

OFFICE OF THE CITY AUDITOR

City and County of Honolulu
State of Hawai'i



Audit of the City's Executive Staff's Out-of-State Travel

A Report to the
Mayor
and the
City Council of
Honolulu

Report No. 06-05
July 2006

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Submitted by

THE CITY AUDITOR
CITY AND COUNTY
OF HONOLULU
STATE OF HAWAII

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Foreword

This is a report of our audit of the out-of-state travel by city's executive staff. The city auditor initiated this audit pursuant to Section 3-502.1(c) of the Revised Charter of Honolulu, the Office of the City Auditor's Annual Work Plan for FY2005-06, and Council Resolution 04-384 that requested the city auditor investigate the sources and financing of former Mayor Jeremy Harris' travel. The city auditor determined that a review of executive staff out-of-state travel was warranted due to concerns that such travel was not being accurately reported.

We wish to express our appreciation for the cooperation and assistance extended to use by the officials and staff of the Office of the Managing Director, the Department of Budget and Fiscal Services and others who we contacted during this audit.

Leslie I. Tanaka, CPA
City Auditor

EXECUTIVE SUMMARY

Audit of the City's Executive Staff's Out-of-State Travel

Report No. 06-05, July 2006

This audit was initiated by the Office of the City Auditor pursuant to Section 3-502.1(c) of the Revised Charter of Honolulu, the Office of the City Auditor's Annual Work Plan for FY2005-06, and the Honolulu City Council Resolution 04-384 which requested that the city auditor investigate the sources and financing of former Mayor Jeremy Harris' travel. This report reviews and assesses the control, monitoring and reporting practices of out-of-state travel by city executive staff, including but not limited to the mayor, departmental directors and deputies, and other non-civil service professional positions for the period covering FY2002-03 through FY2004-05.

Background

City executive staff, like all city employees, are responsible for complying with established city travel-related policies and procedures. These travel-related policies and procedures, which are found in the city charter, ordinance, and administrative policy, ensure that travel either paid for or incurred while on official work time is properly reviewed and accounted for; that employees neither gain nor lose financially as a result of undertaking official out-of-state travel; and that a record of the authority for time away from the city on official out-of-state travel is maintained. Executive out-of-state travel that involves payment of travel costs in some form by a third party is subject to gift and ethics laws in addition to official business travel requirements.

The managing director has oversight authority for the out-of-state travel process for the executive branch. As such, the managing director is responsible for ensuring the accountability of out-of-state travel by city officials, in part, by ensuring the routine, complete and accurate reporting of travel on city business.

Summary of Findings

We found numerous instances, primarily of the former administration, where city executives failed to comply with established out-of-state travel policies, procedures and rules. In addition, practices relating to gifted travel appear to permit circumvention of proper disclosure and

reporting. Our review covers the period FY2002-03 through FY2004-05, and therefore most of the findings relate to practices of the former administration. Since our review period includes only approximately six months of the current administration's executive travel, examples of actual travel by the current administration were limited. We did identify some early issues with the current administration's practices; however, it appears that additional instruction and guidance by the managing director's office are leading to improved accounting and reporting practices over those found in the previous administration. However some of the fundamental concerns found in our review should still be addressed.

For our audit, we reviewed 175 out-of-state trips taken by city executives, including the mayor, departmental directors and deputies, and other non-civil service, non-clerical, non-contract professional positions. We found numerous examples where city executives failed to comply with out-of-state travel policies and procedures. In addition, we found that out-of-state travel reporting that involves gifted travel is further complicated by a failure to adequately account for gifts. As a result, many travel gifts to executives go unreported and clarity in the interpretation of the gift law is needed. Accurate and complete travel reporting by city executives is essential for the recording of the proper authorization for the travel and absence from city duties, validating the public purpose for the trip, and substantiating authorized travel expenses. Further, city executives, as managers and leaders of city departments and agencies, should "lead by example" through compliance with travel laws, rules and regulations that all city employees are expected to follow.

Finding 1: Numerous city executives fail to comply with out-of-state travel policies and procedures.

- Out-of-state travel information is poorly documented, making accountability weak. We found numerous examples where executives fail to comply with city travel policies and procedures.
 - Supporting documentation to substantiate the *Travel Request* is insufficient. We found a number of travel requests without sufficient documentation to justify the purpose or need for an out-of-state trip. While some of these shortcomings can be attributed to lack of clarity in travel policies and procedures and applied oversight, others appear to be due to the failure of individual city executives to comply with established travel reporting requirements.

- Many city executive travel files lack the final report of completed travel. We found that the necessary documentation to validate completed executive travel upon return from travel is unaccounted for in many travel files at the Department of Budget and Fiscal Services, either incomplete or missing. Several of these executive travel records include advance funds paid to the executive traveler prior to travel. We found that in these situations, the executive travel file records were not processed and remain pending until either a completed travel report is received or the account can be written off as uncollectible.
- The reconciliation of completed executive travel is necessary for compliance with federal tax laws and the Department of Budget and Fiscal Services' policies. Internal Revenue Service regulations require that a portion of travel allowances be reported as taxable income to the traveler. The inability to reconcile completed travel records results in a failure to comply with federal tax laws and Department of Budget and Fiscal Services' policies.
- The Department of Budget and Fiscal Services' policy further states that failure to submit completed travel reports within 30 days from the return of a trip will result in the entire travel advance being included as income on the employee's Form W-2. In addition, the full amount of the travel advance also becomes a reimbursable expense to the city if the travel completion report is not submitted. However, we found numerous examples where neither action was taken by the Department of Budget and Fiscal Services when the completed travel documentation was not received or received incomplete.
- While city executive travel procedures require the approval of the mayor or managing director, we found that many executive travel records lack the required travel approvals. The failure to comply with travel policies and procedures diminishes accountability for the review and proper authorization for executives traveling out-of-state.
- The policy and approval procedure for business or first class airfare needs clarification. We found that the former mayor's travel by first-class airfare to be inconsistent with established travel policy.

- For the first six months of operations for the new administration, we found that executive travel file records documentation had improved and were more complete than the records of the former administration.

Finding 2: Many personal travel gifts to executives go unreported and clarity in the interpretation of the gift law is needed.

- Gifts, including travel-related gifts, may be made to an agency or individual city employee. All gifts, whether to the agency or individual government employee, must be reviewed to ensure that the gift and conditions of the gift are appropriate and meet general ethical standards. Travel-related gifts to an executive agency must be formally reviewed and approved by the city council. The decision to accept a personal gift, including travel-related gifts, is left to the individual. Consultation with the Honolulu Ethics Commission is recommended but not required.
- There is currently no reporting requirement for personal gifts. In 2002, Ordinance 02-15, codified in Section 3-8.7, ROH, stipulated that personal gifts exceeding \$200 in value should not be accepted, but in doing so deleted the requirement that such gifts be reported to the city clerk.
- In light of Ordinance 02-15, ethics commission guidelines on personal gift acceptance concluded that a gift valued in excess of \$200, for which the donor does not have an interest that may affect the recipients' course of fulfilling his/her job duties, is not prohibited. Thus, a travel-related personal gift, even in excess of \$200, can be accepted as long as there is no conflict of interest.
- Many of the former mayor's out-of-state travel involved gifting that was accepted as a personal gift and not disclosed to the council. We found that this practice is questionable because the stated purpose of many trips appear related to the former mayor's position and not to him as an individual. We believe that it is reasonable to conclude that gifted-travel related to the position of the Office of the Mayor should be considered an agency gift subject to review and approval by the city council.

- Finally, we found instances where personal gifted travel of the former mayor was taken during official work time. While there may be some exceptions, we believe that generally, the acceptance of a travel-related gift as a personal gift implies that the traveler should take vacation leave for such travel and not charge the taxpayers for his time away from his official duties.

Recommendations and Response

We made a number of recommendations to address problems identified during this review. We recommended that the managing director should:

- Review and modify administrative directives as needed to ensure existence of clear policies and procedures necessary for accurate, consistent and timely reporting, accounting and documentation of executive out-of-state travel;
- Work with the Honolulu Ethics Commission to ensure the proper identification of gifts and compliance with gift disclosure requirements, including gifted personal travel;
- Establish a clear policy on use of first/business class travel accommodations for executives;
- Ensure that all outstanding executive travel reports at Department of Budget and Fiscal Services are resolved and properly accounted for and reported;
- Ensure that the Internal Revenue Service taxability requirements are met for any outstanding executive travel reports;
- Implement procedures to ensure that executive travel-related reports and documents are properly tracked and monitored for complete, accurate, and timely completion; and
- Work with the city council to implement personal travel-related gift acceptance and disclosure requirements that ensure monitoring and accountability controls.

