpayers an estimated \$300,000.



\$773 litter receptacle purchased by the city.

We recommended that the city's chief procurement officer require the city to procure goods and services through competitive means that meet the agency's need and saves taxpayers' money; ensure that sole source procurement approvals comply with the state procurement code and city policy; require compliance with the city's debt and financial policies when

purchasing equipment with Capital Improvement Program (CIP) funds; initiate the practice of electronically posting the city's sole source, emergency, and exempt notices, agency justification forms, and awards; ensure that approvals granted for emergency procurement meet the statutory requirements of a threat to health, safety, welfare or life; and seek guarantees for the work when procuring goods, services or construction for emergency procurements via purchase orders since purchase orders provide limited protections compared to the safeguards in formal contracts. In light of *ad hoc* restrictions placed by the department upon our office during this audit, we also recommended that the city's managing director inform and require city agencies to comply with the city charter requirement that authorizes the city auditor's full, free, and unrestricted access to city employees and agency records during an audit.

### ***Audit of Selected Management Issues of the Honolulu Liquor Commission*** ***Report No. 05-02, April 2005***

This audit was conducted pursuant to Council Resolution 03-223, which requested that the city auditor review the investigative and enforcement functions of the Honolulu Liquor Commission. We reviewed the commission's organizational structure and personnel management practices, which are essential to effective management and the fulfillment of the commission's responsibilities. We found that the oversight and management of the Honolulu Liquor Commission was inadequate, and ineffective personnel policies and management, coupled with the negative perception of commission management, has hampered the agency's small but hard-working staff.

We recommended that the commission work proactively with the liquor control administrator to adopt specific goals and objectives for job performance; ensure that senior management takes steps to implement effective open management and communication practices; initiate actions to assess the concept of creating an adjudication board separate from the commission; propose charter amendments to re-classify the administrator position as an excluded class position; study the feasibility of transferring liquor enforcement investigatory responsibilities to the Honolulu Police Department; and review the commission's auditing of licensees and allocation of funds from liquor violation fines by the

Department of Budget and Fiscal Services' Internal Controls Division. We also recommended that the liquor commission direct the liquor control administrator to ensure the development and implementation of consistent and documented training programs for new commissioners; complete a staff reorganization plan within an agreed upon time frame; and take all necessary steps to fill the vacant deputy administrator position. We further recommended that the liquor control administrator work proactively with the liquor commissioners to identify and fill necessary vacant positions; ensure that administrative directives and other policies and procedures are reviewed and updated; implement an internal affairs review process; and ensure that budget preparation guidelines accurately reflect the commission's fiscal self-sustainable position. Finally, we recommended that the mayor should ensure that liquor commissioner nominees fully understand the requirements, ethical obligations and workload time demands implicit in accepting a nomination; and quickly and thoroughly review questions concerning the behavior of appointed commissioners.

The Honolulu Liquor Commission and commission administration stated they accept and will undertake each of the recommendations in our audit report.

*Note: Three months after the issuance of this report, the commissioners relieved the administrator of his duties, and have subsequently accepted the administrator's retirement effective October 31, 2005.*

### ***Audit of the City's Road Maintenance Practices Report No. 05-03, June 2005***

This audit was initiated by the city auditor as provided in the Revised City Charter of Honolulu. The city auditor selected the city's road maintenance practices for review because of the public's concerns regarding the poor conditions of city-owned roads. The audit assessed the effectiveness of the Department of Facility Maintenance's Division of Road Maintenance in meeting its responsibilities and also assessed the decisions made by, and the influences of, entities outside the division that have impacted road maintenance operations. We found that inefficiencies within the division and lack of support for road maintenance initiatives contributed to the city's poor road conditions. In addition to internal shortcomings, the division was adversely impacted by outside influences, such as budget constraints imposed by the administration or council, policies that prevented the division from conducting in-house road resurfacing, and the deployment of road maintenance division employees to spend a total of 5,643 hours from 2002 to 2004 assisting with city functions such as *Brunch on the Beach* and *Sunset on the Beach*.



A road repair crew conducts maintenance work on Kilaha Street in Ewa Beach.

