

OFFICE OF THE CITY AUDITOR

City and County of Honolulu
State of Hawai'i



Annual Report 2009-2010

A Report to the
City Council of
Honolulu

March 2011



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

February 2011

The Honorable Members of the Honolulu City Council:

We are pleased to submit the Annual Report of the Office of the City Auditor for fiscal year 2010. This report summarizes our 2010 work program.

Independent and objective audit reports continue to provide the legislative and executive branches and the public with information regarding the performance of city agencies and programs.

We trust that our reports have been beneficial in your efforts to ensure that the city's resources are being used to effectively and efficiently meet the needs of the public.

Sincerely,

A handwritten signature in black ink that reads "Edwin S.W. Young". The signature is written in a cursive style with a large, looping "Y" at the end.

Edwin S.W. Young
City Auditor

*The Office of the City
Auditor's mission is to
promote accountability,
fiscal integrity and
openness in city
government.*

New City Auditor

In May 2010, the Honolulu City Council appointed Mr. Edwin Young as the new city auditor, replacing Mr. Leslie Tanaka who retired after serving as Honolulu's first city auditor for over six years. Mr. Young comes to Honolulu from the City of Palo Alto, California, where he served as a Senior Performance Auditor/Deputy City Auditor for the past nine years.



Edwin S.W. Young
City Auditor

Mr. Young has also served as the Director of Internal Audit for California State University - Fullerton and has held various positions within the federal government as follows:

- U.S. General Accountability Office, Auditor
- U.S. Air Force Audit Agency, Audit Manager
- Office of the Inspector General, U.S. Department of State, Foreign Service Specialist
- U.S. Naval Audit Service, Division Director/Headquarters Staff
- U.S. Small Business Administration, Regional Inspector General/Regional Audit Manager

Mr. Young holds a Master of Business Administration degree from the University of Utah as well as a Master of Science degree in Systems Analysis from the University of Southern California. He is a Certified Internal Auditor (CIA), a Certified Fraud Examiner (CFE), and a Certified Government Financial Manager (CGFM).

City Auditor's Message

I am very honored to serve as the City Auditor for the City and County of Honolulu. I look forward to sharing my auditing experience and expertise to achieve the Office of the City Auditor's mission of promoting accountability, fiscal integrity and openness in city government.

Our office independently assesses and reports on city operations and services by conducting performance and financial audits that identify ways to strengthen public accountability and improve the efficiency and effectiveness of city government. In accordance with the city charter, we conduct and coordinate a variety of performance and financial audits and special studies set forth in our annual workplan. The work of the audit staff is coordinated with the activities of all external auditors such as independent public accountants, government, and contract auditors.

Our work is conducted in compliance with generally accepted government auditing standards. In our efforts, the focus is on adding value to the city by improving public accountability and transparency in its financial and operational activities.

Determining which areas to audit and allocating scarce audit resources to those areas is important for a successful audit function. Since my appointment, I have refocused the office by initiating a city-wide risk assessment, Honolulu's first service efforts and accomplishments project, and a span of control project. The information from these projects will ultimately create a better foundation for the office to continue fulfilling its mission. We welcome input for potential audits that can be used in our annual workplan and annual audit efforts, and continue to solicit audit suggestions from the city council, city staff, and members of the general public.

Summary of Reports to Council

This section summarizes the performance audit reports completed in accordance with our FY2009-10 workplan. In addition, we summarize the financial audit of the city for the fiscal year ended June 30, 2009.

Audit of the Honolulu Police Department's Utilization of the 800 Megahertz Telecommunications System

In the past, the City and County of Honolulu's 800 Megahertz (800 MHz) telecommunications system was the subject of controversy due to previous problems such as system glitches, outages, and voice and data

transmission problems. The controversy also involved its suitability for daily police operations.

The objectives for this audit were to determine the causes of the problems that occurred with the system, solutions to the problems, and remedies available to the city for the recovery of public funds expended to solve them.

We found that a flawed design and poor management over the implementation of the 800 MHz telecommunications system resulted in cost overruns and system problems. Despite its controversial past, the system is currently reliable. However, as the system



reaches the end of its lifecycle, management faces challenges related to continued operation and maintenance of the system. The city's role and acceptance of the system, along with the passage of time, limits the potential

recovery of public funds used to resolve the system development and installation problems.

