



**Office of the City Auditor**



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

# **Annual Report FY2017-18**

July 2018





**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 FY2017-18. 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 address the public's needs.

The mission of the Office of the City Auditor is to promote honest, efficient, effective, and fully accountable city government. We achieve our mission by independently assessing and reporting on city operations and services through performance and financial audits and special studies. Our resulting published reports provide the Legislative Branch, City Administration, and the general public with information regarding the effectiveness and efficiency of city programs, and departmental and agency operations.

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Our annual work plan of projects is selected in part by conducting a risk assessment, which includes reviewing operating and capital budgets, and financial statements to help identify areas warranting an audit. The risk assessment, together with adopted Honolulu City Council resolutions requesting audits, and other suggestions from city staff and the general public, are utilized to develop the annual plan.

The Office of the City Auditor's objective in meeting its mission is to focus on adding value to the city by ensuring accountability and transparency in the city's financial and operational activities. All of our audits are conducted in accordance with generally accepted government auditing standards, and as appropriate, are coordinated with activities of external auditors, such as independent public accountants, government, and contract auditors.

We continue to welcome your inputs for potential audits and other suggestions to help us achieve our mission.

Sincerely,

Edwin S.W. Young  
City Auditor

## 2018: Year in Review

The Office of the City Auditor (OCA) issued the following reports in Fiscal Year 2018: 1) Audit of the City's Section 8 Tenant-Based Assistance Program; 2) Audit of the City's Bulky Item Collection Service; 3) Audit of Housing First, Community Assistance Program, and Hale Mauiola Homeless Programs; 4) Audit of the City's Recycling Program; 5) Service Efforts and Accomplishments (SEA) Report for Fiscal Year 2017; 6) four National Citizen Survey supplemental reports to the SEA; 7) Citizen-Centric Report for 2017; 8) Audit of the Department of Parks and Recreation's Performance Metrics FY 2015 – FY 2017; and 9) Status of Audit Recommendations Report – Fiscal Year 2017.

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, 2017: the Comprehensive Annual Financial Report (CAFR); the Public Transportation System – Bus and Paratransit Operations Financial Statement; Sewer Fund Financial Statements; Management Letter; and Single Audit of Federal Financial Assistance Programs.

OCA staff constantly strive to improve its audit work and communicating the results of the audit work to appropriate officials and the general public. Most recently OCA staff started utilizing Tableau, an interactive data visualization product, to improve the visual presentation and understandability of our audits. Staff are making greater utilization of Geographic Information System (GIS) technology and other data mining techniques in its work to enhance the analysis of data, patterns, relationships, and trends. OCA has also switched to electronic workpapers as part of its green initiatives.

Staff also work to improve and enhance their professionalism by taking regular training and participating in professional organizational activities. Staff served as board members and members of national committees for the

Association of Local Government Auditors (ALGA); conducted peer reviews of two other audit entities (City of Portland, Oregon and City of Jacksonville, Florida); judged peer audit reports; and wrote articles for the ALGA journals. Staff served as board members and committee chairs for the Association of Government Accountants (AGA) Hawaii Chapter. Additionally, staff remained active with the Institute of Internal Auditors, Association of Certified Fraud Examiners, Institute for Internal Controls, and ISACA.

In our continuing efforts to promote government public service as a career, OCA mentored six 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 advocated for the government auditing profession by serving on the University of Hawai'i at Manoa, School of Accountancy Advisory Board.

OCA continues to provide administrative, professional and audit support to Maui County, Hawai'i County, Hawai'i State and other audit offices.

By providing high quality audits that add value to the City and County of Honolulu, we hope to continue to fulfill our mission of promoting honest, efficient, effective, and fully accountable city government.



*City Auditor Edwin Young speaks at the 41st Annual A Glimpse into the Future Conference hosted by the University of Hawai'i Accounting Club and Beta Alpha Psi.*

Photo: Office of the City Auditor

## Summary of Reports to Council

This section summarizes the reports completed in FY2017-18.

### *Audit of the City's Section 8 Tenant-Based Assistance Program, (Resolution 15-281), July 2017*

[http://www.honolulu.gov/rep/site/oca/oca\\_docs/Section\\_8\\_Final\\_Report\\_072417.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/Section_8_Final_Report_072417.pdf)

The main objectives of this audit were to conduct a performance audit of the city's HUD Section 8 Tenant-Based Assistance Program and determine whether the city is effectively and appropriately administering the federal program. The audit sub-objectives were to: (1) determine whether city staffing levels are sufficient; (2) discuss barriers for property owners to participate in the program and make recommendations for expanding the list of participating landlords; (3) determine if fraud prevention, detection and reporting practices (internal controls) are adequate; and (4) compare city Section 8 practices with other jurisdictions in the nation.