In response to our draft report, the managing director stated that his office would utilize the recommendations of the report, including working

with the Department of Budget and Fiscal Services, ethics commission and city council to ensure that all reporting requirements are met in a proper and timely manner. He emphasized that most of the concerns addressed practices of the former administration and it is their intent to continue to ensure that improvements noted in the present administration's processing of travel-related documents would continue.

The director of the Department of Budget and Fiscal Services noted in her response that overall the audit was a good report, and acknowledged the problematic nature of the documentation and processing of the previous administration's travel-related documents, particularly when gifted travel was involved. The director commented however, that the findings were not completely accurate because the audit focused on documentation maintained by the fiscal accountants and not the voucher payment documents of the accounts payable section. However, we believe this is an improper characterization of the audit. Our audit objectives were to review and assess city executive staff's accuracy and completeness in reporting of out-of-state travel and the policies and procedures in place for ensuring accountability, which includes the role of the Department of Budget and Fiscal Services' fiscal accountants in the processing of travel-related documents.

In our meeting with department officials it was confirmed that the fiscal accountants and not accounts payable staff are responsible for working directly with city agencies to process out-of-state travel-related documents and payments, including verification of travel expenditures, review and approval of travel advances, and reconciliation of completed travel statements. We were further informed by the department that claims vouchers are reviewed and completed by the fiscal accountants before being forwarded to accounts payable for payment. During our fieldwork we did track a sample of records to the accounts payable section, but were informed that accounts payable staff track only payment vouchers, and the responsibility for tracking all travel-related documents rests with the fiscal accountants. Finally, since the fiscal accountants are responsible for the review, approval and processing of travel-related documents, the acknowledgement by the director of budget and fiscal services that their records are "incomplete" further supports our concerns for the need to improve accountability.

We are encouraged that the administration representatives have acknowledged the problems and appear committed to continue to proactively address the concerns identified in the audit.

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Chapter 1

Introduction

The city auditor initiated this Audit of the City's Executive Staff's Out-of-State Travel as provided in the Revised City Charter of Honolulu, and the city auditor's Annual Audit Program established for FY2005-06.

The audit responds to concerns by the city council and the public about the city administration's inadequate reporting of out-of-state travel activities by city executive staff. The audit also addresses concerns expressed by the city council in Resolution 04-384 which requested that the city auditor investigate the sources and financing of former Mayor Jeremy Harris' travel. The resolution responded to numerous trips taken in 2004 by the former mayor and concerns that some of the mayor's travel may have included personal trips on city time and financed by unknown third parties who may have an interest in city business. For example, during calendar year 2004, the former mayor traveled out-of-state more than 20 times to destinations including Hong Kong, China, Australia, Chile, Saipan, Sweden, Japan, and United States. Although the majority of travel was reportedly for the former mayor to attend conferences and other official functions, his failure to readily disclose the nature and extent of travel; the difficulty to obtain such information when requested by the city council and media; and questions concerning the financing of the travel, increased concerns that out-of-state travel was not being accurately reported.

This audit assesses the control, monitoring and reporting practices of out-of-state travel by city executive staff, including but not limited to the mayor, departmental directors and deputies, and other non-civil service professional positions for the period covering FY2002-03 through FY2004-05.

Background

Out-of-state travel practices by City and County of Honolulu employees are governed by city travel policies and procedures found in the city's charter, ordinances, administrative policies and guidelines. These policies and guidelines ensure that travel either paid for or incurred while on official work time is properly reviewed and accounted for and that employees neither gain nor lose financially as a result of undertaking official out-of-state travel. The policies and procedures also ensure that

a record of the authorization for time away from the city on official out-of-state travel is maintained. City executive staff members, like all city employees, are responsible for complying with these city travel policies and procedures, including obtaining proper authorization for such travel and reporting of travel-related expenses upon completion of the travel.

Out-of-state travel can also involve travel expenses that are paid by others such as through reimbursement of all or a portion of related travel costs by the sponsoring organization. Travel under these conditions may constitute a gift to the city or official and may also require compliance with city gift laws and policies regarding gifts of travel. Travel that involves gifted travel entails additional review pursuant to the city's standards of conduct law and other ethics guidelines or requirements.

For the executive branch, oversight authority for the out-of-state travel process is assigned to the managing director. The managing director has the responsibility for ensuring accountability of out-of-state travel by city officials by ensuring the routine, complete and accurate reporting of travel on city business.

Out-of-state travel policies and procedures

Out-of-state travel procedures are based on provisions in city charter. Section 13-110, Revised City Charter of Honolulu (RCH), states that all officers and employees of the city are entitled to their traveling or other necessary expenses incurred in the performance of their official duties. Section 6-102(c), RCH, provides that the managing director is responsible for prescribing the standards of administrative practice to be followed by all agencies under the managing director's supervision.

Responsibilities of the managing director's office

All city executive travel requires approval by the mayor or managing director. Before permitting a city executive to attend an out-of-state conference, convention, seminar, meeting or training course, the managing director must ensure that a clear public purpose is being served. Travel for other purposes is considered on the merits of the individual case. The standards for reviewing travel requests are found in the managing director's *Administrative Directives Manual (ADM)*, a set of administrative policies and procedures applicable to departments and agencies under the managing director's supervision. Although not recently reviewed or updated, the ADM serves as the source document on administrative policies and procedures. The Managing Director's Office is responsible for the ADM and ensures that new policies are

added, existing policies are kept current and conflicting policies and procedures are eliminated.

Travel guidelines established by the managing director

In accordance with the managing director's responsibilities, Section 130 on *Policies Governing Official Travel*, of the ADM establishes the policies and procedures relating to out-of-state travel. This section stipulates that out-of-state travel should be for public purposes to transact business on behalf of the City and County of Honolulu.

Whenever possible, travel requests should be submitted to the managing director for approval at least 45 days before the departure date.

Out-of-state travel should only be considered when business cannot be accomplished satisfactorily by correspondence or by telephone; the nature of the information desired is essential to the development or completion of a city and county project; the program data and experience cannot practically be obtained locally or by correspondence; or the travel to attend conventions and annual meetings of national and sectional groups involve matters of interest to the city. The ADM further clarifies that attendance should be limited to one out-of-state conference per fiscal year per department in any of its major functional areas. In addition, funds must also be available in an approved departmental budget and specifically for out-of-state travel purposes.

In addition, Section 130 reiterates the charter provision that city officers and employees are entitled to payment of transportation and other necessary reasonable expenses actually incurred in the performance of their official duties, provides additional guidance on travel arrangements to be made by the traveler and the information to be included in a request for travel. For example, the ADM notes that transportation and travel routing shall be by the most economical, most direct, convenient and appropriate means and travel tickets shall be for complete routes, inclusive of stopover privileges whenever and wherever practical. In addition, airfare shall be by economy class air passage whenever available, appropriate and practical; while travel by any other means must be specifically requested and authorized. Furthermore, excess travel time resulting for the personal convenience of the employee shall be charged to vacation time.

The ADM also identifies specific information that must be provided when requesting approval for official out-of-state travel, including:

1. person traveling, position title and salary rating;
2. purpose of trip (to include knowledge to be gained or business to be concluded);
3. duration of absence, dates and number of trip days;
4. cost of trip (transportation, per diem and other expenses), including calculations for all major items;
5. itinerary which includes all places that will be visited enroute and at destination;
6. agenda for conferences or content of courses that will be attended, as appropriate;
7. departmental justification, including why similar Honolulu based actions cannot accomplish same purpose when reasons are not obvious;
8. date, destination and purpose of prior out-of-state trips made during the past three years by the person traveling; and
9. source of funds.

Finally, the ADM stipulates that within *30 days* after return from an out-of-state trip, a traveler shall submit to the managing director, through his department head a report on his/her accomplishments during the absence from Hawaii; and should include recommendations for actions that the department could take to benefit from ideas or knowledge gained during the trip.

