

OFFICE OF THE CITY AUDITOR

City and County of Honolulu
State of Hawai'i



Review of the Costs of the City's *Brunch on the Beach*, *Sunset on the Beach* and *Rediscover O'ahu* Programs

A Report to the
Mayor
and the
City Council of
Honolulu

Report No. 05-04
June 2005

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Submitted by

THE CITY AUDITOR
CITY AND COUNTY
OF HONOLULU
STATE OF HAWAI'I

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Foreword

This is a report of our review of the costs of the city's *Brunch on the Beach*, *Sunset on the Beach* and *Rediscover O'ahu* programs. The city auditor initiated this audit pursuant to Section 3-502.1(c) of the Revised Charter of Honolulu and the Office of the City Auditor's Annual Work Plan for FY2004-05. The city auditor determined that a review of the city's total cost for these programs was warranted due to ongoing concerns and incomplete reports, despite repeated inquiries from the Honolulu City Council.

We wish to acknowledge the assistance of the Office of the Managing Director and staff from city departments and agencies and others whom we contacted during this audit.

Leslie I. Tanaka, CPA
City Auditor

EXECUTIVE SUMMARY

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 Office of the City Auditor pursuant to Section 3-502.1(c) of the Revised Charter of Honolulu and the Office of the City Auditor's Annual Work Plan for FY2004-05. The city auditor selected this review because of ongoing concerns expressed by the city council and the public and incomplete reports on total program costs from the city administration. 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 from July 2001 to December 2004, and provides information that has not been previously reported to the city council and the public.

Background

Interest in revitalizing Waikiki's economy led to the mayor's initiatives to establish events featuring food and entertainment to attract local residents and visitors beginning with *Brunch on the Beach* in July 2001. Over the next six months, the city introduced *Sunset on the Beach* and *Rediscover O'ahu* events. Brunch and sunset programs are held in Waikiki while the rediscover programs, similar to the sunset program but on a larger scale, are held in other venues across the island of O'ahu. The managing director's office provided overall direction and coordination of city departments, agencies, employees and resources used for these programs. From July 2001 to December 2004, the city sponsored 35 brunch events, 119 sunset events and 17 rediscover events.

The city administration reported the total cost of the three events held during FY2001-02 was \$1,274,657, and \$746,763 during FY2002-03, while comparable reports for FY2003-04 could not be found. In November 2004, the city reported total expenditures of \$50,600 for the three events during the first five months of FY2004-05.

Summary of Findings

Lengthy delays and incomplete information interfered with the council's efforts to obtain information on the total cost of the city's *Brunch on the Beach*, *Sunset on the Beach* and *Rediscover O'ahu* programs. Ultimately, the city grossly underreported the total costs from the start of these programs in July 2001 through December 2004. Accountability for program expenditures was weak due to the lack of systematic tracking of costs by administration and city agencies. Information we received that nearly all program documents and reports, including program costs, are missing from the mayor's and the managing director's offices is troubling. As a result, the actual cost of these programs could not be completely and accurately determined.

Finding 1: The city's cost for the *Brunch on the Beach*, *Sunset on the Beach*, and *Rediscover O'ahu* programs has been grossly underreported to the city council and taxpayers.

- From July 2001 to December 2004, the three programs have cost the city at least \$4,527,205 rather than the disclosed amounts in public records of \$2,072,020. By underreporting or failing to report all program costs, the city grossly understated costs by at least \$2,455,185.
- In the first two fiscal years, FY2001-02 and FY2002-03, the city identified only a partial list of participating agencies in its report on total costs. We found that at least half of all participating agencies were omitted from city administration reports on total program costs.

Finding 2: The city's total cost for these programs could not be completely and accurately determined due to inadequate tracking of program costs. Neither the administration nor any participating agencies established or maintained a complete and accurate accounting of program expenditures.

- City administration failed to systematically identify, capture, track and report program expenditures. Neither the managing director's office, nor the Department of Budget and Fiscal Services established a system or procedure to track these expenditures.
- Participating agencies did not track program expenditures. Agencies reported that costs were *only* calculated in response to specific requests.

- We found that despite similar categories of costs for these events among participating agencies, there were inconsistencies in determining total program costs as well as difficulties in accessing program information. As a result, actual costs to the city could not be completely and accurately determined.
- Tracking costs from special interagency employment or resource arrangements could not be identified through aggregate event costs provided by the city and were omitted in city administration reports to council. We found that a city employee on temporary assignment from another agency was paid an estimated \$26,066, in addition to regular pay to photograph these events from July 2001 to December 2004. However, the Department of Customer Services could not provide actual time and attendance records or the costs of photo supplies used for an estimated 30 binders of photos.

Finding 3: Missing documents also hindered efforts to determine the total cost of these programs. Information we received that 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 is troubling and further weakens accountability for city funds used for these programs.

