



**OFFICE OF THE CITY AUDITOR**  
City and County of Honolulu  
State of Hawai'i

**Annual Report  
FY2010-11**





**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 FY2010-11. We trust that our reports have been beneficial in your efforts to ensure that the city's resources are being used effectively, efficiently, and economically to satisfy the needs of the public.

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

The mission of the Office of the City Auditor is to promote honest, efficient, effective, and fully accountable city government. We independently assess and report 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 which are listed in our annual work plan. In providing independent, reliable, and accurate information to the City Council and the general public, we strive to provide objective information to the City Council and the City administration that can be used to improve operations and programs. As much as possible, the work of the internal 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 reports, we try to provide the Legislative Branch and the public information regarding the effectiveness of City programs, and the efficiency of departmental and agency operations. 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. We use information from the City's adopted operating and capital budgets, and financial statements to perform a risk assessment and to identify potential audit subjects. The results of the model are incorporated into our annual work plan.

As part of our annual review of potential audit subjects, we solicit audit suggestions from the Honolulu City Council, city staff, and members of the public. We welcome your inputs for potential audits that can be used in our annual work plan and annual audit efforts.

Sincerely,

Edwin S.W. Young  
City Auditor

## City Auditor's Message

This past year has been a busy and productive year for the Office of the City Auditor. We have streamlined and updated our office processes and policies, increased our outreach to city departments, and participated in programs that contributed to the public awareness of our office. During the year, we completed several projects that we hope have increased the transparency and accountability of the city government and contributed to the effective, efficient, and economical management of city resources. Several ongoing projects are underway and will hopefully continue the momentum initiated this past year.

During the past year, we initiated several administrative projects. We introduced quarterly reports to the Honolulu City Council on the status of our work efforts, introduced to the legislative branch our model for submitting budget requests, and improved communications with department directors and their staff throughout the city. We augmented city staff efforts in monitoring credit card purchases and ethics investigations. We participated in developing the disaster preparedness plan for the legislative branch and implemented the new security badge procedures. We reorganized the office, drafted a new audit manual, updated personnel policies, and introduced new audit reporting formats and techniques. Besides introducing the staff to new audit tools, we initiated a student intern program.

We reported on several projects including a report on the status of audit recommendations from prior audits, a risk assessment of the city which identified high priority areas that should be reviewed, and a citizen survey of Honolulu residents that captured their opinions of city services, programs, and concerns.

In our reports, we focused on adding value to the city by improving public accountability and transparency in its financial and operational activities. Under this umbrella, our office completed the first Service Efforts and Accomplishments report for the City and County of Honolulu that contained citywide and department specific information on city missions, goals, services, and programs. The report quantified inputs, outputs, performance measures, comparisons, and trends in the use of city resources. Our first effort resulted in a national award issued by the Association of Government Accountants.

We administered the audit of the city's financial statements by an external accounting firm. Per our request, the firm tested the city's information system controls and identified deficiencies the city departments are currently rectifying. Our efforts to facilitate the first audit by the new accounting firm contributed to the unqualified opinion received by the city.

We started several professional and community outreach projects this year. These included a Service Efforts and Accomplishments presentation to the local chapter of the Association of Government Accountants, presentations to accounting students at the University of Hawai'i Manoa and West O'ahu campuses, and participation in a graduate student research project in the Mid-West. Statewide, we provided technical support and advice to the Kaua'i County Auditor's office and the Maui County audit staff. Nationally, the audit staff performed peer reviews of audit projects in support of the Association of Government Accountants and the Association of Local Government Auditors. A staff member also served as editor of the *Local Government Auditing Quarterly*, a national quarterly publication put out by the Association of Local Government Auditors, and received outstanding service awards.