Audit of the Leeward Coast Community Benefits Program

In June 2006, the mayor unveiled the *Leeward Coast Community Benefits Program (LCCBP)* to offset the impact of the city's Waimanalo Gulch landfill on nearby communities.

Annually, the LCCBP provides grants for programs and capital improvement projects intended to benefit these communities.



The objective of this audit was to evaluate the overall effectiveness of the LCCBP in providing enhanced benefits to the Leeward Coast communities.

We identified \$454,621 in unspent grant funds that should be returned to the general fund. We found that improvements are needed in the program to ensure residents receive the maximum benefits from the

program. Inadequate oversight and contract management by the Department of Community Services resulted in grantees diverting funds to cover operational costs instead of programs and services that benefited the community. We also found that although the Department of Parks and Recreation properly accounted for purchases using LCCBP funds, better tracking is needed to avoid questionable expenditures and ensure that purchases are properly authorized.

Financial Audit of the City and County of Honolulu, State of Hawai'i, For the Fiscal Year ended June 30, 2009, Management Letter

N&K CPAs, Inc., the contract auditor, submitted their findings and recommendations for the Comprehensive Financial Audit of the City and County of Honolulu for FY2008-09

to the city council in April 2010.

Their findings included: errors in the accounting of capital assets;

discrepancies in the financial statements for the Sewer Fund; and inadequate subrecipient grant monitoring procedures.



The auditors also determined one of the prior year's audit findings is still pending resolution.

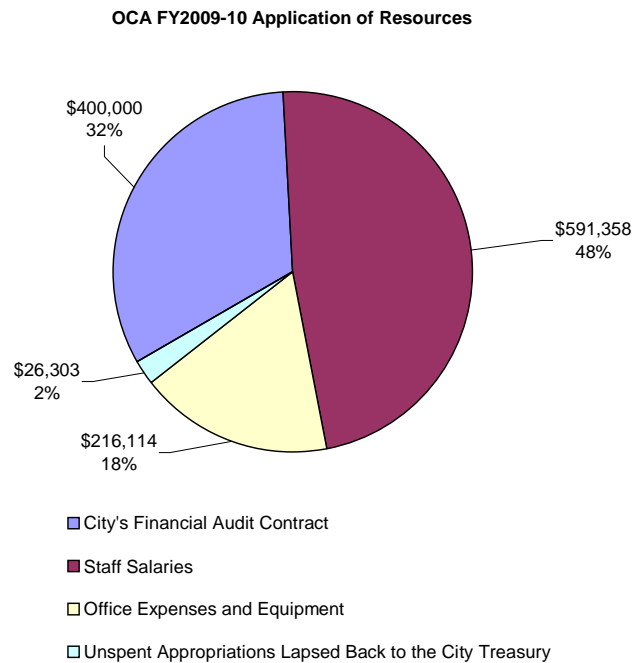
Status of Council Requests for Audits, FY2005-06 to FY2009-10

While the city charter authorizes the city auditor to select the audits to undertake, we have given high priority to council's requests. Our office has completed four of the seven requests adopted by the council from FY2005-06 to FY2009-10.

No.	Resolution Number	Date Adopted	Resolution Title	Status
1.	04-387	9/28/05	Requesting a Performance Audit of the Neighborhood Board System	Completed <i>Report No. 06-06</i>
2.	05-285, CD1	10/19/05	Requesting the City Auditor to Audit the City's Affordable Housing Program	Completed <i>Report No. 07-05</i>
3.	06-003	1/25/06	Requesting the City Auditor to Audit the City's Abandoned and Derelict Vehicles Program	Completed <i>Report No. 07-01</i>
4.	06-373	1/24/07	Requesting the City Auditor to Audit the City's Planning, Design and Construction of Skateboard Park Facilities	Completed <i>Report No. 08-01</i>
5.	09-86	08/26/09	Requesting the City Auditor to Conduct an Audit to Determine Whether the City's Current Fleet of Ambulances and Emergency Notification Vehicles is Sufficient to Meet the Emergency Assistance Needs on Oahu	Not Started
6.	09-243	08/26/09	Requesting the City Auditor to Audit the Lobbying Activities of the Board of Water Supply	Not Started
7.	10-73	03/17/10	Requesting the Office of the City Auditor to Conduct a Review of and Make Recommendations to Improve the Policy and Procedures Relating to the Honolulu City Council's Annual Contingency Allowance	Not Started