The audit found that the city's Section 8 program is meeting its federal requirements, but improvements are warranted. More can be done to achieve program goals by addressing staffing concerns particularly for fraud, accounts receivable collections, and information technology. We found the Honolulu caseload per staff is smaller than the other jurisdictions we reviewed. The program's landlord outreach efforts need improvement. Barriers for landlords to participate include the inconsistent reporting of landlord statistics, inadequate landlord briefings, and the lack of policies and procedures for the landlord outreach activities. Active case management can be improved by maintaining complete documentation and adequate records. The program handling of informal hearings and fraud recovery cases can be improved to ensure unqualified participants do not remain in the program.

### *Audit of the City's Bulky Item Collection Service, August 2017*

[http://www.honolulu.gov/rep/site/oca/oca\\_docs/Audit\\_of\\_the\\_City's\\_Bulky\\_Item\\_Collection\\_Service\\_Final\\_8\\_11\\_17.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/Audit_of_the_City's_Bulky_Item_Collection_Service_Final_8_11_17.pdf)

This audit assessed the timeliness and efficiency of the city's monthly bulky item collection service, and the effectiveness of the division's enforcement program for bulky item ordinance violations. In addition, the audit evaluated whether the division could improve the operational effectiveness and efficiency of the program and whether the costs of the bulky item collection services could be reduced.

We found opportunities exist for improving the timeliness and reducing the costs of the bulky item collection service. During our review, we found problems related to excessive sick leave, overtime, and leave without pay. More specifically: (1) from July 2015 to July 2016, 102 (of the 122) manual employees took 17,815 hours (2,227 days) of sick leave; (2) during the same period, 153 employees received \$1.7 million in overtime for bulky and white goods collection; and (3) from July 2015 to April 2017, 21 employees took over 3,900 hours of leave without pay due to insufficient leave balances. Staffing shortages and outdated union memoranda of agreements contributed to the untimely collections and excessive overtime.



Photo: Office of the City Auditor

Even if every scheduled manual employee reported to work on a given day, there are not enough employees to fill all of the manual route crews, including bulky item collection crews at the collection yards. This resulted in bulky items not being collected or collected on overtime. We also found the majority of bulky item loads collected at six of the seven collection yards were below six tons.

Residents are using the bulky item collection service to dispose of non-bulky refuse, as well as bulky refuse, and are not complying with bulky collection rules and ordinances. ENV's refuse enforcement program has inadequate staffing to monitor the entire island and inspectors are constantly addressing complaints, but have neither the time nor resources to monitor the entire island and check for violations. Although refuse collection information is on the city website and through other sources, we believe ENV needs to proactively augment communications done by the collection yard supervisors and refuse inspectors after a violation occurs.

***Audit of Housing First, Community Assistance Program, and Hale Mauliola Homeless Programs, September 2017***  
[http://www.honolulu.gov/rep/site/oca/oca\\_docs/Homeless\\_Audit\\_-\\_Final\\_Report.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/Homeless_Audit_-_Final_Report.pdf)

Homelessness in Honolulu was identified as a top priority by the city's administration and is an ongoing concern for the city council and general public. The audit objectives were to assess: 1) the effectiveness and efficiency of the city's homeless related programs; 2) the Community Services department's administration of homeless related contracts; and 3) the sustainability of the city's homeless related initiatives. For purposes of this audit, our review focused on homeless related contracts that were supported exclusively with general funds, which include Housing First, Community Assistance Program, and Hale Mauliola homeless programs.

The City and County of Honolulu has taken laudable steps to address the homelessness crisis on O'ahu over the last few years. The city

committed over \$7.5 million in general fund dollars to support Housing First (Increment 1), Community Assistance Program, and Hale Mauliola homeless programs. Advocates note that programs such as these, despite their costs, are far less expensive than the cost to provide homeless with emergency medical care and other government services. However, there was a lack of data to support this contention and it was difficult to quantify and prove actual cost savings to the public. Going forward, the cost to support Housing First, Community Assistance Program, and Hale Mauliola beyond the first two years is substantial. Sustaining these programs with general funds is questionable.