*"Division of Road Maintenance workers spent at least 5,600 man-hours on nonroad-related functions such as Sunset and Brunch on the Beach during CY2002 - 2004."*

We recommended that the Department of Facility Maintenance assess and pursue funding for essential vacant positions; implement Web-based technology to educate the public about road maintenance issues and solicit pothole complaints; develop a technology integration plan with other appropriate city and state agencies that utilize Geographic Information Systems (GIS) programming; and improve record



keeping, reporting and retention. We also recommended that the Division of Road Maintenance adopt key industry best practices for its road maintenance program; eliminate “poor” industry practices; prioritize and consistently conduct annual pavement condition surveys; develop a comprehensive work order system; draft policies and procedures for road maintenance applications; and conduct in-house road resurfacing.

***Review of the Costs of the City’s Brunch on the Beach, Sunset on the Beach and Rediscover O’ahu Programs***  
***Report No. 05-04, June 2005***

This audit was initiated by the city auditor pursuant to the Revised Charter of Honolulu. The city auditor selected this review because of ongoing concerns expressed by the city council and the public regarding the total cost of the *Brunch on the Beach*, *Sunset on the Beach*, and the *Rediscover O’ahu* programs. This review examines city expenditures for, and total costs of, the city’s *Brunch on the Beach*, *Sunset on the Beach* and *Rediscover O’ahu* programs for the period July 2001 to December 2004. We found that the city’s cost for these programs have been grossly underreported to the city council and taxpayers; costs could not be completely and accurately determined due to inadequate tracking of program costs; and nearly all program documents and reports, including program costs from FY2001-02 through December 2004, are missing from the offices under the mayor’s and the managing director’s span of control. While the city disclosed total program costs of \$2,072,020, city departments reported costs of at least \$4,527,205. We also found that at least half of all participating agencies were omitted from city administration reports.



Photo of *Sunset on the Beach* program in Waikiki.

“...the city’s cost for these programs have been grossly underreported...”

We recommended that the Office of the Managing Director provide the council and the public with a complete and accurate reporting of the city’s *Brunch*, *Sunset* and *Rediscover* expenditures; establish and monitor compliance with policies and procedures for agencies to identify, capture, track and report expenditures for these programs; and ensure agency compliance with record retention guidelines and safeguarding of documents and reports, including the transition period between changing city administrations. We also recommended that the Department of Budget and Fiscal Services establish accounting methods and procedures for departments and agencies to completely and accurately identify, capture, track, and report *Brunch*, *Sunset* and *Rediscover* expenditures.

**Follow-up of Previous Audit Recommendations**

While management is responsible for addressing audit findings and recommendations and tracking their status of resolution, government auditing standards require that audit organizations establish policies and procedures to follow up on previous significant findings and determine whether

recommendations have been addressed. Our office's annual follow-up program identifies agency actions on the previous year's audits and publishes the results in our annual report.

The following section includes the agency comments (Actions Taken) regarding our follow-up request to the findings and recommendations in the two audit reports that were issued by our office in the previous fiscal year (FY2003-04). Based on the responses from the appropriate agency, we determine the degree of compliance, as noted in the Unaudited Status column. Unaudited means that we have not tested the accuracy of the assertions made by the agencies in their responses.

We are pleased to report that the city agencies have apparently implemented or are in the process of implementing 18 of the 19 audit recommendations made in our two audit reports issued in FY2003-04, equal to a high compliance rate of 95 percent.

## Actions Taken on Previous Recommendations

(Report Nos. 04-01 and 04-02)

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Report Title: **Review of the Department of Enterprise Services' Efforts Toward Fiscal Self-Sustainability**  
 Report No.: 04-01