Responsibilities of the Department of Budget and Fiscal Services

In accordance with Section 130, ADM, the Department of Budget and Fiscal Services (BFS) is assigned the responsibility for implementing travel policies and procedures to ensure compliance with the ADM. Within its Budget and Fiscal Services Policy and Procedures Manual, Section 9.1, entitled *Official Travel Expenses*, are detailed travel procedures that all city employees, including executive staff members, are required to follow. Some of these procedures require that:

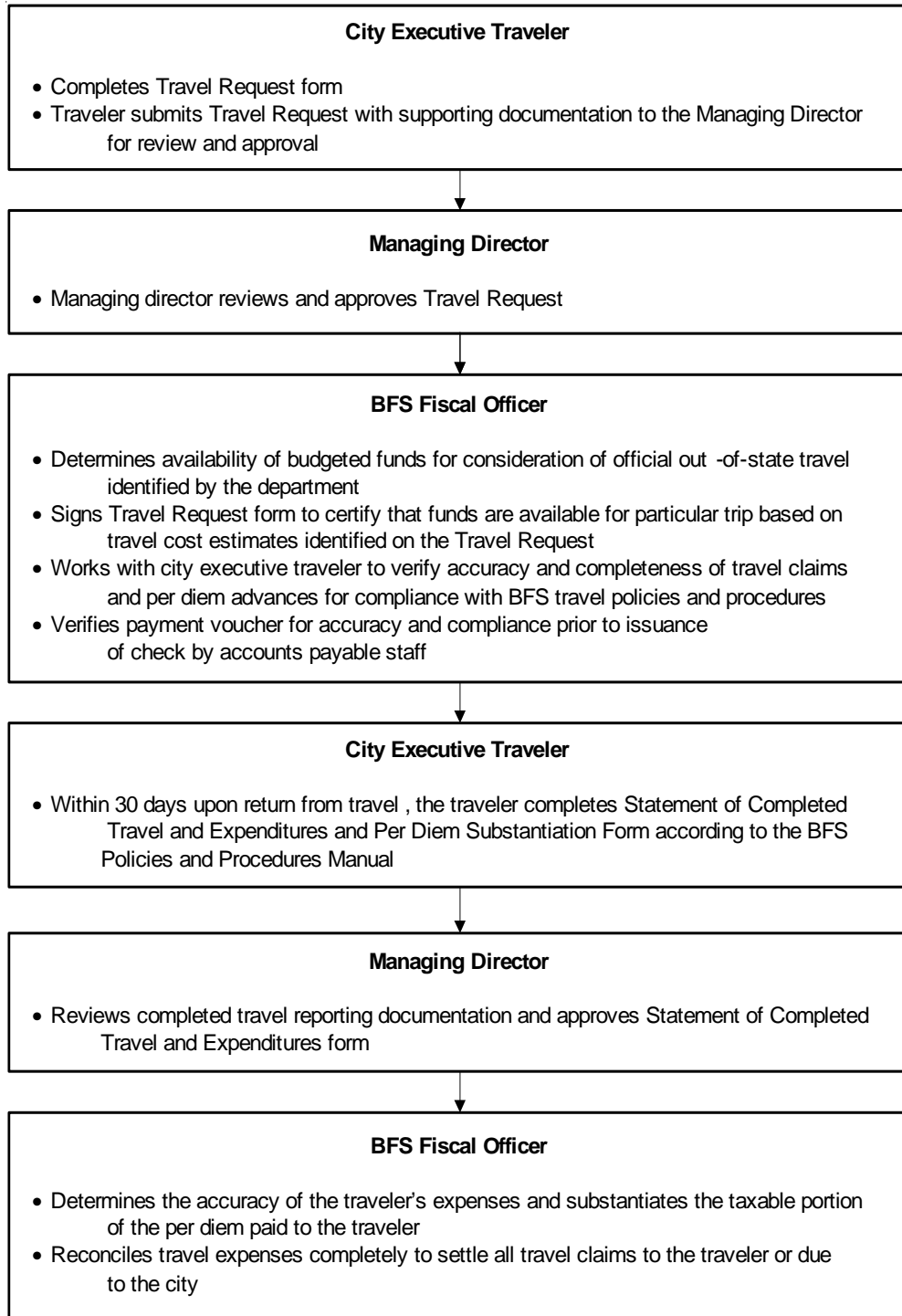
- Travel by city employees which is to involve expenses to the city are approved in advance on the *Travel Request* form; and
- **Within 30 days** after the employee returns from official travel, travel expenses are to be detailed in the *Statement of Completed Travel and Expenditures* and related forms.

The Budget and Fiscal Services Policy and Procedures Manual is supplemented through finance circulars. For example, Finance Circular 92-02.0 dated May 5, 1992 provides additional guidance on the tax reporting information on per diem rates for travel.

BFS is responsible for processing departmental travel requests after approval by the managing director. Upon receipt of travel reporting information from city executives, BFS will review and verify requested out-of-state travel expenditures for compliance with BFS policies and procedures. This review and verification process is primarily a function of the department's Accounting Division, which is organized into two branches – the Accounting Branch and the Fiscal Services Branch.

The *Fiscal Services Branch* is responsible for processing out-of-state travel expenses involving city employees. Branch employees will verify that proper approvals were obtained on the travel request forms submitted in advance of the travel. Upon the traveler's return to work and submission of a travel completion report, they will verify that all of the approvals and travel documentation are submitted. The branch is divided into six sections with each section assigned specific executive agencies to oversee. To assist departments and agencies, copies of the required travel forms, such as the *Travel Request*, Form M-6; the *Statement of Completed Travel and Expenditures*, Form DF-59; the *Per Diem Substantiation Form*, Form DF-A-81; and the *Per Diem Report Form*, Form DF-CHRMS 17 are attached as exhibits and appendixes to the BFS Policy and Procedures Manual. In addition to out-of-state travel review responsibilities, the branch staff also consults and advises the department heads in fiscal and administrative functions pertinent to their departments. Exhibit 1.1 provides a brief description of the out-of-state travel process for executive staff.

Exhibit 1.1
Out-of-State Travel Process for City Executive Traveler



Source: Administrative Services Manual, Managing Director's Office; Policy and Procedures Manual, Department of Budget and Fiscal Services; and Department of Budget and Fiscal Services, Accounting Division

Responsibilities of the traveler

The traveler is responsible for complying with the spirit and intent of city travel policies and procedures, ensuring that all required approvals are obtained, supporting documentation is submitted when necessary, and travel completion forms are submitted in a timely and accurate manner. As previously noted, written guidance is provided in the Administrative Directives Manual and the BFS Policy and Procedures Manual. In addition, personal assistance related to travel policies can be obtained from the department's fiscal staff, the Managing Director's Office, or BFS's Fiscal Services Branch.

Out-of-state executive travel expenditures

Generally each agency is responsible for its own out-of-state travel costs that are allocated within their annual operating budget. Travel-related financial transactions are tracked through the city's Computerized Integrated Financial Information System (CIFIS). CIFIS collects financial data, including travel budgeted and expended for travel by city employees, through the accounting object code 3212 – Travel Expenses – Out-of-State.

After reviewing CIFIS reports, we estimate that the total out-of-state travel expended by all city employees for fiscal years, FY2002-03 to FY2004-05 is approximately \$854,000. City executive travel costs are not segregated separately from other city employee's out-of-state travel, but we estimate executive out-of-state travel for the same period to be approximately \$297,800.

Travel-related gifts

When all or a portion of the out-of-state travel costs are paid by a third party, it may constitute a gift either to the individual or to the city. The city charter in Section 13-113 provides authority to the city council for accepting gifts on behalf of the city. In addition, the gift may be subject to the general policies on gift acceptance and reporting requirements, including travel-related gifts, in City Council Policy Resolution 86-298 and since March 1, 2006, Resolution 05-349, CD1, FD1. Additionally, the recipient of the gift is subject to the ethics and gift laws provided in the city ordinance pertaining to conflicts of interest and prohibitions on gifts solicited, accepted or received by city employees.

Additional directives on gift acceptance and reporting are also contained in the ADM, Section 141, entitled *Reporting of Proffered Gifts of Travel, Lodging and Meals* which establishes guidelines for the acceptance of gifts of travel, lodging and meals, in connection with travel

by city officers in the course of their duties, to comply with standards of conduct contained in the city charter. Section 141 requires that the gift serve a legitimate city purpose and receive prior approval of the managing director. The executive is also responsible for providing notification to the donor that the purpose of accepting the gifted travel is for informational value and in no way obligates the city to the donor. The executive also must prepare a written summary of the trip upon return from travel to the managing director.

Gift to agency

Prior to March 1, 2006, in accordance with Council Resolution 86-298, gifts to an agency valued at less than \$1000 could be accepted by an agency provided the donor is notified that acceptance is conditional until formal approval by the city council. The managing director must report such executive agency gifts to the city council on a quarterly basis for formal acceptance. Gifts to an agency, including travel-related gifts, valued in excess of \$1000 must be formally approved by the city council prior to acceptance. In these instances, the agency must notify the potential donor in writing that acceptance of the gift may only occur after formal approval by the council.

On March 1, 2006, Resolution 86-298 was superseded with the adoption of Council Resolution 05-349, CD1, FD1, which raised the executive gift value limit, which must be formally approved by the city council prior to acceptance, to over \$2500. We include this for informational purposes only since the effective date of the new resolution is beyond our audit scope and does not impact the report findings.