- The incoming administration found few program documents. During our fieldwork, the current administrators responsible for significant expenditures for the brunch, sunset and rediscover programs found few program files or original records to substantiate the many large expenditures due to missing documents spanning three and a half years. Therefore, actual costs could not be determined with certainty.
- Certain agency files on brunch, sunset and rediscover programs were incomplete. Some agencies could not locate files and documents such as employee attendance records, equipment expenditures, and work orders. Some agencies could locate documents for this review but disclosed that files and records were incomplete.

Recommendations and Response

We made a number of recommendations to resolve deficiencies and problems identified during this review. In summary, we recommended that the Office of Managing Director:

- provide the council and the public a complete and accurate reporting of the city's brunch, sunset and rediscover expenditures;
- establish policies and procedures for participating agencies to identify, capture, track and report city's expenditures for brunch, sunset and rediscover programs;
- monitor agencies' compliance with those policies and procedures;
- ensure that agencies comply with the record retention guidelines and safeguard program documents and reports, including the transition period between outgoing and incoming city administrations; and
- establish policies and procedures to identify, retain and safeguard financial records and related documents for brunch, sunset and rediscover programs.

We also recommend 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.

The Office of the Managing Director did not submit a written response to the draft audit report.

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Chapter 1

Introduction

The city auditor initiated a review of the city's expenditures for *Brunch on the Beach*, *Sunset on the Beach*, and *Rediscover O'ahu* programs pursuant to Section 3-502.1(c) of the Revised Charter of Honolulu and the Office of the City Auditor's Annual Work Plan for FY2004-05. The city auditor determined that a review of the city's total cost for these programs was warranted due to ongoing concerns and incomplete reports, despite repeated inquiries from the city council. Therefore, uncertainty regarding the total cost of these programs remains. This review examined the city's expenditures for, and the total cost of, these programs and provides information that has not been previously reported to the city council and the public.

Background

Interest in revitalizing Waikiki's economy led to mayor's initiatives to establish events featuring food and entertainment to attract local residents and visitors, beginning with *Brunch on the Beach* in July 2001. Over the next six months, the city introduced *Sunset on the Beach* and *Rediscover O'ahu* events. The managing director's office provided overall direction and coordination of city departments, agencies, employees and resources used for these programs. Numerous city agencies, including the economic development office, the departments of enterprise services, facility maintenance, parks and recreation, and the police department contributed significant resources for each of these events. From July 2001 to December 2004, the city sponsored 35 brunch events, 119 sunset events and 17 rediscover events.

The city administration reported the total cost of the three events held during FY2001-02 was \$1,274,657, and \$746,763 during FY2002-03, while comparable reports for FY2003-04 could not be found. In November 2004, the city reported total expenditures of \$50,600 for the three events during the first five months of FY2004-05.

Brunch on the Beach

The city's first *Brunch on the Beach* was held on July 15, 2001 and, since then, from nine to eleven times each year. Using 1,100 feet of green Astroturf, tents, banners, an assortment of 300 dining and serving tables, 76 umbrellas, and 900 chairs purchased specially for brunch events, the city transforms a portion of Waikiki's Kalakaua Avenue into

an outdoor café. Exhibit 1.1 is a photo of the scope of a city brunch event. Dozens of city employees are mobilized to reroute traffic, transport, set up and take down furniture and equipment, ensure electrical power, provide security and crowd control, and clean up. City funds are used to publicize brunch events through radio commercials, flyers and printed invitations; provide live entertainment by top Hawaii performers, stages, sound systems, leis, linens, paper goods; and supply refreshments for volunteers. The city also rents tents, trolleys to shuttle visitors, and also electrical vehicles, trucks, tents and two-way radios to manage logistical needs.

Exhibit 1.1
Photo of *Brunch on the Beach* Program in Waikiki



Source: City and County of Honolulu

Sunset on the Beach

The popularity of the brunch prompted the city to initiate events on Saturday and Sunday evenings called *Sunset on the Beach*, featuring a different movie each night free of charge, food booths, and entertainment at Queen’s Surf Beach in Waikiki. Exhibit 1.2 is a picture of one of the city’s sunset events. Since the first event in November 2001, sunset events have been scheduled every month and sometimes weekly. As with brunch, city employees take care of similar logistical responsibilities

before, during and after sunset events. The city rents a 30-foot movie screen, movie projector, generator, sound system and barricades; and pays for movie fees, leis, artwork, signs, invitations, refreshments, and live entertainment.

Exhibit 1.2
Photo of *Sunset on the Beach* Program in Waikiki



Source: City and County of Honolulu

Rediscover O‘ahu

Beginning in January 2002, the city brought sunset events named *Rediscover O‘ahu*, to communities across the island of O‘ahu such as ‘Aiea, Hale‘iwa, Kailua, Kapolei, Pearl Harbor, Schofield, Wai‘anae, Waimanalo and Waipahu. These weekend-long programs require significant commitments and resources from the city and community groups to organize and ensure success. They feature amusement rides, information booths for city programs, fire trucks and other city vehicles on display, live entertainment, food booths, crafts, a different movie each evening, and sometimes fireworks. Exhibit 1.3 shows a picture of a rediscover event held in the Wai‘anae community. City employees provide logistical services before, during and after these events. The city rents generators, the movie screen, projection and sound system, trolleys, buses, trucks, an executive trailer, dumpsters, floodlights, radios, barricades and tents. Advertising, flyers, invitations, banners, leis, movie license fees, photographer services, craft supplies, refreshments, security

and sometimes special transit bus service are also provided through city funds.