*City Auditor Edwin Young, Deputy City Auditor Susan Hall and Senior Auditor Troy Shimasaki receive the Certificate of Achievement in Service Efforts & Accomplishments Reporting - Silver Award for the Office of the City Auditor's first SEA report issued in FY2010-11. Eveanna Barry, Director of Performance Reporting, Association of Government Accountants (AGA), pictured to the left of Edwin Young, presented the award on behalf of AGA.*

## Summary of Reports to Council

This section summarizes the reports completed in FY2010-11.

### ***Service Efforts and Accomplishments & 2010 Honolulu Citizen Survey***

The Office of the City Auditor released the first Service Efforts and Accomplishments Report for the City and County of Honolulu in March 2011. 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 includes a variety of 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; to plan for and evaluate improvements; and to identify service 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 governmental efficiency and effectiveness, and support future decision making.

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### ***National Citizen Survey (NCS)<sup>TM</sup>, City and County of Honolulu, HI, 2010***

The National Citizen Survey<sup>TM</sup> report was completed in March 2011. The report provides statistically valid survey results of citizen opinions of city services, programs, and priorities. This is the second citizen survey for Honolulu; the first was done in 2006.

### ***National Citizen Survey (NCS)<sup>TM</sup>, City and County of Honolulu, HI, 2010, Benchmark Report***

The benchmark report was completed in March 2011. The report benchmarks citizen opinions and ratings for city services, programs, and priorities against national benchmarks, as well as benchmarks for cities with populations over 300,000. This is the first benchmark report for Honolulu.

### ***Audit Recommendations Status Report, April 2004 to July 2010***

The Audit Recommendations Status Report was issued in May 2011 and contains the status of all prior audit recommendations for the period April 2004 to July 2010. Of the 272 recommendations made, 146 (54%) were completed, 11 (4%) were resolved, 65 (24%) were in-process, 14 (5%) were not started, and 36 (13%) were dropped.



### ***Financial Audit of the City and County of Honolulu, State of Hawai'i, For the Fiscal Year ended June 30, 2010***

Includes the following reports:

- ***City and County of Honolulu - Public Transportation System - Bus and Paratransit Operations, Financial Statements and Supplemental Schedules, June 30, 2010 and 2009***
- ***City and County of Honolulu - Sewer Fund Financial Statements, June 30, 2010 and 2009***
- ***Financial Audit of the City and County of Honolulu for Fiscal Year Ended June 30, 2010 - Management Letter***
- ***Single Audit of Federal Financial Assistance Programs***

Accuity LLP, the contract auditor, submitted their findings and recommendations for the Comprehensive Financial Audit of the City and County of Honolulu for FY2009-10

to the city council in March 2011. Their findings and recommendations addressed capital assets accounting, payroll and fringe benefits reporting, organization of supporting files, and site visits and completion of required documents. Other recommendations related to required reporting to the State, allocation of interest earned on federal programs, and an error in calculating a federal matching requirement. Cash management, improper revenue recognition, and discrepancies noted during the physical inventory observations were noted.

Prior fiscal year (FY2008-09) recommendations for improving the accounting of capital assets and for improving sub-recipient monitoring programs were unresolved. The recommendation for reviewing sewer fund financial statements in a timely manner was resolved.



OCA administers the contract for the City's financial audit. Based on OCA guidance, the external auditor audited the City's internet and internal security systems and operations. A series of recommendations for improving password, restoration, security administration, database security, operating system security, network security, physical security, and change management were made.

Based on OCA request, Accuity LLP audited the use of federal American Recovery and Reinvestment Act (ARRA) funds to ensure grant funds were accounted for and spent in accordance with federal guidelines and requirements.

### **Audit of the Leeward Coast Community Benefits Program**

As reported in last year's annual report, the *Audit of the Leeward Coast Community Benefits Program*, found that inadequate oversight and contract management by the Department of Community Services (DCS) resulted in grantees diverting funds to cover operational costs instead of programs and services that benefited the community. In the FY2011-12 budget, \$1.5 million in LCCBP funds have been transferred from DCS to the Department of Parks and Recreation for better accountability.