Gift to individual

Some gifts are offered personally to city employees, and include gifts offered and accepted for individual travel, lodging and or meals. The ethics and gift laws in the city ordinances govern gifts to individuals, as opposed to a city agency. Section 3-8.7, Revised Ordinances of Honolulu (ROH), has defined a gift as "...any gift, whether in the form of money, goods, services, loan, travel, entertainment, hospitality, thing, or promise or in any other form." This section provides a monetary limit to personal gift acceptance of \$200 per year stating that, "During each fiscal year, neither the mayor, prosecuting attorney nor any appointed official or employee shall solicit, accept, or receive, directly or indirectly, from any one source any gift or gifts, not exempted by subsection (d), valued singly or in the aggregate in excess of \$200."

To assist city employees with the city’s standards of conduct and gift laws, the Honolulu Ethics Commission has issued written guidelines about gifts to individuals. Some examples of acceptable gifts to individuals include tokens of aloha, such as a lei or food to be shared; gifts of relatively small value, such as a pen, watch or tote bag valued at less than \$50; or tickets for charity fundraisers equal to the value of the food and drink consumed by the public official, excluding the value of any donation. The ethics commission also offers guidelines on what to do with a prohibited gift, which states:

“If you receive a gift that is prohibited under ethics law, the employee may not keep it. You are required to return the gift or donate it to a public body (such as the department) or a bona fide educational, non-profit or charitable organization within 30 days.” In addition, the ethics guidelines add that penalties in violation of city gift laws “. . . may subject the employee to discipline, including termination of employment or impeachment in the case of elected officials.”

Ethics commission involvement

Established in city charter, the Honolulu Ethics Commission provides advisory opinions to city officials reviewing the possible conflict of interest or unethical conduct regarding the acceptance of travel-related gifts. While not mandatory, the ethics commission recommends that city executives, as a recipient of gifted travel, seek the advice of the commission on the acceptability of such gifts. Further, the commission recommends that city executives who accept offers of travel, lodging or meals in connection with travel, during the course of their official duties, without administrative approval or consulting with the ethics commission, risk receiving gifts that may be in violation of the city’s standards of conduct in Section 3-8.7, ROH.

Audit Objectives

The audit objectives were to:

1. Review and assess out-of-state travel reporting by city executive staff for accuracy and completeness according to city policies and procedures.

2. Review and assess the adequacy of existing city policies and procedures for ensuring accountability of out-of-state travel reporting.
3. Make recommendations as appropriate.

Scope and Methodology

We reviewed out-of-state travel reporting records pertaining to the city's executive staff for FY2002-03 through FY2004-05, including but not limited to the mayor, managing director, deputy managing director, department directors and deputies, and other selected professional staff exempted from civil service. Excluded from this review were executive staff from attached agencies such as boards and commissions, the Board of Water Supply, Honolulu Fire Department, and Honolulu Police Department.

Our review of the city's executive staff out-of-state travel was based on rosters of executive staff names for FY2002-03, FY2003-04 and FY2004-05 obtained individually from the city employee card files at the Department of Human Resources. We considered executive staff to be higher management level city officials including the mayor, managing director, departmental directors and deputies, appointed executive assistants, and other non-civil service, non-clerical, non-contract professional city employees.

Subsequent to obtaining the roster of executive names, we reviewed and assessed travel files currently maintained by administrative and fiscal personnel at the Department of Budget and Fiscal Services and selected city departments. We also interviewed selected city officials and employees from the previous and current city administration to identify the city's executive staff travel reporting and file retention practices. We reviewed and assessed whether out-of-state travel reporting as submitted by executive staff was reasonable, accurate and complete. We reviewed the established approval authority for executive staff travel. We did not review and assess the city's out-of-state travel costs or accounting processes.

We also reviewed laws, rules, policies and procedures, ethics commission guidelines relating to the arrangements for official travel by city executive staff and the policies and procedures relating to the Records Management Program for the city. We reviewed selected personnel vacation and leave records to the extent that they relate to

out-of-state travel reports. We reviewed government auditing standards to discern the distinction of abuse from fraud, illegal acts or violations of provisions of contracts or grant agreements. We assessed the extent to which existing city policies and procedures were adequate for ensuring accountability of out-of-state travel reporting by executive staff.

This audit was conducted in accordance with generally accepted government auditing standards.

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Chapter 2

City Executives' Compliance With City Out-of-State Travel Policies and Procedures Is Generally Poor, Making Accountability of Cost and Assessment of Public Benefit Difficult

City travel policies and procedures provide the foundation for ensuring that travel either paid for by city funds or incurred during official work time is properly reviewed and accounted for. They also ensure that city employees neither gain nor lose financially as a result of their traveling in the performance of their official duties. Accurate and complete travel reporting by city executives is essential to recording the proper authorization for absence from city duties, validating travel for a public purpose, and substantiating travel expenditures—ensuring accountability of out-of-state travel funds and activities. Since city executives are the managers and leaders of the city departments and agencies, they have the responsibility to ensure compliance with city laws, rules, regulations and procedures. They should also set the example which other city employees follow.

This report reviews the out-of-state travel reporting practices by city executives from FY2002-03 to FY2004-05 and assesses compliance with city travel laws, rules, policies and procedures. Over three fiscal years, city executives, including the mayor, departmental directors and deputies, and other non-civil-service professionals, took at least 175 out-of-state trips. While the review period primarily covers the travel activity of city executives from the former administration, we did find a few instances from the current administration where executives failed to submit complete travel information. However we did find attempts by the new administration to improve reporting of out-of-state travel information through training and communication from the managing director's office.

When out-of-state travel involves gifting, the problems with reporting travel are further complicated by failure to adequately account for gifts. The combination of incorrect travel reporting and lack of travel documentation results in the inability to demonstrate that gifted travel was appropriate and has been properly reported and accounted for.

Summary of Findings

1. We found numerous examples where city executives failed to comply with the city's out-of-state travel laws, rules, policies and procedures. Travel information was poorly documented, including completed travel reports that were often inaccurate, incomplete or not submitted. All travel advances have not been accounted for and IRS taxability requirements have been ignored.
2. Travel-related gift reporting is problematic and may result in the circumvention of proper disclosure and reporting. City ordinance requirements and ethics commission guidelines related to travel gifts to individual employees lack clarity and have been used to evade requirements of reporting of gifts to council.

Numerous City Executives Fail to Comply with Out-of-State Travel Policies and Procedures

Executive travel approvals, documentation and reporting lacks or omits required information resulting in poor accountability for executive out-of-state travel. The city has established policies and procedures to monitor and track out-of-state travel to ensure that travel is appropriate, and expenses are properly accounted and paid for. It is the responsibility of city executives to ensure compliance with city travel policy and procedures by submitting accurate, consistent and complete travel information that clearly documents the purpose, costs and benefits of the trip by city executives. However for the period under review, we found that the travel reporting was often neither accurate nor complete. Required approvals and supporting documentation for travel requests and completed travel statements were often incomplete or lacking. While some of these shortcomings can be attributed to a lack of clarity in the travel procedures and applied oversight, others appear to be due to the failure of individual city executives involved to comply with established travel reporting requirements.

Travel information poorly documented making accountability weak

Out-of-state travel requests usually begin at the agency level. The agency head will normally review and approve this request. However for city executives, including the mayor, the managing director is responsible for the review and approval of all travel requests. In addition, the managing director must ensure that such requests are accurate and follow city travel laws, rules and regulations. When the managing director is the traveler, the mayor or deputy managing director reviews and approves.

Required documentation established in BFS policies and procedures

As previously noted, the actual procedures for processing out-of-state travel requests are established in Section 9.1 of the Department of Budget and Fiscal Services' (BFS) policies and procedures manual. Both agency and BFS personnel are responsible for verifying travel expenses submitted by executive travelers, ensuring accurate accounting of travel advances prior to travel, and reconciling previously approved travel advances on a scheduled basis or within 30 days upon the completion of travel or the traveler's return to work.

Generally, the travel approval process is initiated by filing a *Statement of Completed Travel and Expenditures*, Form M-6 with BFS at least 45 work days prior to commencing travel. BFS verifies that the *Travel Request* contains necessary travel information and reporting in compliance with ADM and BFS provisions including:

- name of traveler, position title, salary rating;
- purpose of trip, to include knowledge to be gained or business to be concluded;
- duration of absence, dates and number of trip days;
- cost of trip, to include transportation, per diem and other expenses, with calculation for all major items;
- itinerary which includes all places visited enroute and at destination;
- agenda for conference or content of courses to be attended;
- departmental justification to include why similar Honolulu-based actions could not accomplish same purpose when reasons are not obvious;
- date, destination and purpose of prior out-of-state trips made during the past three years by the person traveling; and
- source of funds.

Upon return, the traveler must complete a *Statement of Completed Travel and Expenditures* form. This statement records and documents the completed travel, including an accounting of the actual travel expenditures incurred.