Exhibit 1.3
Photo of *Rediscover O’ahu* Program in Wai’anae



Source: City and County of Honolulu

Objectives of the Audit

The objectives of this audit were to:

1. Determine the city’s total costs for the *Brunch on the Beach*, *Sunset on the Beach*, and *Rediscover O’ahu* programs.
2. Make recommendations as appropriate.

Scope and Methodology

Our efforts to determine the city’s total costs for the brunch, sunset, and rediscover programs included a review of city finance policies and procedures, the city’s record retention guidelines and sound financial management practices applicable to expenditures for city programs. To obtain the city’s expenditures for these programs, we sent a questionnaire to all city executive agencies, the board of water supply and the city’s transit contractor requesting information on their

participation in these events, use of resources, and an estimate of their total expenditures for these programs by fiscal year from FY2001-02 to FY2004-05 (through December 2004). We interviewed department administrators and staff, and reviewed supporting documentation for those expenditures. We identified and excluded grant funds such as the Hawai‘i Tourism Authority and ‘Olelo. Thus, our report on the city’s total cost of these programs is comprised solely of city funds.

From the departments’ responses to our questionnaire, we learned that the city’s procurement of furniture and equipment for the brunch program began in June 2001; however, these items were purchased with FY2001-02 funds. Therefore, we included city expenditures from July 2001 to December 2004. This audit did not evaluate or assess the city’s budgeting, management, or operations of these programs.

Our work was performed from February 2005 to May 2005 in accordance with generally accepted government auditing standards.

Potential impairment to project scope

At our initial meeting with the Office of the Managing Director, management officials informed us that the previous administration had left empty file cabinets and few electronic documents pertaining to the three programs. Therefore, they had limited financial records and reports from July 2001 to December 2004, for their own use or for review by the city auditor. Missing or unavailable documents from the inception of these programs, spanning more than three years of financial records and reports, from the agency that directed these programs was a significant limitation. However, we obtained reasonable assurance of the expenditures reported for all three programs through interviews with the participating agencies and reviews of source documents, thus enabling us to complete the audit objectives without any significant scope impairment.

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Chapter 2

The City's Total Cost for *Brunch on the Beach*, *Sunset on the Beach* and *Rediscover O'ahu* Programs Was Grossly Underreported, Inadequate Financial Recordkeeping Hindered Complete and Accurate Accounting

Lengthy delays and incomplete information interfered with council's efforts to obtain the total cost of the city's *Brunch on the Beach*, *Sunset on the Beach* and *Rediscover O'ahu* programs. Ultimately, the city grossly underreported the total costs from the start of these programs in July 2001 through December 2004. Accountability for program expenditures was weak due to the lack of systematic tracking by administration and city agencies. Information we received that nearly all program documents and reports, including program costs, are missing from the mayor's and the managing director's offices is troubling. As a result, the actual cost of these programs could not be completely and accurately determined.

Summary of Findings

1. The city's cost for the *Brunch on the Beach*, *Sunset on the Beach*, and *Rediscover O'ahu* programs has been grossly underreported to the city council and taxpayers.
2. The city's total cost for these programs could not be completely and accurately determined due to inadequate tracking of program costs. Neither the administration nor any participating agencies established or maintained a complete and accurate accounting of program expenditures.
3. Missing documents also hindered efforts to determine the total cost of these programs. Information we received that 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 is troubling and further weakens accountability for city funds used for these programs.

The City's Cost for Brunch, Sunset and Rediscover Programs Was Grossly Underreported

Initiated in July 2001, the city's brunch, sunset and rediscover programs have attracted thousands of visitors. However, lengthy delays and incomplete information interfered with council's efforts to obtain the total cost of these programs. Despite representations that the city provided the total cost of these programs to the council, we found that these amounts grossly underreported those disclosed to us by city agencies. In part, the city identified only half of the participating agencies and thus failed to report the costs for those unnamed agencies' staff and resources. Grossly underreporting the total cost of the programs not only interferes with council's oversight of city activities, but also raises serious questions of accountability for the use of taxpayers' funds.

The brunch, sunset, and rediscover programs have cost the city at least \$4,527,205

Council's efforts to obtain information on the city's cost to conduct these events were met with months of delays and incomplete cost information. While the city identified some of the costs for purchases, contracts, labor and other resources, the reports were incomplete and grossly understated the program costs city agencies reported in response to this review.

Exhibit 2.1 below provides a comparison by total costs reported by the previous administration to the city council and those reported by participating agencies during our fieldwork.