*Hale Mauliola Housing Navigation Service Center*  
Photo: Office of the City Auditor

The Department of Community Services, which is responsible for administering homeless-related program contracts, lack sufficient resources and contract administration infrastructure to effectively manage homeless contracts. The lack of formal policies and procedures, which were echoed in prior audits and reports, placed \$140,152 in security deposits at risk for fraud, waste, and abuse. Insufficient internal controls led to questionable reimbursement requests. Late invoice submittal from contractors and insufficient departmental staff invoice reviews caused delays in contractor reimbursement.

The department's Homeless Initiatives Group does not fully complete job requirements and has seen its responsibility grow to manage over \$14 million in homeless-related programs. The group does not have adequate resources, training, or an effective back office to provide

administrative support. As a result, homeless programs and funding may be at risk. The city and state lack a strategic plan for homelessness that establishes specific timelines, performance benchmarks, allocation of resources and other quantitative objects that can measure success. Opportunities to leverage or pool resources, or build on the other's efforts are lost. As a result, the city and state offer similar homeless programs. As an example, the state and city support Housing First programs, but the city's program costs 48% more. A comprehensive plan, with measurable objectives and better coordination, could maximize resources and reach more homeless individuals.

*Audit of the City's Recycling Program, (Resolution 15-315), October 2017*  
[http://www.honolulu.gov/rep/site/oca/oca\\_docs/City\\_Recycling\\_Program\\_Final\\_Report\\_rev\\_102717.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/City_Recycling_Program_Final_Report_rev_102717.pdf)

The Honolulu City Council requested an audit to receive information relating to the city's recycling program, including the performance of the agency administering the program, the general effectiveness of the city's recycling efforts, and the effectiveness of the specific recycling programs, such as the white bin program. Specific issues reviewed included amount of recyclable waste recycled versus incinerated at the city's waste-to-energy facility (H-POWER); the viability of the community recycling program; and a cost-benefit comparison of recycling selected materials versus incinerating them at H-POWER.



H-POWER facility located in Campbell Industrial Park  
Photo: Office of the City Auditor

The city has been effective in its efforts to divert municipal solid waste and recycling has contributed significantly to landfill diversion. However, the market for selling and buying recycled waste has declined. As a result, revenues from the sale of solid waste are insufficient to offset the program costs of processing the collected recycled waste. We found that solid waste disposal costs can be reduced by diverting recycled waste to the H-POWER waste to energy facility. Based on contract obligations for delivering solid waste to H-POWER, we estimate the city could have reduced solid waste disposal costs by \$7 million and could have generated about \$29.5 million in electric revenues by diverting recycled waste to the H-POWER facility. Source reduction efforts can further reduce the amount of waste generated. Lastly, we found that community recycling was once a cost-efficient way to collect mixed recyclables. However, after the 2008 service contract, cost-efficiency declined due to increased collection costs; incorrect cost and collection estimates; optimistic versus actual collections; and the start of island-wide curbside recycling collections. As a result, the community recycling (white bin) program is no longer viable.

*Financial Audits of the City and County of Honolulu, State of Hawai'i for the Fiscal Year ended June 30, 2017*

The financial audit by external auditors under OCA contract was completed and the final reports were issued in April 2018.

- City and County of Honolulu Comprehensive Annual Financial Report (CAFR), June 30, 2017  
[http://www.honolulu.gov/rep/site/oca/oca\\_docs/CAFR2017.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/CAFR2017.pdf)
- City and County of Honolulu - Public Transportation System - Bus and Paratransit Operations, Financial Statements and Supplemental Schedules, June 30, 2017 and 2016  
[http://www.honolulu.gov/rep/site/oca/oca\\_docs/Bus2017.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/Bus2017.pdf)

- City and County of Honolulu - Sewer Fund Financial Statements and Supplemental Schedules, June 30, 2017 and 2016  
[http://www.honolulu.gov/rep/site/oca/oca\\_docs/Sewer2017.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/Sewer2017.pdf)
- Single Audit of Federal Financial Assistance Programs for the Fiscal Year Ended June 30, 2017  
[http://www.honolulu.gov/rep/site/oca/oca\\_docs/singleaudit2017.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/singleaudit2017.pdf)
- Management Letter - Financial Audit of the City and County of Honolulu for Fiscal Year Ended June 30, 2017  
[http://www.honolulu.gov/rep/site/oca/oca\\_docs/mgmtletter2017.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/mgmtletter2017.pdf)

KMH LLP, the external contract auditor, submitted their comments and recommendations for the Comprehensive Financial Audit of the City and County of Honolulu for FY2017 to the city council.