Information provided with *Travel Request* is insufficient

Despite these procedures, we found that the required information on the *Travel Request* and supporting documentation sometimes was either incomplete or inaccurate or both. For example, the managing director's *Administrative Directives Manual* (ADM), specifies that the purpose of trip should include information on knowledge to be gained or business to be concluded, an agenda or schedule, content of course to be attended, and justification why similar Honolulu-based actions could not be accomplished when reasons are not obvious as a part of the *Travel Request*. We found a number of travel requests with insufficient documentation to justify the purpose and need for an out-of-state trip. Examples of supporting documentation could include conference agendas, programs, invitation letters or other similar information. We found that 25 or about 14 percent of the travel requests that we reviewed had inadequate or no documentation to support the travel purpose.

Inadequate documentation hinders reconciliation of travel purpose, costs, and advance payments received

Inadequate documentation can hinder verification of travel purpose and reconciliation of travel costs. One of the functions of the *Travel Request* is to permit an advance payment of projected travel expenses and per diem, and minimize the out-of-pocket expense incurred by city employees traveling on official business. Policy and procedural guidelines for reporting of allowable travel costs are provided in the BFS Policy and Procedures Manual and Finance Circular No. 92-02. The city will advance travel expenses, including per diem and other reimbursable expenses, based on the travel information contained in a *Travel Request* accompanied by supporting documentation such as invoices, itinerary, and confirmation of registration fees. While most travel reporting files were complete and accurate, at least 35 travel requests had no supporting information included in their files to verify travel costs. The absence of financial documentation to accurately verify travel expenses raises questions about the accountability of travel reporting by city executives. Without such documentation from the traveler, verification of estimated travel costs is impossible and can

impact the calculation of the travel advance and the proper reconciliation of travel costs when the traveler returns.

Documentation to validate completed executive travel is unaccounted for in travel files

When city executives return from travel, they are required to submit a *Statement of Completed Travel and Expenditures* and related documents. A copy of the *Statement of Completed Travel and Expenditures* and related documents should be included in every executive travel record file at BFS to validate that the travel has been completed and was properly reported. City executive level staff, like all other city employees, are required to submit a *Statement of Completed Travel and Expenditures* form, upon completion of travel. This form is used to reconcile all appropriate travel costs, including any reimbursements due the traveler or any additional payments due to the city from excess travel advance received by the traveler.

Reconciliation of travel expenses is based on calculations on allowable travel time, i.e., the actual flight time by the most direct route between authorized destination plus the time necessary to conduct the official business. Any excess travel time resulting from selected routing for personal convenience of the employee is charged to vacation time. The BFS policies and procedures manual specifies the procedures and forms that must be submitted when travel is completed. One form is a *Statement of Completed Travel and Expenditures* that is due within 30 days after the official or employee returns from official travel to complete the travel process, and is needed to ensure accurate accounting of travel expenses and allowances. This form is not only necessary for recording the authority for the period of absence, but is for reconciliation and settlement of travel expenditures and any advances received. In addition, BFS policy states that travel advances constitute a reimbursable claim against the employee until such time the completed travel forms are filed and travel advances are reconciled. Moreover, this form is necessary for compliance with federal tax laws since the *Per Diem Substantiation Form*, which accompanies the *Statement of Completed Travel and Expenditures*, must be submitted to identify the excess amount, if any, that is considered reportable gross income to the traveler for tax purposes.

Many city executive travel files lack final report of completed travel

Despite the stated purpose of the BFS policies and procedures for obtaining accurate and timely completed travel reports, the extent of non-compliance by city executives is significant. We found that about 47

of the 175 executive travel files we reviewed or approximately 27 percent contained missing or incomplete *Statements of Completed Travel and Expenditures* reports. Exhibit 2.1 presents the status of city executive out-of-state travel files without sufficient travel completion documentation or compliance.

Exhibit 2.1

City Executive Out-of-State Travel Files at BFS With Incomplete or Missing Travel Completion Reports, FY2002-03 to FY2004-05

Executive Staff	Dept	Date of Travel	Destination	Estimated Travel Costs*	Travel Completion Report Status **
Amii, Michael	DCS	Jan 18-24, 2004	Washington, DC	\$ 3,097	Outstanding
Arakawa, David	COR	Oct 19-23, 2002	Denver, CO	\$ 2,490	Outstanding
		Apr 26-30, 2003	Washington, DC	\$ 2,763	Outstanding
		Oct 10-16, 2003	Minneapolis, MN	\$ 3,130	Outstanding
		Apr 22-27, 2004	Washington, DC	\$ 2,835	Outstanding
		Oct 2-7, 2004	San Antonio, TX	\$ 3,074	Outstanding
Diebling, Chris	BFS	Sep 8-15, 2004	Salt Lake City, UT	\$ 2,939	Outstanding
Doyle, Frank	ENV	Aug 28-30, 2002	San Francisco, CA	\$ 1,090	Outstanding
		Oct 27–Nov 1, 2002	Long Beach, CA	\$ 1,885	Outstanding
		May 10-13, 2003	San Francisco, CA	\$ 876	Outstanding
		Oct 10-16, 2003	Los Angeles, CA	\$ 2,166	Outstanding
		Nov 16-21, 2003	San Francisco, CA	\$ 2,491	Outstanding
		Oct 7-8, 2004	San Francisco, CA	\$ 1,442	Outstanding
Harrington, Courtney	DIT	Jun 20-25, 2004	Boston, MA	\$ 1,972	Outstanding
Harris, Jeremy	MAY	Jul 18-20, 2002	Reno, NV	\$ 560	Incomplete
		Jan 29–Feb 1, 2003	San Francisco, CA	\$ 1,755	Incomplete
		May 27–Jun 1, 2003	Denver, CO	\$ 852	Outstanding
		Sep 17-19, 2003	San Francisco, CA	\$ 1,226	Outstanding
		Jan 21-24, 2004	Washington, DC	\$ 2,667	Outstanding
		Feb 23-27, 2004	Hong Kong	\$ 1,842	Incomplete
		Apr 3-10, 2004	Denver, CO	\$ 2,265	Incomplete
		Apr 14-18, 2004	Suzhou, China	\$ 50	Incomplete
		Apr 20-30, 2004	Charleston, SC	\$ 2,912	Incomplete
		May 18-27, 2004	Melbourne, Australia	\$ 100	Incomplete
		May 31–Jun 5, 2004	Iquique, Chile	\$ 100	Incomplete
		Jun 20-26, 2004	Saipan, N. Marianas	\$ 100	Incomplete
		Jun 26-29, 2004	Boston, MA	\$ 3,262	Incomplete
		Jul 16-18, 2004	Boston, MA	\$ 1,391	Incomplete
		Aug 6-9, 2004	San Diego, CA	\$ 2,178	Incomplete
		Aug 20-24, 2004	Salt Lake City, UT	\$ 1,490	Incomplete
		Aug 27-30, 2004	Denver, CO	\$ 1,285	Incomplete
Aug 30–Sep 7, 2004	Stockholm, Sweden	\$ 1,830	Incomplete		
Oct 15-18, 2004	Niagara, Canada	\$ 1,465	Incomplete		
Oct 18-19, 2004	San Diego, CA	\$ 891	Incomplete		
Nov 15-19, 2004	Hiroshima, Japan	\$ 2,382	Incomplete		
Nov 20-24, 2004	Nanjing, China	\$ 2,382	Incomplete		
Dec 10-11, 2004	Washington, DC	\$ 997	Outstanding		
Houghton, Timothy	ENV	Apr 29-May 6, 2004	Washington, DC	\$ 3,808	Outstanding
Lee, Benjamin	MDO	Feb 1-2, 2003	San Francisco, CA	\$ 203	Outstanding
Lui-Kwan, Ivan	BFS	Jul 25–Aug 3, 2003	New York, NY	\$ 2,587	Outstanding
Menendez, Manuel	MAY	Sep 2-9, 2003	Busan, Korea	\$ 1,365	Outstanding
		Sep 19-22, 2003	Taipei, Taiwan	\$ 200	Outstanding
		Oct 13-16, 2003	Seoul, Korea	\$ 1,352	Outstanding
		Jan 20-24, 2004	Washington, DC	\$ 2,897	Outstanding
		Feb 23-27, 2004	Hong Kong	\$ 992	Outstanding
		Apr 27–May 1, 2004	San Diego, CA	\$ 1,615	Outstanding
Steinberger, Timothy	ENV	Aug 28-30, 2002	San Francisco, CA	\$ 1,265	Outstanding
TOTAL				\$82,517	

Source: Department of Budget and Fiscal Services, Fiscal Services Branch

*Estimated travel costs are the projected costs to the city as reported in the original *Travel Request*. They do not reflect gifted travel funds or other sources of funds and therefore may not represent the actual cost.

**Outstanding refers to travel files that did not contain travel completion reports; while incomplete refers to travel completion reports that were incompletely prepared, submitted to BFS and remains as is, unprocessed.