Exhibit 2.1
Total Cost Underreported by City Administration for the Brunch, Sunset and Rediscover O'ahu Programs
July 2001 to December 2004

	TOTAL COST REPORTED BY CITY ADMINISTRATION	TOTAL COSTS REPORTED BY ALL PARTICIPATING AGENCIES SURVEYED	DIFFERENCE IN TOTAL COST REPORTED BY CITY ADMINISTRATION
FY2001-02	\$1,274,657	\$1,925,453	(\$650,796)
FY2002-03	\$746,763	\$1,170,065	(\$423,302)
FY2003-04	0	\$990,924	(\$990,924)
FY2004-05*	\$50,600	\$440,763	(\$390,163)
TOTAL	\$2,072,020	\$4,527,205	(\$2,455,185)

*July 1, 2004 to December 31, 2004

Source: City and County of Honolulu and Honolulu City Council

At the time of the city council's first request for these programs' costs in March 2002, the city had conducted 8 brunches and 18 sunset weekends in Waikiki, and 2 rediscover events in Kailua and Wai'anae. Specifically, the council requested a *breakdown of all costs for all the departments* involved in those events. In various reports, the city submitted some information on department costs for events held during FY2001-02, but did not provide a total cost. The city administration implied to the council that the total cost of brunch, sunset and rediscover events was \$1,274,657 in FY2001-02. However, based on our survey of participating agencies, the city underreported expenditures by \$650,796 – the total cost was at least \$1,925,453.

In March 2003, the council requested *all costs involved from all departments* for brunch, sunset and rediscover events applicable to FY2002-03. The city provided separate *draft* spreadsheets for brunch, sunset and rediscover events indicating *Total Event Cost* as \$746,763. However, our survey revealed additional expenditures of \$423,302, thus increasing the city's costs to \$1,176,746.

We could not locate administration reports on total program costs for FY2003-04; however, the participating agencies reported \$990,924. The city also underreported program expenditures, acknowledging \$50,600 from July 1, 2004 to November 2004. However, our survey found that for the first six months in FY2004-05, city agencies reported \$440,763.

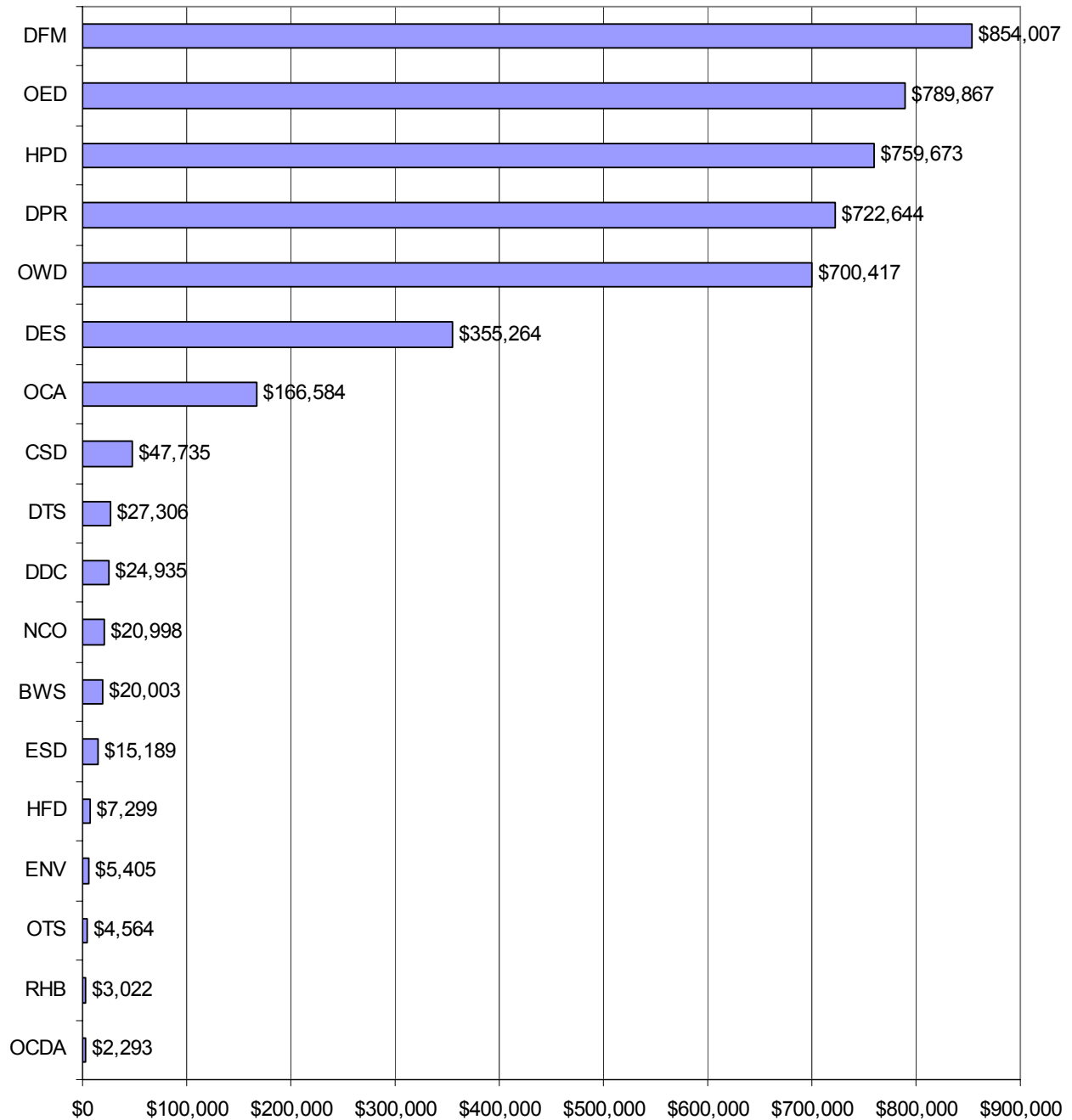
In summary, the participating city agencies reported a total cost of \$4,527,205 for brunch, sunset and rediscover events from July 2001 to December 2004. Altogether, by underreporting or failing to report all program costs, the city grossly understated costs by at least \$2,455,185.