FY2009-10 Appropriations and Expenditures

The Office of the City Auditor was appropriated a total of \$1,233,775 in FY2009-10. Of this total, \$400,000, or 32%, was expended for the City's annual financial audit contract, which OCA oversees for the council. Staff salaries totaled \$591,358 and \$216,114 was expended for office operations and equipment. Approximately \$26,303 in unspent appropriations was returned back to the City Treasury at the end of the fiscal year. Most of the unspent appropriations resulted from a decrease in salaries due to the vacant city auditor position from January 2010 to May 2010.



- Audit of the City's Debt Service Practices
- Audit of Selected Management Issues at the Honolulu Board of Water Supply
- Audit of the City's Abandoned and Derelict Vehicle Program
- Audit of the Tennis Complex of the Central Oahu Regional Park
- Audit of the City's Management of Unilateral Agreements in Affordable Housing
- Audit of the City's Planning, Design, and Construction of Skateboard Park Facilities
- Audit of the City's Synagro Contract
- Audit of the Department of Transportation Services' Honolulu High-Capacity Transit Corridor Project Contracts
- Audit of the Honolulu Fire Department's Fire Code Inspection Program for High-Rise Residential Buildings
- Audit of the Leeward Coast Community Benefits Program

Van Lee, Deputy City Auditor, MBA

- Projects supervised, 2006 to 2010:
 - Audit of Selected City Information Technology Controls
 - Audit of the City's Executive Staff's Out-Of-State Travel
 - Audit of the Neighborhood Board System
 - Audit of the Hanauma Bay Nature Preserve Fund
 - Audit of the Honolulu Police Department Patrol Officer Staffing Practices
 - Audit of the City's Electricity Costs, Consumption, and Management
 - Audit of the 2003-04 Mililani Curbside Recycling Pilot Project
 - Audit of Select Management Practices of City-Owned Vehicles Under the Jurisdiction of the Department of Facility Maintenance
 - Audit of the Honolulu Police Department's Utilization of the 800 Megahertz Telecommunications System

OCA Staff Listing

Edwin S.W. Young, City Auditor, MBA, MS, CIA, CFE, CGFM

- Appointed City Auditor on May 1, 2010

Sherri S. Suzawa, Administrative Services Officer

Susan Hall, Deputy City Auditor, MPA

- Projects supervised, 2006 to 2010:
 - Audit of the City's Personal Services Contract Practices

Troy Shimasaki, Senior Auditor

- Projects completed, 2006 to 2010:
 - Audit of the City's Personal Services Contract Practices

- Audit of the Neighborhood Board System
- Audit of the City's Abandoned and Derelict Vehicle Program
- Audit of the City's Management of Unilateral Agreements in Affordable Housing
- Audit of the City's Electricity Costs, Consumption, and Management
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- Audit of the Leeward Coast Community Benefits Program

- Audit of the 2003-04 Mililani Curbside Recycling Pilot Project
- Audit of the Honolulu Police Department's Utilization of the 800 Megahertz Telecommunications System

Maria Torres-Kitamura, Senior Auditor, MBA, CFE

- Projects completed, 2006 to 2010:
 - Audit of City's Debt Service Practices
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 - Audit of the City's Planning, Design, and Construction of Skateboard Park Facilities
 - Audit of the Department of Transportation Services' Honolulu High-Capacity Transit Corridor Project Contracts

Roxane Orian, Senior Auditor, MBA

- Projects completed, 2006 to 2010:
 - Audit of the City's Executive Staff's Out-Of-State Travel
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Wayne H. Kawamura, Senior Auditor, JD, MBA

- Projects completed, 2006 to 2010:
 - Audit of Selected City Information Technology Controls
 - Audit of the Neighborhood Board System
 - Audit of the Tennis Complex of the Central Oahu Regional Park
 - Audit of the City's Management of Unilateral Agreements in Affordable Housing



James Campbell Building

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