### **Risk Assessment of the City**

A risk assessment of the City and County of Honolulu was completed in July 2010. The results from this assessment will be used to develop future work plans and audit areas for our office.

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

This audit was performed in accordance with our FY2009-10 work plan and was completed and released in FY2010-11. The audit was summarized in last year's annual report. The audit determined that 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.

### **Status of Council Requests for Audits, FY2006-07 to FY2010-11**

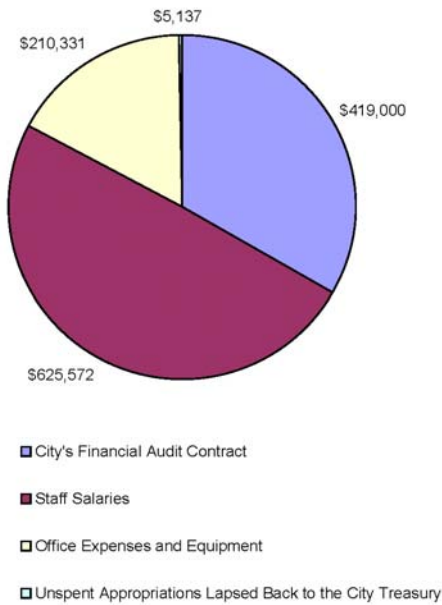
While the city charter authorizes the city auditor to select the audits to undertake, we have given high priority to council's requests. Of the seven requests adopted by the council from FY2006-07 to FY2010-11, one is completed, three are in progress and three are included in our FY2011-12 work plan.

| No. | Resolution Number | Date Adopted | Resolution Title   | Status                               |
|-----|-------------------|--------------|--|--------------------------------------|
| 1.  | 06-373            | 1/24/07      | Requesting the City Auditor to Audit the City's Planning, Design and Construction of Skateboard Park Facilities  | Completed<br><i>Report No. 08-01</i> |
| 2.  | 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 | Fieldwork Underway                   |
| 3.  | 09-243            | 08/26/09     | Requesting the City Auditor to Audit the Lobbying Activities of the Board of Water Supply  | Not Started                          |
| 4.  | 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          | Fieldwork Underway                   |
| 5.  | 10-269            | 10/13/10     | Requesting that the City Auditor Conduct a Performance Audit of the Real Property Assessment Division of the Department of Budget and Fiscal Services  | Fieldwork Underway                   |
| 6.  | 10-297            | 11/22/10     | Requesting an Audit of the Funds Appropriated For Bicycle Projects   | Not Started                          |
| 7.  | 11-46             | 03/16/11     | Requesting that the City Auditor Conduct a Performance Audit of the Department of Parks and Recreation's Camping Operations  | Not Started                          |

# FY2010-11 Appropriations and Expenditures

The Office of the City Auditor was appropriated a total of \$1,260,040 in FY2010-11. Of this total, \$419,000 was expended for the City's annual financial audit contract, which OCA oversees for the council. Staff salaries totaled \$625,572 and \$210,331 was expended for office operations and equipment. Approximately \$5,137 in unspent appropriations was returned back to the City Treasury at the end of the fiscal year. Most of the unspent appropriations resulted from salary savings due to a vacancy of an auditor position which occurred prior to the end of the fiscal year.

OCA FY 2011 Application of Resources



## OCA Staff Listing

- Edwin S.W. Young, City Auditor, MBA, MS, CIA, CFE, CGFM
- Susan Hall, Deputy City Auditor, MPA
- Van Lee, Deputy City Auditor, MBA
- Sherri S. Suzawa, Administrative Services Officer
- Wayne H. Kawamura, Senior Auditor, JD, MBA
- Roxane Orian, Senior Auditor, MBA
- Troy Shimasaki, Senior Auditor
- Maria Torres-Kitamura, Senior Auditor, MBA, CFE



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