Many more agencies participated than previously reported

The city administration's reports on total costs for brunch, sunset and rediscover programs provided the council with only a partial list of participating agencies and those costs. However, the city's failure to disclose a complete list of the participating agencies explains a small portion of the discrepancy. The city identified 7 of the 16 agencies that reported expenditures for these programs in FY2001-02 during our fieldwork. The total unreported cost for the other 9 agencies is \$206,419. The omitted agencies were: Oahu Civil Defense Agency, the Office of Culture and Arts, the Department of Customer Services, the Department of Design and Construction, the Neighborhood Commission Office, Oahu Transit Services, Inc. (the city's transit contractor), the Honolulu Police Department, the Royal Hawaiian Band, and the Honolulu Board of Water Supply. Similarly, the city reported program costs for only 8 of the 16 agencies that reported FY2002-03 expenditures during our fieldwork. The total costs for the omitted agencies is \$119,522.

Exhibit 2.2 compares the total expenditures for brunch, sunset and rediscover programs by participating agencies from FY2001-02 to FY2004-05 (to December 2004 only).

Exhibit 2.2
Comparison of Total Expenditures for Brunch, Sunset and Rediscover Programs By Participating Agencies
July 2001 to December 2004



Source: City Departments and Agencies

In response to our questionnaire, we found that five agencies reported no participation and thus no costs for the brunch, sunset or rediscover events: Department of Community Services, Department of Information Technology, Honolulu Liquor Commission, Department of Medical Examiner, and the Department of Planning and Permitting. In further discussions with agencies, we also obtained information on administrative costs. Such costs are related to an agency's responsibilities, such as processing invoices or workers' compensation or preparing legal opinions. However, not all agencies were able to provide such costs. Therefore, there are additional administrative costs related to these programs that are not included in the total costs presented in this review.

The City's Cost for These Programs Could Not Be Completely and Accurately Determined Due to Inadequate Tracking of Program Costs

City administration failed to establish, maintain and report complete and accurate accounting of program expenditures

All agencies have a fiduciary responsibility to maintain a complete and accurate accounting of program expenditures. We found that neither the city administration nor the participating agencies kept accurate and complete records of their expenditures for the brunch, sunset and rediscover programs. Moreover, the city never established a system or procedures to report these program expenditures. As a result, the city could only provide estimated costs for these programs. Such deficient financial practices hamper accountability to the council and taxpayers for the millions in city funds spent on the brunch, sunset and rediscover programs.

Government agencies must maintain accurate and complete records of expenditures for all of their programs and activities, and be able to access this information efficiently. This requires establishing and maintaining a system to identify, capture, track and report program expenditures. This is even more important for programs involving many agencies.

The city's internal controls policy establishes that the manager responsible for accomplishing program goals and objectives is also responsible for its sound financial condition, and accountability for and protection of city assets. The administrator may delegate some of the related duties, but cannot delegate accountability. However, we found that consistent tracking and reporting of expenditures for the city's brunch, sunset and rediscover programs was nonexistent. City agencies reported that neither the managing director's office nor the budget and fiscal services department has established a system or procedure to track these expenditures. In fact, many agencies reported that costs were only

calculated in response to specific requests from the managing director's office or the city council. For this multi-agency program, a standardized process was not established to require participating agencies to track costs completely and accurately. In July 2002, the managing director informed council that,

“A detailed financial statement of expenditures is not available by individual events because the cost information was not entered in the financial accounting system in this manner.”

During our fieldwork, the budget and fiscal services department provided copies of monthly reports listing purchase order expenditures from the offices of economic development and Waikiki development (which are supervised by the managing director's office), and two contract payments of \$50,000 to Waikiki Improvement Association. This same spreadsheet was provided as an attachment to departmental communication by the prior city administration to the city council in July 2002. Although submitted for the managing director's office, similar spreadsheets were not systematically maintained for all the participating agencies. This expenditure record could have been adapted to produce standard reports for participating agencies, thereby improving accountability of expenditures for these programs.

City agencies were not required to track costs in a systematic manner. Without a consistent method for participating agencies to document program costs, total reported costs cannot be verified. The absence of a system to track costs raises questions about the accountability for the use of taxpayers' funds, and is a serious failure of managerial responsibilities by city administration.