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RECOMMENDATIONS	ACTIONS TAKEN	UNAUDITED STATUS
<p>1. The director of enterprise services should:</p> <p>a. Establish a long-term fiscal sustainability plan that incorporates all initiatives into a comprehensive plan. The plan should unify its various efforts so that it can make purposeful progress toward accomplishing its mission.</p> <p>This plan should:</p> <ul style="list-style-type: none"> <li>• Clearly identify whether all of its operating costs and departmental expenses, such as debt service, will eventually be fully funded by the department;</li> <li>• Address the department's financial goals and fiscal constraints that balance the needs of the public, non-profit, and commercial activities;</li> </ul>	<p>Under the leadership of Mayor Mufi Hannemann, the city has embarked on a three-phase Mayor's Review on Fiscal Integrity and Accountability. The second and third phases of the review will involve top-to-bottom operational audits of city government to examine the cost and necessity of providing various services now and into the future. The Mayor's review will set a solid foundation upon which to build DES' long-term fiscal sustainability plan.</p> <p>In adjunct to the Mayor's Review, DES has initiated steps to thoroughly review the cost and revenue components of its operating budget, including:</p> <ul style="list-style-type: none"> <li>• Analysis and justification of each line item expense account;</li> <li>• Identification of the cost of non-profit and public benefit activities under its purview;</li> <li>• Review of charges for services (including the recovery of fringe benefits and indirect costs);</li> <li>• Development of a golf survey for Oahu's municipal courses to better identify long-range Golf Fund requirements; and</li> </ul>	<p>Implemented</p>

RECOMMENDATIONS	ACTIONS TAKEN	UNAUDITED STATUS
<ul style="list-style-type: none"> <li>• Identify goals and objectives to reduce the need for the General Fund subsidy for the department's Golf Fund and Special Events Fund; and</li> <li>• Incorporate evaluation to assess progress and take corrective action when needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Exploration of privatization opportunities (e.g., the Honolulu Zoo private-public partnership);</li> </ul> <p>Within the calendar year, DES will incorporate the results of these reviews in the development of a long-term fiscal sustainability plan which strives toward decreasing the General Fund subsidy of the Golf Fund and Special Events Fund.</p>	
<p>b. Develop an effective plan to enforce contract compliance with non-compliant concessionaires and limit the city's financial losses if a concessionaire begins to accumulate arrears. Also needed is an effective strategy to terminate contracts of non-compliant concessionaires;</p>	<p>DES has initiated a proposal to transfer concession management from the Customer Services Division to the Administration Activity. Under the proposed reorganization, the Concessions Officer will report directly to the DES Deputy Director, thereby improving concession oversight and management.</p> <p>DES is working closely with COR and BFS to review and streamline processes to ensure concessionaires are in compliance with contract requirements and thereby limit the city's financial losses.</p>	<p>Pending implementation</p>
<p>c. Continue and expand recent efforts to reduce the accounts receivables backlog to ensure that fees and rent are paid to the city in a timely manner;</p>	<p>Revised billing procedures were implemented in January 2004. Accounts receivable have been reduced from \$90,534 as of June 30, 2003 to \$29,422 as of March 31, 2005. Of the \$29,422 balance, \$12,202 or less than 0.3 percent of annual rental revenues is greater than 90 days in arrears.</p>	<p>Implemented</p>
<p>d. Comply with City finance policy for billing, collections, and follow-up on accounts receivable. It should also include procedures to track rental payment due dates and overdue payments;</p>	<p>DES continues to comply with BFS Policies (Index Code 17.1) for billing, collection and follow-up of accounts receivable.</p> <p>BFS invoices, tracks due dates, and issues overdue notices on invoiced events. BFS also refers delinquent accounts to the collection agency.</p>	<p>Implemented</p>