Of the 47 executive staff travel files listed in Exhibit 2.1, 28 lacked evidence that a completed travel statement was submitted and 19 lacked the traveler's signature as required by city policy. BFS personnel stated that they were unable to process the final travel reconciliation without a *Statement of Completed Travel and Expenditures* or a properly completed statement. The absence of a significant number of outstanding completed travel reports raises concerns about the lack of accountability of out-of-state travel costs to taxpayers and indicates a serious disregard by numerous city executives of managerial responsibilities and city travel policies and procedures.

Travel advances not accounted for

When a city employee travels on official city business, advance funds are provided to the employee based on their projected expenses to be incurred during travel. This is intended to minimize personal expense that the employee will incur when on official travel. Upon return, the employee is required to submit a *Statement of Completed Travel and Expenditures* and *Per Diem Substantiation Form* which are used to reconcile and account for the travel funds advanced and the actual expenditures incurred. BFS officials note that they do not complete the reconciliation if these forms are not submitted. We selected a judgmental sample of 16 of the 47 executive travel files that we identified as having either a missing or incomplete *Statement of Completed Travel and Expenditures* to see if advance travel funds had been issued. As shown in Exhibit 2.2 we found that in 9 of the 16 cases advance funds had been issued with no *Statement of Completed Travel and Expenditures* to match with the *Travel Request*. In two instances, steps were taken to report the advances as taxable income, but no processing or reconciliation occurred for the other instances. BFS officials verified that generally if the completed travel and per diem statements are not submitted a final reconciliation is not performed and the file remains suspended pending receipt of the documents. Staff will attempt to work with agencies and issue reminders but note that they have no ability to compel compliance. In these situations, the travel files are not processed and remain pending until either a completed report is received or the account can be written off as uncollectible. A BFS official noted that the staff position which normally identifies accounts and requests permission to write them off as uncollectible was vacant, so these travel files remain outstanding and unreconciled.

**Exhibit 2.2
Status of Selected Executive Travel Fund Advances**

Executive Staff	Dept	Date of Travel	Destination	Amount of Funds Advanced for Travel	Status of BFS Reconciliation for Funds Advanced For Travel
Arakawa, David	COR	Oct 19-23, 2002	Denver, CO	\$1,150.00	Outstanding
		Apr 26-30, 2003	Washington, DC	\$1,203.08	Outstanding
		Oct 10-16, 2003	Minneapolis, MN	\$1,330.00	Outstanding
		Apr 22-27, 2004	Washington, DC	\$1,370.00	Outstanding
		Oct 2-7, 2004	San Antonio, TX	\$1,414.40	Outstanding
Lui-Kwan, Ivan	BFS	Jul 25–Aug 3, 2003	New York, NY	\$1,092.00	Outstanding
Diebling, Chris	BFS	Sep 8-15, 2004	Salt Lake City, UT	\$1,464.00	Outstanding
Harrington, Courtney	DIT	Jun 20-25, 2004	Boston, MA	\$1,158.50	Outstanding
Menendez, Manuel	MDO	Jan 20-24, 2004	Washington, DC	\$997.04	Outstanding

Source: Department of Budget and Fiscal Services

Completed travel documentation is necessary for compliance with federal tax laws and BFS policies

The BFS Policy and Procedures Manual explains the importance for the *Per Diem Substantiation Form*, and specifies that for proper accounting of payroll tax withholding on taxable travel allowances or per diem, the form must be filed within a reasonable period of time following completion of travel or within a reasonable time before the next pay period. Completion of the *Per Diem Substantiation Form* which accompanies the *Statement of Completed Travel and Expenditures* is required for compliance with Internal Revenue Services (IRS) regulations. IRS regulations require that a certain portion of travel allowances, such as per diem, be reported as taxable income to the traveler. The BFS policy further states that failure to comply within 30 days from return will result in the entire travel advance being included as income on the employee's Form W-2. In addition, the full amount of the advance also becomes a reimbursable expense to the city if the reconciliation is not submitted. However, we found that neither action was taken when the completed travel documentation is not submitted.

BFS officials acknowledged both policies but also noted that failure to submit completed travel statements results in the travel file remaining suspended and not processed. As a result, required actions such as reporting the travel advances as taxable income and/or pursuing

reimbursement of the advance funds are not initiated. As shown in Exhibit 2.3, of the nine examples of travel fund advances noted previously, seven were not reported as taxable income in accordance with IRS requirements and none had any actions initiated to seek reimbursement to the city from the traveler in accordance with BFS policy. The two instances that were reported as taxable income were a result of an initiation by the BFS fiscal officer in accordance with the reporting requirement. However this action was not pursued for the other outstanding travel incurred by the same person in other fiscal years. The relative small amount of funds involved, lack of priority pertaining to processing travel, and perceived inability by staff to compel compliance of executives were noted as part of the problems in attempting to reconcile outstanding travel files. A BFS official noted that in the past these amounts would eventually be written off as uncollectible; however the staff position responsible for reviewing and recommending actions pertaining to uncollectible accounts has been vacant for some time. Thus travel accounts that are not reconciled remain suspended.

**Exhibit 2.3
Travel Advance Funds Reported as Taxable or Reimbursement Sought**

Executive Staff	Dept	Date of Travel	Destination	Amount of Advanced Funds Outstanding	Reported as Taxable Income to IRS	Reimbursement to city requested
Arakawa, David	COR	Oct 19-23, 2002	Denver, CO	\$ 1,050.00	No	No
		Apr 26-30, 2003	Washington, DC	\$ 1,203.08	Yes	No
		Oct 10-16, 2003	Minneapolis, MN	\$ 1,330.00	Yes	No
		Apr 22-27, 2004	Washington, DC	\$ 1,370.00	No	No
		Oct 2-7, 2004	San Antonio, TX	\$ 1,414.40	No	No
Lui-Kwan, Ivan	BFS	Jul 25–Aug 3, 2003	New York, NY	\$1,092.00	No	No
Diebling, Chris	BFS	Sep 8-15, 2004	Salt Lake City, UT	\$1,464.00	No	No
Harrington, Courtney	DIT	Jun 20-25, 2004	Boston, MA	\$1,158.50	No	No
Menendez, Manuel	MDO	Jan 20-24, 2004	Washington, DC	\$997.04	No	No

Source: Department of Budget and Fiscal Services

Travel approval process compromised

In some of the travel documents we reviewed, the advance travel approval for some executive travel requests had been executed by persons without travel-approving authority. We also found that some approvals were obtained after the departure date of the traveler. While these inconsistencies with travel approvals for executive staff do not

necessarily mean travel was not authorized, it is representative of the lack of accountability surrounding out-of-state travel. The approval process is integral to the travel process since it provides accountability of executive travel within the context of compliance with established travel-related policies and procedures. Travel documentation that reasonably supports out-of-state travel details provide accountability for executive travel purpose and costs.

Managing director has oversight responsibility for review and approval of executive travel

All city executive travel requires the approval of the mayor or managing director. The ADM, BFS Policy and Procedures Manual, and BFS Finance Circulars, state that the approval of the managing director is required for all executive staff's official out-of-state travel. BFS Finance Circular No. 92-02 recommends that the *Travel Request* be routed for approval to the managing director via the chief budget officer, who certifies the availability and designation of funds by the appropriate fiscal office. Further reinforcement of this approval requirement is also contained in budget guidelines circulated to all city executive agencies after the enactment of each fiscal year's executive operating budget ordinance. Normally, operating budget instructions require that the *Travel Request* contain the prior approval of the director of BFS; that travel by directors and deputy directors also require the approval of the mayor or the managing director; and lastly, that the *Travel Request* be completed and authorized prior to the travel date. We found some executive travel requests lacking the required travel approvals by the managing director. For example, some executive staff's travel requests contained travel-approving signatures by the deputy director or administration services staff. The failure to comply with travel policies and procedures diminishes accountability for appropriately reviewing executive out-of-state travel.

Approval review responsibility inconsistent and inadequate

During our review of travel record files, we found that the *Travel Requests* showed inconsistencies in how travel request approvals are obtained from the managing director. Approval signatures for executive out-of-state travel were not consistently provided on the *Travel Request* form and while these inconsistencies do not necessarily mean travel was not authorized, it is representative of compromised review process for travel requests submitted by city executives. Several directors' *Travel Request* forms had been executed by various agency personnel, including deputy directors, administrative service officers, and in some

instances executive assistants. Often these travel requests do include a copy of a written memo approving travel from the managing director's office. For example, memorandums to the managing director, subject: Travel Request, from the executive traveler would include information such as travel destination, person(s) attending the meeting or conference, purpose of meeting or conference, dates of absence and designated person in-charge during the absence. Use of an attached memo appears to be used as a *de facto* approval by the managing director. However, this is counter to existing procedural requirements and brings into question whether the managing director is responsible for approving only the request for travel or to actually review the detailed travel proposal as noted on the *Travel Request*. Clarification of the intent and approval requirements would facilitate BFS review to ensure that proper authorization has been obtained prior to processing travel requests.