Participating agencies did not track program expenditures

All agencies are responsible for maintaining accurate and complete records of program expenditures. Without proper identification and tracking of expenditures, it is difficult to accurately determine program costs. Cost information is needed to manage and monitor ongoing programs. Furthermore, cost information needs to be accessible. Participating agencies provided many types of direct and indirect program costs, the complex nature of which should have compelled the administration to plan a standardized system to identify, capture, track and report all costs when the programs were initiated.

City agencies reported costs for purchases and rentals for many items such as outdoor furniture, sound equipment and supplies, contract

services, overtime and holiday overtime costs. Exhibit 2.3 presents brief descriptions and total expenditures by agency from July 2001 to December 2004.

Exhibit 2.3

**Total Costs Reported By Participating Agencies with Description of Expenditures for Brunch, Sunset and Rediscover Programs
July 2001 to December 2004**

CITY DEPARTMENT OR AGENCY	DESCRIPTION OF EXPENDITURES	TOTAL COSTS (July 2001 to December 2004)
Board of Water Supply	Overtime, mileage for staffing information booth	\$20,003
Culture and Arts	Contracts, rentals, supplies, printing and binding	\$166,584
Customer Services	Overtime, temporary assignment staff, meals, supplies	\$47,735
Design and Construction	Labor costs to draft schematic diagrams	\$24,935
Economic Development	Equipment rentals, purchases of goods and services, contracts, meals, food, supplies, materials, permits	\$789,867
Emergency Services	Overtime for staffing informational booth and provide patient care	\$15,189
Environmental Services	Overtime to haul garbage	\$5,405
Enterprise Services	Regular time and overtime, purchase of equipment, supplies, outdoor furniture, equipment rental, and contract workers	\$355,264
Facility Maintenance	Regular time and overtime; equipment and supplies	\$854,007
Fire	Overtime for staffing informational trailer	\$7,299
Managing Director	Note: Program expenditures reported through OED and OWD	N/A
Mayor	Note: Program expenditures reported through OCA	N/A
Neighborhood Commission	Overtime, meals, mileage, supplies	\$20,998
Oahu Civil Defense Agency	Meals, mileage for volunteers	\$2,293
Oahu Transit Services, Inc.	Special bus service	\$4,564
Parks and Recreation	Regular time and overtime, equipment, plants and grass, supplies	\$722,644
Police	On-duty time, overtime, and equipment rental	\$759,673
Royal Hawaiian Band	Overtime, contract workers, bus charter fees	\$3,022
Transportation	Overtime and meals	\$27,306
Waikiki Development	Equipment rentals, purchase of supplies, food, and services, contracts, and permits	\$700,417
TOTAL COSTS REPORTED BY PARTICIPATING AGENCIES		\$4,527,205

Source: City Departments and Agencies

Despite similar categories of costs for brunch, sunset and rediscover programs among participating agencies, there were inconsistencies in tracking costs as well as difficulties in accessing program information. We found that an agency's ability to report program expenditures for these programs depended upon the computer skills of agency employees. Some administrators and staff indicated that the need to track and report program expenditures only applied if there was a directive from city administration. Another agency noted in retrospect that they would have organized their reporting better, had they known that the events would become ongoing city programs. Instead, many reported that program costs were computed in response to outside requests only.

Tracking costs is important, particularly for special arrangements such as interagency agreements. Since July 2001 and throughout the course of the three programs, city photographers filled at least 30 binders with photos documenting the many events that took place during days, nights, on weekends and on holidays. Three different photographers were assigned to photograph these events: two employed with the Department of Customer Services and an additional photographer on-loan from the Department of Environmental Services. Through interagency agreements, an electronic technician was temporarily assigned to the customer services department and received extra compensation for performing photography duties associated with a higher position classification, as an Information Specialist III. We found that the cost of the on-loan photographer could not be traced to the brunch, sunset and rediscover programs since the city never disclosed customer services department's participation, nor the department's total costs of \$47,735. City payroll reports documented this employee's temporary assignment pay and other compensation, pursuant to union contract rates, for meals and overtime, standby, evening and holiday rates amounting to over \$26,066 in addition to base pay from June 2001 to December 2004. While no attendance records, description of work activity, costs for the photographer, nor costs of photo supplies for the 30 binders of photos was available, the Department of Customer Services provided the four annual interagency agreements with the Department of Environmental Services. Special interagency employment or resource arrangements and associated costs must be properly documented and reported. In their current forms, such costs could not be identified through aggregate event costs provided by the city, since costs for the Department of Customer Services were omitted in their reports to council.

Participating agencies' program costs are estimates

During our review of agency expenditures, we found inconsistencies in financial recordkeeping among the participating agencies. Some agencies had great difficulty providing information on expenditures for the three programs since no method to identify, capture, track and report expenditures had been established since the start of the programs in July 2001. Some agencies could only determine their costs through estimates.