RECOMMENDATIONS	ACTIONS TAKEN	UNAUDITED STATUS
<p>e. Comply with city policy requiring open competitive bidding for awarding city concession contracts and better scrutinize sole-source contract requests;</p>	<p>DES tracks via the Event Business Management System (EBMS) all advance payments and assists in making follow up calls on receivables and mailing overdue notices.</p>	<p>Implemented</p>
<p>f. Cease the practice of awarding city concession revenues to non-city organizations. It should also ensure that all city concession contracts require all revenues to be deposited in the City Treasury;</p>	<p>DES continues to seek open competitive bidding for concession contracts and properly evaluates sole-source contract requests.</p> <p><i>Note: At the time of the audit, a revocable permit concession contract (not sole source) was awarded in anticipation of issuing a competitive bid for the Zoo train. The competitive bid was advertised on April 20, 2004.</i></p> <p>No city concession revenues were awarded to non-city organizations. All city concession contracts continue to require revenues to be deposited directly with the City Treasury.</p> <p><i>Note: While the audit report indicated that, "City concession revenues have been improperly diverted from the City Treasury" with respect to the use of the zoo train at the Honolulu City Lights event, a March 30, 2004 memo from Corporation Counsel opined that city concession revenues were <u>not</u> improperly diverted from the City Treasury.</i></p>	
<p>g. The department should not allow concessionaires to operate city concessions until written contracts are executed;</p>	<p>All current city concessions are supported by executed contracts.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACTIONS TAKEN	UNAUDITED STATUS
<p>h. Establish policies and procedures for the management of its concession contracts and ensure that official contracts are safeguarded from loss. Contract files should be organized in a consistent manner, site visits should be documented, a chronology of key events, agreements, and problems should be maintained. Concession information maintained elsewhere should be noted in the concession contract file;</p>	<p>A standardized record keeping system for concession contract files has been established. The system provides for files to be organized in a consistent manner and includes processes for the documentation and chronological filing of site visits, key events, agreements, problems and related resolutions; and the cross-referencing of concession information which is maintained elsewhere.</p>	Implemented
<p>i. Obtain a copy of the official Beach Stand #3 concession contract for the department's concession files; and</p>	<p>A copy of the official contracts for each city concession is maintained in the department's concession files.</p> <p><i>Note: BFS maintains control over all "official" executed contracts. At the time of the audit, DES maintained a "working copy" of the contract for Beach Stand #3 which contained all of the terms and conditions of the signed contract. The working copy of the contract was replaced with a copy of the official executed contract.</i></p>	Implemented
<p>j. Establish a procedure to provide emergency contact information to city personnel co-located with city concessions.</p>	<p>Procedures have been revised to ensure that emergency contact information is provided to city personnel co-located with city concessions and is readily available in case of emergency.</p> <p><i>Note: Procedures existing at the time of the audit provided for the exchange of emergency information between the concessionaire and the facility site manager at the outset of each concession contract. Additional procedures have been added to ensure that the emergency information is</i></p>	Implemented

RECOMMENDATIONS	ACTIONS TAKEN	UNAUDITED STATUS
2. The director of budget and fiscal services should:	<i>communicated and made accessible to staff required to respond to emergencies.</i>	
a. Locate the official copy of the Beach Stand #3 concession contract and ensure that concession contract files have official copies of all official contracts; and	Official contract of beach services concession #3 is properly filed.	Implemented
b. Ensure that the Department of Enterprise Services provides accurate information and appropriate justification on future requests to award sole-source concession contracts.	Purchasing will make every attempt to ensure appropriate justification for future sole source requests.	Implemented

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Report Title: **Review of the Department of Planning and Permitting's One-Stop Permit Centers**

Report No.: 04-02

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RECOMMENDATIONS	ACTIONS TAKEN	UNAUDITED STATUS
1. The Department of Planning and Permitting should expedite an objective evaluation and development of a plan to assess and address the personnel issues that accompany its permit centers and building permit processing. This should include, but not be limited to:	The department conducts weekly permit center status meetings with senior management to develop and monitor improvements at the permit center. The department is currently revising Position Descriptions to update them to the present job duties to match their actual duties with the current technology and responsibilities. In addition, the department is currently evaluating the possibility of a minor reorganization by creating a new class of work to replace and/or provide a career ladder for the building permit	Pending implementation
a. Reviewing and identifying the minimal qualifications and job duties necessary to		