We also found that approval dates were not in compliance with fiscal policies concerning timely submission of official travel documents. For example, there were two approvals from the managing director obtained after the date of departure for the trip and two approvals obtained on the same day as the date of departure. A *Travel Request* for a trip to Hiroshima, Japan departing on November 15, 2004 was approved by the managing director on the November 15, 2004 and signed by the fiscal officer certifying availability of funds on the November 19, 2004. In another example, an amended *Travel Request* for a trip departing on August 6, 2004 was approved by the managing director on September 29, 2004 and certified as to fund availability by the fiscal officer on October 20, 2004. A notation on the bottom of this request indicated that this amended request supersedes a previous *Travel Request* dated August 4, 2004; however, no copy of the original *Travel Request* was attached or included in the travel file. In addition, there were at least nine instances where the required certifications of fund availability for travel were incorrect during the three fiscal years, FY2002-03 to FY2004-05. For example, a travel request for a trip departing on November 14, 2002 was approved by the managing director on the November 13, 2002 and signed by the fiscal officer to certify availability of funds on the November 18, 2002.

Procedure on approvals for business or first class airfare needs clarification

The procedure for obtaining proper authorization of exceptions to coach class airfare is unclear in the travel process. According to the ADM, travel shall be by the most economical, convenient and appropriate means, by economy class whenever available, and that travel by other means be specifically requested and authorized. In addition, BFS travel

policies and procedures state that air travel at first-class rates will not be approved, except at times when accommodations at other rates are not reasonably available. We found that exceptions to coach class accommodations had been approved for the former mayor; however, it is unclear as to whether the exemption was consistent with policy which states that air travel at first-class rates will not be approved except at times when accommodations at other rates are not reasonably available. We did not find documentation in travel files records indicating that other rates were not reasonably available for each time that former mayor traveled by first class air travel, but we learned from staff that, in practice, the former mayor's authorization to travel by business/first class travel was provided through a memoranda, dated July 21, 1999, which provided approval from the director of BFS. Provisions on delegated travel-approving authority, however, are not specified in travel policy and procedures and results in inconsistencies in the procedures for obtaining proper approval for travel when coach class airfare is unavailable.

Business/first class airfares for the former mayor are inconsistent with travel policy

Our review of travel file records showed *Travel Requests* with business/first class airfare rates for travel by the former mayor are inconsistent with travel policy and procedures. Staff had informed us that the former mayor's business/first class airfare rates were authorized in a memorandum dated July 21, 1999, exempting the former mayor from coach class airfare and provided approval of airfare travel for the former mayor at the "lowest available business class ticket" when traveling on official business. This memorandum was approved by the director of BFS. For the most part, this particular memorandum was applied as a blanket authorization to purchase several business class tickets. The memorandum does not provide a statement to further identify the reason for the request nor any statement on the reason or limitation associated with the approval by the director of BFS. The business/first travel authorization provided in this memorandum appears inconsistent with the BFS policy which states that air travel at first-class rates will not be approved except at times when accommodations at other rates are not reasonably available. For comparison purposes, there is another trip taken by the current mayor with an exemption for special business class airfare to San Francisco and returning to Honolulu from Los Angeles. In this example, the current mayor's *Travel Request* specifically noted that "Delta had no coach availability - \$1,470.20, United, Round Trip Coach - \$1,489.72 – this airfare was the cheapest - @\$1,293.71." This explanation is in accordance with travel policy since no other reasonable

rates were available. This travel request was subsequently approved by the managing director while the former mayor's other than coach air travel was handled in a different manner that appears inconsistent with BFS travel policy.

Designated authority to approve first/business class travel is inconsistent

As part of our review, we did not assess the appropriateness of the mayor's travel by business/first class. However, we note that an exception provided to the former mayor by memorandum from the BFS director authorized business/first class travel for him which if viewed as policy should more appropriately provide a statement that reflects policy, i.e., exempts coach airfare at times when accommodation at other rates are not reasonably available, appropriate and practical. In addition, we believe that if this was a policy decision to give travel approval authority to the BFS director for the former mayor to travel by business/first class airfare rates, then such a delegation of authority to the BFS director for approving exemptions to coach fares should be formally incorporated into the city's travel policies and procedures.

Resolution of outstanding out-of-state travel is needed

Several executive records show that some travel records for completed travel are unprocessed by BFS because of non-receipt of completed travel forms, inaccurately submitted forms from the traveler, or other pending issues. However, resolution of unprocessed completed executive travel is needed. We found that a number of travel files contain either incomplete travel forms or none were submitted by traveler. Since the executives are no longer working for the city, processing of these executive travel records appear to have stalled and there is no indication in the records to determine action to complete the final step in the process. We note, however, that BFS policy states that if the *Statement of Completed Travel and Expenditures* is not submitted within 30 days after the employee returns from travel, the per diem allowance will be included as income for taxability purposes on Form W-2. In another section of the BFS Policy Procedures Manual, is another provision for non-filing of the *Statement of Completed Travel and Expenditures* and the *Per Diem Substantiation Form*, which states that advances of funds constitute a reimbursable claim against the employee until the *Statement of Completed Travel and Expenditures* is received by BFS. Although many of these executives are not presently working for the city, the travel file records should not have been left unresolved and resolution by BFS of any unprocessed executive travel file records is needed.

Additional training and information has improved current administration's travel reporting practices

Our review period covered the first six months of operations for the new administration. We found that for the most part, the executive travel files for this six month period were more complete. While some examples of incorrect travel documentation practices were observed, the managing director's office has since provided some guidance procedures for support staff to process travel-related documents. Information on travel procedures had been distributed to secretarial staff in the Offices of the Mayor and Managing Director. Written information for insertion in secretarial manuals included proper handling of the *Travel Request* form regarding necessary approvals, required supporting documentation, and examples of valid travel purpose justification. For example, current descriptions of travel purpose explains how participation benefits the department or the city, or relates to the work responsibilities. Previous travel purpose narratives included going to meeting, expected to be at the meeting, attending workshop, or reiterating the conference agenda as justifications for travel. Proper attachments for requests were communicated such as including the flight schedule or itinerary, conference agenda or meeting information, and total number of prior trips taken. The guidance provided by the Offices of the Mayor and Managing Director may result in improved travel reporting from city executives.

Many Personal Travel Gifts to Executives Go Unreported and Clarity in the Interpretation of the Gift Law is Needed

Executive out-of-state travel that involves payment of travel costs in some form by a third party (gifted travel) is subject to gift and ethics laws in addition to official business travel requirements. We found problems with accurate gift reporting and accounting of executive out-of-state travel when gifted travel is involved. The lack of clarity of gift disclosure and acceptance requirements in some cases appears to circumvent complete and open disclosure of personal gifts. As a result, there is both a failure to accurately account for proper disclosure and reporting of the gift and review out-of-state travel.

Two reporting procedures on gift acceptance and reporting

Gifted travel, like gifts in general, can be classified into two recipient types – gifts offered to city agencies and gifts offered to individual city employees. All gifts, whether to an agency or individual government employee, must be reviewed to ensure that the gift and conditions of the gift are appropriate and meet general ethical standards. The review processes to determine acceptability, appropriateness, correct reporting and accounting for gifted travel vary in accordance with whether the recipient is a city agency or an individual city employee. Gifted travel to

an agency generally entails review and acceptance by a third party – the city council. Gifted travel to an individual city employee can involve the Honolulu Ethics Commission, but generally assessment and determination of the acceptance of gifted travel to a city employee rests with the individual.

Gifts to an agency must be reported and properly accepted by city council

When gifted travel is to a city agency, the authority to review and accept the gift rests with the city council. This authority is based in Section 13-113 of the Revised Charter of the City and County of Honolulu (RCH), which stipulates that the authority to accept gifts, including gifted travel, resides with the city council. The city council, as a separate branch of city government, provides an independent review of gifts proffered to city agencies to ensure the acceptability and appropriateness of the gift.

In compliance with charter requirements, the city council established specific guidelines for review and acceptance of gifts to an agency necessary to implement the charter provisions in City Council Resolution 86-298. While Resolution 86-298 was recently supplanted by action of the city council, its provisions and procedures are applicable for the subject period of this review and city agencies that received gifted travel during the FY2002-03 to FY2004-05 time period needed to comply with these gift reporting and acceptance requirements. While all gifts to city agencies must be approved by the city council, Resolution 86-298 differentiates the gift approval process according to whether the value of the gift exceeds \$1000.