All participating agencies were very cooperative and provided extra effort to substantiate program costs. However, only a few had prepared spreadsheets to track costs prior to the city auditor's request. Some agencies needed to review individual work records after obtaining dates of brunch, sunset and rediscover events, while others had to first identify the names of employees, to assemble pertinent records, and then add up those costs. Other methods include referring back to written work sheets, memoranda or other correspondence for certain dates, then discerning pay rates, hours worked and equipment cost, to arrive at a total cost. In most cases, agencies cautioned that they were providing estimated total costs based on the best available, but likely inaccurate information. Given the nature of the records and source documents, we conclude that the actual cost to the city could not be completely and accurately determined.

Missing Documents Also Hindered Efforts to Identify Total Expenditures

Records retention is an important responsibility for all government agencies. All departments are responsible for maintaining and safeguarding program documents, especially for ongoing programs. The city has established a record retention policy and procedures to safeguard and protect against potential loss of documentation. During our review, the managing director's office reported having few documents for its brunch, sunset and rediscover programs for the entire period from June 2001 to December 2004. In addition, city agencies also reported missing documents such as work orders on certain event dates, general program correspondence, or attendance records in the form of paper or electronic document files. Missing documentation further hampers efforts for a complete and accurate accounting of the total costs of brunch, sunset and rediscover programs.

Incoming administration found few program documents

Government agencies must retain complete and accurate records of program expenditures in order to properly manage and account for the use of their funds. The city's records retention policy states that the retention period for *special events* records in the mayor's office is four years and the retention period for *general subject files* in the managing director's office is three years. During our fieldwork, the current administrators responsible for significant expenditures for the brunch, sunset and rediscover programs found few program files or original records. In fact, all they could provide was information that had been reported previously to council since inception of the three programs in FY2001-02. However, in departmental communications, the prior managing director stated that brunch and sunset are *ongoing programs* and *will always require lead involvement by the city*. As ongoing programs, brunch, sunset and rediscover records in the lead agency are substantially valuable for retention beyond the *general subject files* retention guideline of three years. However, all records of expenditures for these three ongoing programs are missing from the managing director's office. Despite having limited expenditure documents, departments had retained detailed planning, schematic diagrams depicting furniture and equipment placement with the managing director's specific instructions to the participating agencies. It is perplexing that such an important collection of documents for an ongoing city program are missing and not available to the current managing director's office.

We note that the managing director's office had to contact a tent vendor to obtain a listing of all event dates for the three programs in response to our request. Likewise, administrators for economic development and culture and arts informed us that they could provide minimal information on the programs to substantiate program costs. The only available information in economic development files were spreadsheets from budget and fiscal services. Most importantly, these primary agencies found no records to substantiate the many large expenditures — \$700,417 by the Office of Waikiki Development, \$789,867 by the Office of Economic Development and \$166,584 in the mayor's Office of Culture and Arts — for the three ongoing programs due to missing documents spanning three and a half years.

Actual costs could not be determined with certainty

In the previous city administration, the managing director's office was the lead agency for all three programs and the managing director was responsible for setting standards of administrative practice on expenditures to be followed by all agencies under his supervision. Documents missing from the lead agency obstruct and impede review

and verification of these program expenditures. Brunch, sunset and rediscover events continue to be highly visible programs, but the program files and records, such as oversight and management cost information which is valuable for an ongoing program, are reportedly missing from the lead agency. The lack of documents or reports useful for the continuation of these program activities by the incoming administration poses unnecessary obstacles and could disrupt oversight and proper monitoring of these programs. Moreover, due to the limitations of agencies' reports on expenditures, total costs could not be accurately and completely verified.

Certain agency files on brunch, sunset and rediscover were incomplete

Proper management and maintenance of documents and records for ongoing city programs is a fundamental element of the city's records retention manual. These policies define authority, responsibility and procedures, and are established to standardize and communicate approved practices for retaining valuable city records, as well as disposing of those whose official use has expired in accordance with the established records retention schedule. While some agencies were able to retrieve documents for this review, other agencies could not locate files on program activity, such as employee attendance records, equipment expenditures, schedules of events, work orders, responsibilities of event participants, city directives and other applicable correspondence. Agencies also reported that certain electronic documents could not be located and had been deleted. For example, one agency representative reported that some work orders for 2001 and certain dates throughout subsequent years for the three events were missing. Other participating agencies, however, were able to find prior expenditure reports or stored files and records necessary to obtain individual contracts, timesheets, notes, schematic designs, or labor worksheets to identify and capture costs for these events. These missing records on program activity are necessary to completely and accurately verify total costs.

Missing documents hamper a complete and accurate accounting of total costs

All departments and agencies should retain records for the required period of time specified in the city's record retention schedule. During our review, we learned that some agencies could not locate or account for overtime payments from July 2001 to December 2004. For example, the Department of Facility Maintenance could not locate work orders and attendance records documenting overtime payments for brunch, sunset or rediscover events from June 2001 through December

2001. While it had work orders and attendance records from January 2002 for these events, certain records were missing. Together with the city administration's failure to track expenditures in a comprehensive and systematic manner, missing documents — such as work orders and attendance records accounting for overtime pay — is a serious problem that precludes a complete and accurate accounting of total costs.