### *2017 Service Efforts and Accomplishments (SEA) Report, March 2018*

[http://www.honolulu.gov/rep/site/oca/sea\\_chapters/FY2017\\_SEA\\_Report\\_for\\_web.pdf](http://www.honolulu.gov/rep/site/oca/sea_chapters/FY2017_SEA_Report_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 eighth 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 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.

*The National Citizen Survey (NCS)<sup>TM</sup>, Honolulu, HI, 2017, February 2018*  
[http://www.honolulu.gov/rep/site/oca/oca\\_docs/FY\\_2017\\_NCS\\_Final\\_Report.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/FY_2017_NCS_Final_Report.pdf)

The National Citizen Survey <sup>TM</sup> report was completed in January 2018. The NCS report was comprised of the following four reports:

- *National Citizen Survey (NCS)<sup>TM</sup> Honolulu, HI - Community Livability Report 2017*  
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)<sup>TM</sup> Honolulu, HI - Dashboard Summary of Findings Report 2017*  
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)<sup>TM</sup> Honolulu, HI - Trends Over Time Report 2017*  
The report provides trends over time with benchmark comparisons to previous survey results in 2006, 2010, 2011, 2012, 2013, 2014, 2015, and 2016.
- *National Citizen Survey (NCS)<sup>TM</sup> Honolulu, HI - Technical Appendices 2017*  
The content of this report includes citizen survey results, benchmark comparisons, survey methodology, and survey materials.



*Citizen-Centric Report for Fiscal Year 2017, March 2018*

[http://www.honolulu.gov/rep/site/oca/oca\\_docs/citizen\\_centric\\_report\\_fy2017.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/citizen_centric_report_fy2017.pdf)

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

*Audit of the Department of Parks and Recreation's Performance Metrics FY 2015-FY 2017, May 2018*

[http://www.honolulu.gov/rep/site/oca/oca\\_docs/Audit\\_of\\_DPRs\\_Performance\\_Metrics\\_rev\\_060618.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/Audit_of_DPRs_Performance_Metrics_rev_060618.pdf)

The objectives of this audit were to determine whether the Department of Parks and Recreation (DPR) met its performance metrics for FY 2015 – FY 2017 and to evaluate the effectiveness of the DPR process for establishing performance metrics.

We found that as of 2018, DPR did not attain its goal for reducing potable water usage. Instead of saving \$833,907, water costs increased by over \$2.08 million because reducing water costs by using non-potable water sources was not a priority for DPR and the Board of Water Supply. DPR also did not achieve its three performance metrics related to filling job position vacancies. The department filled only 22 (76%) of the 29 positions requested in FY 2017 although vacancies in critical positions existed in park maintenance. DPR used personal services contracts and alternative methods to fill its vacancies, to expedite the hiring process, to properly maintain parks, to make necessary repairs, and to fulfill the mayor's priority of re-establishing pride in city parks because the Human Resources process was too slow and took too long. In FY 2015 and FY 2016, the department used personal services contracts to fill 64 temporary, unbudgeted position requests at a cost of \$1.5 million, which was nearly 22% of the city's original cost savings of \$7.1 million from an initiative to deactivate positions starting in FY 2015. Other

performance metrics that were not achieved include: no medium and long-range plans for department operations, although plans were due in FY 2016; the establishment of a new registration and point-of-sale system for class registration and facilities use by January 2018 was only 20%-30% complete; and the new street and park tree inventory and a new work order program are still not complete.



*Citizen Forestry volunteers assist with the city's tree inventory.*

Photo: Office of the City Auditor

*Status of Audit Recommendations Report – Fiscal Year 2017, May 2018*

[http://www.honolulu.gov/rep/site/oca/oca\\_docs/Audit\\_Recommendations\\_Status\\_Report\\_FY2017\\_053118.pdf](http://www.honolulu.gov/rep/site/oca/oca_docs/Audit_Recommendations_Status_Report_FY2017_053118.pdf)

This report reviews the implementation status of all outstanding audit report recommendations as of April 2018. The objective of this review was to determine how many audit recommendations were completed, resolved, in process, not started, or should be dropped.

The review covered 220 outstanding audit recommendations from 2004 to 2016. The results of the review indicated that 125 (56%) recommendations were satisfactorily addressed (60 recommendations were completed, 58 recommendations were resolved, and 7 recommendations were dropped). The remaining 95 recommendations were outstanding (48 recommendations were in process and another 47 were not started).