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RECOMMENDATIONS	ACTIONS TAKEN	UNAUDITED STATUS
determine proper classification for permit counter clerks;	clerk series, since this appears to be the most difficult position to fill and/or retain qualified employees.	
b. Determining proper staffing levels necessary to provide improved application processing service; and	<p>Proper staffing levels have been established. The department is now focusing on filling these positions, which has proved problematic with the low unemployment rate and competition in the current boom economy.</p> <p>To address staffing shortfalls, the department has implemented the use of the Internet and outside parties to provide improved application processing. This includes qualifying individuals and firms to provide third party review which replaces some of the department's review responsibilities. This process will assist in alleviating the workload backlog.</p> <p>The department has also developed online application capabilities. Professional permit applicants can now initiate the permit process online, thus eliminating 10-15 minutes per applicant at the counter.</p>	Implemented
c. Developing appropriate training programs to assist and guide staff in the performance of their jobs.	The Building Division has filled a position, which has been vacant for over four years. This position is in the administration portion of the division and will be responsible for the update of procedures and to establish its training program, including the development of an Operational Manual for the Division.	Implemented
2. The department should conduct an objective evaluation of the Honolulu Permit Center and develop a plan to implement operational improvements. The plan should include targeted goals; specific operational	The department conducts weekly permit center status meetings with senior management to develop and monitor improvements at the permit center. The department has also developed various reports, which provide empirical data of the permit center's operations.	Implemented



**RECOMMENDATIONS**

improvements to personnel, workflow, and processes; technological support; and customer service. Any plan should include provision and methodology to evaluate and assess performance.

3. The department should identify, evaluate and justify the resources needed to effectively operate one-stop permit centers at both the Honolulu and Kapolei facilities. The department should ensure administration's support for the resources necessary to support those goals. Evaluation mechanisms should be integrated into the process as a means to measure progress.

**ACTIONS TAKEN**

Operational improvements to the permit center include:

1. limiting a second line to permit issuance only;
2. improved informational/directional signage;
3. staffing the informational desk;
4. "number being served" viewing information available on DPP web page as well as at the permit counter.

Additional plans to improve service include:

1. upgrading the online permit application process;
2. online appointments for design professionals, contractors and plan routers;
3. reviewing ordinances to streamline building permit process.

The department has identified staffing needs to operate the Permit Center, based on the number of position vacancies to be filled and new positions needed to keep up with the increased permit demand. Based on the average time frames for building permit clerks to service permits on a day-to-day basis (minimum of 10 permits per day) and a comparison to the increase in the yearly number of permit applications submitted, the department submitted a budget request to fill all existing vacant positions and to fund four new clerk positions to be distributed within the Honolulu Municipal Building and Kapolei centers. Additionally, the department has retained and added to its contract work force assigned to

**UNAUDITED STATUS**

Implemented

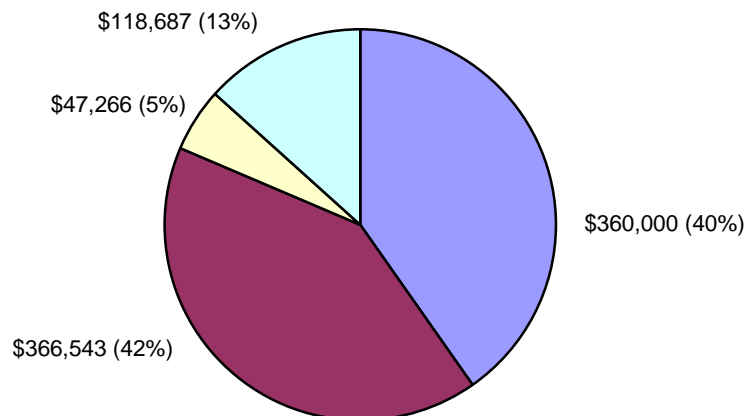
RECOMMENDATIONS	ACTIONS TAKEN	UNAUDITED STATUS
<p>4. The department should develop, implement, and enforce clear guidelines, checklists, or other instructions for both staff and applicants to follow in the building permit application process. Once clear criteria and guidelines are established, the department should ensure that staff apply and enforce applicant requirements and that applicants have access to adequate information to ensure submission of properly completed building permit applications.</p>	<p>the HMB permit center, including a newly created position of permit information officer. All of the above-stated positions have been supported through the budget process by both the administration and the city council.</p> <p>As a measure of the effectiveness of the additional staffing at the permit centers, the department will be evaluating progress by:</p> <ol style="list-style-type: none"> <li>1. monitoring the reduction of average waiting time by building permit customers;</li> <li>2. initiating periodic surveys to measure customer satisfaction.</li> </ol> <p>The Building Division has developed a plans submission checklist, which is presently being reviewed by the American Institute of Architects, Structural Engineers Association of Hawaii, American Society of Mechanical Engineers, and other design professionals to obtain comments for addition or modification. This checklist should be ready this year for publication and dispersal to the public.</p>	Pending implementation
<p>5. The department should clearly identify actual departmental expenses that can be linked to building permit fees and justify their relationship to building permit fees to support its efforts to secure the necessary resources to fully implement its re-engineering efforts.</p>	<p>There is an ongoing internal audit to provide an updated building permit expense to link to the actual building permit fees.</p>	Implemented