Conclusion

We found that the city administration grossly underreported spending on *Brunch on the Beach*, *Sunset on the Beach* and *Rediscover O'ahu* programs by at least \$2,455,185. Although the administration reported a total of \$2,072,020, city agencies reported \$4,527,205 during our review. We found that there were many more agencies providing resources for these programs than previously reported. Inaccurate and incomplete program cost reports complicate oversight and accountability to taxpayers.

All departments and agencies have a fiduciary responsibility to maintain a complete and accurate accounting of program expenditures by identifying, capturing, tracking and reporting their expenditures in a systematic and consistent manner. However, we found that the city had not established such a system. Therefore, important information on program activity and costs were not readily available, and other records to calculate labor costs were incomplete and inaccurate. Consequently, city agencies could only provide estimated costs for these programs. Such deficient financial practices hamper accountability to council and taxpayers on city funds spent on these programs.

Accountability was further hampered due to a significant loss of documents from the agency that directed and had the overall responsibility for these programs. The current deputy managing director and staff reported that they found empty file cabinets left by the previous administration and limited information for the brunch, sunset and rediscover programs. Agencies also reported missing work orders, attendance records, and electronic documents during their review of program costs. Failure to enforce policies and procedures to properly retain and safeguard financial records and related documents is troubling and could place the city's interests in these ongoing programs at risk. We found that, through an unusual arrangement, an employee on temporary assignment was hired to take photos and paid \$28,066 in addition to his regular pay.

The city lacks accurate, complete and accessible records for the millions spent for the city's brunch, sunset and rediscover programs from July 2001 to December 2004. Program costs could not be determined with certainty. Finally, in the absence of full disclosure of department expenditures for the three programs, the council could not independently determine that the city was grossly underreporting the total costs of brunch, sunset and rediscover programs.

Recommendations

1. The Office of the Managing Director should:
 - a. provide the council and the public a complete and accurate reporting of the city's brunch, sunset and rediscover expenditures;
 - b. establish policies and procedures for participating agencies to identify, capture, track and report city's expenditures for brunch, sunset and rediscover programs;
 - c. monitor agencies' compliance with those policies and procedures;
 - d. ensure that agencies comply with the record retention guidelines and safeguard program documents and reports, including the transition period between outgoing and incoming city administrations; and
 - e. establish policies and procedures to identify, retain and safeguard financial records and related documents for brunch, sunset and rediscover programs.
2. The Department of Budget and Fiscal Services should establish accounting methods and procedures for departments and agencies to completely and accurately identify, capture, track, and report brunch, sunset and rediscover expenditures.

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APPENDIX A
Abbreviations for Participating Departments and Agencies

BFS	Department of Budget and Fiscal Services
BWS	Board of Water Supply
CSD	Customer Services Department
DDC	Department of Design and Construction
DES	Department of Enterprise Services
DFM	Department of Facility Maintenance
DHR	Department of Human Resources
DPR	Department of Parks and Recreation
DTS	Department of Transportation Services
ENV	Department of Environmental Services
ESD	Honolulu Emergency Services Department
HFD	Honolulu Fire Department
HPD	Honolulu Police Department
MDO	Office of the Managing Director
NCO	Neighborhood Commission Office
OCA	Office of Culture and Arts
OCDA	Oahu Civil Defense Agency
OED	Office of Economic Development
OTS	Oahu Transit Services, Inc.
OWD	Office of Waikiki Development
RHB	Royal Hawaiian Band

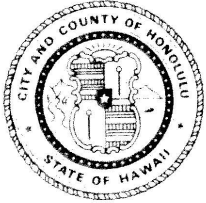
Source: City and County of Honolulu

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Response of Affected Agency

Comments on Agency Response

We transmitted a draft of this report to the Office of the Managing Director on June 3, 2005. A copy of the transmittal letter is included as Attachment 1. The managing director did not submit a written response to the draft report.



OFFICE OF THE CITY AUDITOR
CITY AND COUNTY OF HONOLULU
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LESLIE I. TANAKA, CPA
CITY AUDITOR

June 3, 2005

COPY

Mr. Jeff Coelho
Managing Director
City and County of Honolulu
530 South King Street, 3rd Floor
Honolulu, Hawaii 96813

Dear Mr. Coelho:

Enclosed for your review are two copies (numbers 11 and 12) of our confidential draft audit report, *Review of the Costs of the City's Brunch on the Beach, Sunset on the Beach and Rediscover O'ahu Programs*. If you choose to submit a written response to our draft report, your comments will generally be included in the final report. However, we ask that you submit your response to us no later than 12:00 noon on Monday, June 20, 2005.

For your information, the mayor and each councilmember have also been provided copies of this **confidential** draft report.

Finally, since this report is still in draft form and changes may be made to it, access to this draft report should be restricted to those assisting you in preparing your response. Public release of the final report will be made by my office after the report is published in its final form.

Sincerely,

A handwritten signature in cursive script, appearing to read "Leslie I. Tanaka".

Leslie I. Tanaka, CPA
City Auditor

Enclosures