## Status of Council Requests for Audits, FY2014-15 to FY2017-18

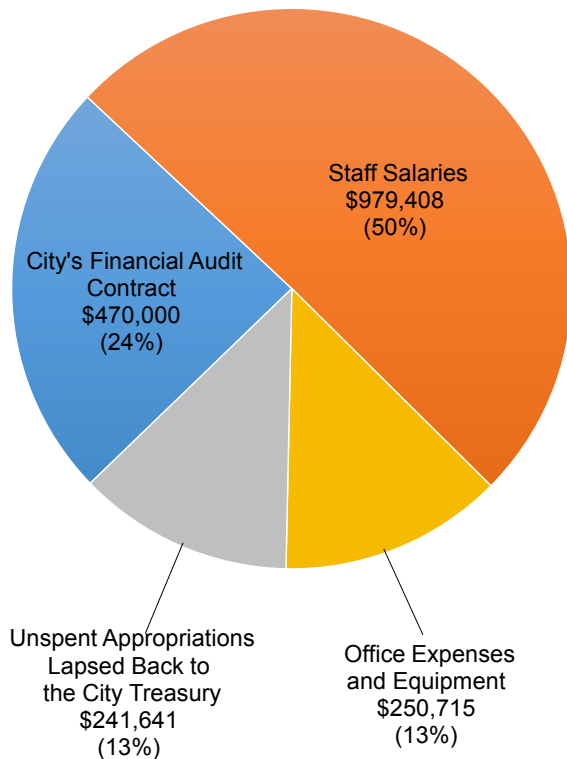
In accordance with the city charter, the city auditor shall conduct performance audits of the funds, programs, and operations of any agency or operation of the city as requested by the council by resolution. We continue to give high priority to council's requests and have completed 4 of the 7 requests adopted by the council in the last four fiscal years (FY 2015 to FY 2018).

<b>No.</b>	<b>Resolution Number</b>	<b>Date Adopted</b>	<b>Resolution Title</b>	<b>Status</b>
1.	15-90	05/06/15	Requesting the City Auditor to Conduct a Performance Audit of the Honolulu Rail Transit Project	Completed <i>Report No. 16-03</i>
2.	15-281, CD1	11/04/15	Requesting the City Auditor to Conduct a Performance Audit of the City's Section 8 Tenant-Based Assistance Program	Completed <i>Report No. 17-03</i>
3.	15-315	12/09/15	Requesting the City Auditor to Conduct a Performance Audit of the City's Recycling Program	Completed <i>Report No. 17-06</i>
4.	16-1	01/27/16	Requesting the City Auditor to Conduct a Performance Audit of How Domestic Violence Cases are Handled, Processed, and Resolved by the City	Completed <i>Report No. 17-02</i>
5.	16-164, CD1	09/07/16	Requesting the City Auditor to Perform a Comprehensive Management and Performance Audit of the Honolulu Ethics Commission	Start of audit has been delayed; RFP cancelled.
6.	17-199, CD1	09/06/17	Requesting that the City Auditor Conduct a Follow-up Audit of the Honolulu Authority for Rapid Transportation	Fieldwork underway
7.	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	Fieldwork underway

## FY2017-18 Appropriations and Expenditures

The Office of the City Auditor had an adjusted appropriation of \$1,941,764 in FY2017-18. Of this total, \$470,000 was encumbered for the city's annual financial audit contract, which OCA oversees for the council; \$979,408 was expended for staff salaries; and \$250,715 was expended for office operations and equipment. Unspent appropriations totaling \$241,641 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 and the suspension of the Ethics Commission audit (budgeted for \$100,000).

**OCA FY2017-18  
Application of Resources**



## OCA Staff Listing

- Edwin S.W. Young, City Auditor, MBA, MS, CIA, CFE, CGFM, CRMA
  - Susan Hall, Deputy City Auditor, MPA, CFE, CRMA
  - Van Lee, Deputy City Auditor, MBA, CRMA, CICA
  - Charisma Fojas, Senior Auditor, MA, CFE
  - Wayne Kawamura, Senior Auditor, JD, MBA, CISA, CRMA
  - Troy Shimasaki, Senior Auditor, CRMA
  - Shena Bocalbos, Auditor II
  - Dana Karaffa, Auditor II, CFE
  - Christine Ross, Auditor II, MBA
  - Sherri Suzawa, Administrative Services Officer
  - Bryant Acoba, Intern
  - Giraline Duff, Intern
  - Jordan Garrett, Intern, MADMS
- Former Staff:
- Darin Kawamoto, Auditor II, MBA, CFE
  - Jung Hwa Martinez, Intern
  - Jacie Miyashiro, Intern
  - Lyra Pascual, Intern



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