## FY2004-05 Appropriations and Expenditures

The Office of the City Auditor (OCA) was appropriated a total of \$892,496 in FY2004-05. Of this total, \$360,000, or 40 percent, was expended for the city's annual financial audit contract, which OCA oversees for the council. In addition to the four positions from the previous fiscal year, funding for an additional four positions was appropriated for in FY2004-05, bringing OCA's total appropriated operating budget to \$532,496—of which \$471,296 was for staff salaries and \$61,200 for office operations and equipment. However, delays in securing additional office space for the four new positions hampered our ability to fill the positions in a timely manner. As a result of these delays, unspent appropriations of approximately \$118,687 was returned back to the City Treasury at the end of the fiscal year.

*Delays in the filling of new positions resulted in the return of approximately \$118,687 to the City Treasury.*

### OCA FY2004-05 Application of Resources



- City's Financial Audit Contract
- Staff Salaries
- Office Expenses and Equipment
- Unspent Appropriations Lapsed Back to the City Treasury

## OCA Staff Listing

### **Leslie I. Tanaka, City Auditor**

- ◆ Appointed City Auditor on July 1, 2003
- ◆ Deputy Auditor, Hawai'i State Auditor's Office, 1995 to 2003
- ◆ Director of Administrative Services, University of Hawai'i at Kapi'olani Community College, 1981 to 1994
- ◆ Certified Public Accountant since 1974

### **Sherri S. Suzawa, Office Manager**

- ◆ Served as Office Manager in the Office of the City Auditor since 2003
- ◆ Division Secretary, Emergency Medical Services, C&C of Honolulu, 1994 to 2003
- ◆ Contract Specialist, Hickam Air Force Base, 1992 to 1994

### **Susan Hall, Audit Manager**

- ◆ Served in the Office of the City Auditor since 2003
- ◆ Legislative Analyst, Office of Council Services, C&C of Honolulu, 1999 to 2003
- ◆ Analyst, Hawai'i State Auditor's Office, 1992 to 1999
- ◆ Evaluator, U.S. General Accounting Office, 1983-1987

### **Van Lee, Audit Manager**

- ◆ Served in the Office of the City Auditor since 2003
- ◆ Senior Analyst, Hawai'i State Auditor's Office, 1992 to 2003
- ◆ Assistant Vice President, Hawaiian Trust Company, 1984 to 1992

### **Troy Shimasaki, Senior Auditor**

- ◆ Served in the Office of the City Auditor since 2004
- ◆ Analyst, Hawai'i State Auditor's Office, 2000 to 2004
- ◆ Legislative Aide/Analyst, Hawai'i State Legislature, 1992 to 2000



**Roxane Orian, Staff Auditor**

- ◆ Served in the Office of the City Auditor since 2004
- ◆ Various positions, State of Hawai'i, 1994 to 2002
- ◆ Analyst, Hawai'i State Auditor's Office, 1992 to 1994
- ◆ Budget Analyst, Hawai'i State Senate, 1991 to 1992

**Wayne H. Kawamura, Staff Auditor**

- ◆ Served in the Office of the City Auditor since 2004
- ◆ Legislative Analyst, Hawai'i State Senate, 2002 to 2004, 1999 to 2000
- ◆ Policy Analyst, Office of Hawaiian Affairs, 2000 to 2002

**Maria Torres-Kitamura, Staff Auditor**

- ◆ Served in the Office of the City Auditor since 2005
- ◆ Senior Editor/Editor, Hawai'i Business Magazine, 2004 to 2005, 1995 to 1997
- ◆ Associate Analyst, Hawai'i State Auditor's Office, 2001 to 2004

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