For gifts valued at \$1000 or less, Resolution 86-298 provides that an agency:

- May conditionally accept the gift prior to acceptance by the city council but must inform the donor of the conditions of acceptance.
- Must submit a report through the managing director to the city council on a quarterly basis requesting formal approval and acceptance of the gifts, including any gifted travel.
- Ensure that the report be a written record of a gift that includes the name and address of the prospective donor, the gift's description, its intended purpose, its estimated or actual value,

and any requirement for its acceptance, maintenance, or eventual disposition by the City.

For gifts valued at more than \$1000:

- The city council **must** approve of the gift prior to actual acceptance by an agency.
- The agency proffered a gift is required to notify the potential donor at the same time that acceptance of such a travel gift can only be made after formal approval of the gift by the council.
- The agency must submit a formal request to the city council requesting approval of the proffered gift.

Resolution 86-298 provides that for all gifts to an agency in the council's deliberations will take into consideration the following factors to determine whether a gift may be accepted:

- No gift shall be accepted that imposes an onerous requirement for its acceptance, maintenance, or eventual disposition by the City;
- No city employee having enforcement powers or review authority over any application or permit shall solicit gifts to the city;
- Gifts on behalf of the city shall not give the appearance of influencing or impairing the judgment of the city employee in the performance of his or her official duties;
- Application of provisions contained in this resolution shall apply except where more restrictive ordinances, rules, or administrative policies are in effect; and
- All monetary gifts shall be deposited into the General Fund.

Travel gifts to an agency can be to an individual employee

Gifted travel may also be directed to a specific person in the agency and be considered an agency gift, requiring formal acceptance by the city council. For example, a city agency may agree to give a presentation at

conference on a project or undertaking at an out-of-state conference. Agency representatives who attend the conference to make the presentation will have all expenses related to the trip and presentation paid for by the conference sponsor. In this instance, the gift relates to an activity of the agency and not necessarily to specific individuals. However in this example it is also possible for the gifted travel to also be directed to a specific person but still be viewed as an agency gift. For example, an individual in charge of an agency project may be invited to make an out-of-state presentation. While this offer of gifted travel is to a specific individual, the gift pertains to a presentation of an agency project. Such gifted travel can be viewed as specific to the agency and subject to the review and acceptance by the city council.

Similarly, the mayor may be asked to formally represent the city at an out-of-state function or conference, with the cost of attendance fully or partially paid for by the conference host. While the invitation is specific to the mayor, it can be viewed as a gift to the agency – Office of the Mayor. However, our review of executive travel files for the three fiscal year period found that most of the gifted travels were treated by the mayor as personal gifts and not gifts to an agency.

New agency gift acceptance requirements

In March 2006 the city council adopted Resolution 05-349 which supersedes Resolution 86-298's guidelines for solicitation and receipt of gifts. Resolution 05-349 recognizes the contribution and benefits to the city that gifts offer, but also recognizes the need to strengthen the council's review and approval authority over the city's executive branch while facilitating the reporting and approval process. As of April 2006, Resolution 05-349 implements a new classification of gifts to an agency into four categories:

- A gift valued at \$2,500 or less that is not an anonymous unrestricted gift may be taken into custody by an agency, subject to formal acceptance based upon review of a quarterly report submitted to the council. The gift is considered automatically accepted if not rejected by the council within 30 days of receipt of the report.
- A gift valued in excess of \$2,500 that is not an anonymous restricted gift and has not been taken into custody by the agency, is subject to formal acceptance by the council upon receipt of a written report on the gift. The gift is considered automatically

accepted if not rejected by the council within 60 days receipt of the report.

- A gift valued in excess of \$2,500 that is not an anonymous unrestricted gift that has already been taken into the custody of the agency must be reported to the council accompanied by a statement from the mayor or managing director specifically recommending acceptance of the gift. The council must specifically accept the gift within 60 days receipt of the report or the gift is automatically rejected.
- An anonymous unrestricted gift in any amount that is accepted by the agency must be reported within 10 days of receipt of the gift to the council for formal acceptance. The gift is automatically accepted by council if not specifically rejected within 30 days receipt of the notice.

The city clerk's office has developed and implemented a system for acceptance and reporting of gifts in accordance with the provisions of Resolution 05-349, and are intended to facilitate the reporting and acceptance process for agencies.

Rules on travel-related gifts to individual employees are generally subject to ethics laws

The second major gift classification related to travel are those that are viewed as personal gifts to a city employee. A travel-related gift to an individual that does not result in a potential conflict of interest may be viewed as only incidental to the individual's position within an agency. For example, a director may serve on a board of directors for a professional organization that pays for its directors to attend board meetings. While the professional organization may indirectly relate to the director's position in the city, if the gifted travel is to the individual in his/her professional capacity and not as an agency director, such a gift could be viewed as a personal gift to the individual and not as a gift to the city agency.

However, acceptance of a travel-related gift to a city employee is subject to city ethics laws. City ethics laws are stated in the revised charter, and ordinances, and in the written opinions of the Honolulu Ethics Commission (commission). In addition the commission also issues guidelines to assist employees in the interpretation and application of ethics laws. The commission encourages all employees to consult with the commission whenever a gift is offered to ensure that the employee

makes a proper response to the offer; however, consultation is not mandatory and ultimately is left to the gift recipient's discretion.

The general standards for acceptance of gifts to an individual are also defined in the charter. Section 11-102(a), Revised Charter of the City and County of Honolulu (RCH) specifically addresses this concern as follows:

“No elected or appointed officer or employee, shall . . . (a) solicit or accept any gift, directly or indirectly, whether in the form of money, loan gratuity, service, thing or promise, or in any other form, under circumstances in which it can be reasonably be inferred that the gift is intended to influence the officer or employee in the performance of such a person's official duties.”

This charter requirement addressed in Section 3-8.7 of the ROH, pertains to gifts to the mayor, prosecuting attorney, appointed officers or employees. This therefore applies to all individuals examined during the course of this audit. Section 3-8.7(a) stipulates that a gift can include travel and Section 3-8.7(b) notes specifically that any gift intended to influence the employee in the performance of an official duty or as a reward for any official action by that employee is prohibited. Procedures for acceptance of personal gifts by a city employee are more stringent than those for gifts proffered to the agency. This is intended to ensure that any potential gift does not unduly influence an employee in the performance of their public duties.

Personal gift disclosure requirements changed

Prior to 2002, officials receiving personal gifts were required to submit an annual disclosure statement with the city clerk if:

- The total value of gift(s) from a single source exceeded \$200;
- The source of the gift(s) may be affected by the action or lack of action by the official receiving the gift; provided that
- The gift was not specifically exempted in ordinance.

These requirements appear to place the responsibility for acceptance of a gift on the individual, but also required that they make a disclosure, available for public review, when the specific conditions noted above were present. While officials were required to report gifts that met those

qualifications, there was no prohibition on acceptance of personal gifts by officials.

In 2002, the city council modified the requirements of Section 3-8.7 with the passage of Ordinance 02-15. Ordinance 02-15 deleted the disclosure requirement but added the additional requirement that:

“During each one-year period beginning on July 1st and ending on June 30th, neither the mayor, the prosecuting attorney, nor any appointed officer or employee shall solicit, accept or receive, directly or indirectly from any one source any gift of gifts, not exempted by subsection (d), valued singly or in the aggregate in excess of \$200.00.”

In issuing its guidelines to city employees on the changes in the ordinance, the Honolulu Ethics Commission noted that the gift disclosure requirement was repealed because gifts over \$200 may not be accepted. This observation appears to imply that the intent of the city council in adopting the ordinance was that disclosure would not be necessary because individuals could not accept such gifts. However, in practice the lack of reporting/disclosure for this class of gifts may have actually negatively impacted the accurate reporting and disclosure of gifted travel by individual city employees.

The ethics commission is responsible for ensuring that the standards of conduct provisions of the Honolulu City Charter or ordinances are followed. Ordinance 02-15 was enacted by the council with input and consultation with the commission to monitor and control the use of gifting, and ensure that gifts would not result in any undue influence on public officials in the performance of their jobs. Following the precedent of other jurisdictions, a prohibition was imposed on the acceptance of gifts valued in excess of \$200 when it can be inferred that the gift is intended to influence, reward, or otherwise affect an official's job performance. However, this change coupled with the deletion of the reporting requirement has made it possible to accept personal gifts with essentially no oversight.

Ethics Commission guidelines reveals loophole in acceptance of personal gifts

In April 2004, the commission issued Revised Guidelines on Gifts to assist individual employees in determining the appropriateness of accepting personal gifts in accordance with Ordinance 02-15. The guidelines note that gifts valued in excess of \$200 and for which the

donor has an interest or which may affect the recipients' course of fulfilling his/her job duties are prohibited. However, if the proffered gift does not involve such an interest, it is not prohibited. Thus a travel-related personal gift, even if the value exceeds \$200 from one source in any given year, can be accepted as long as there is no conflict of interest.

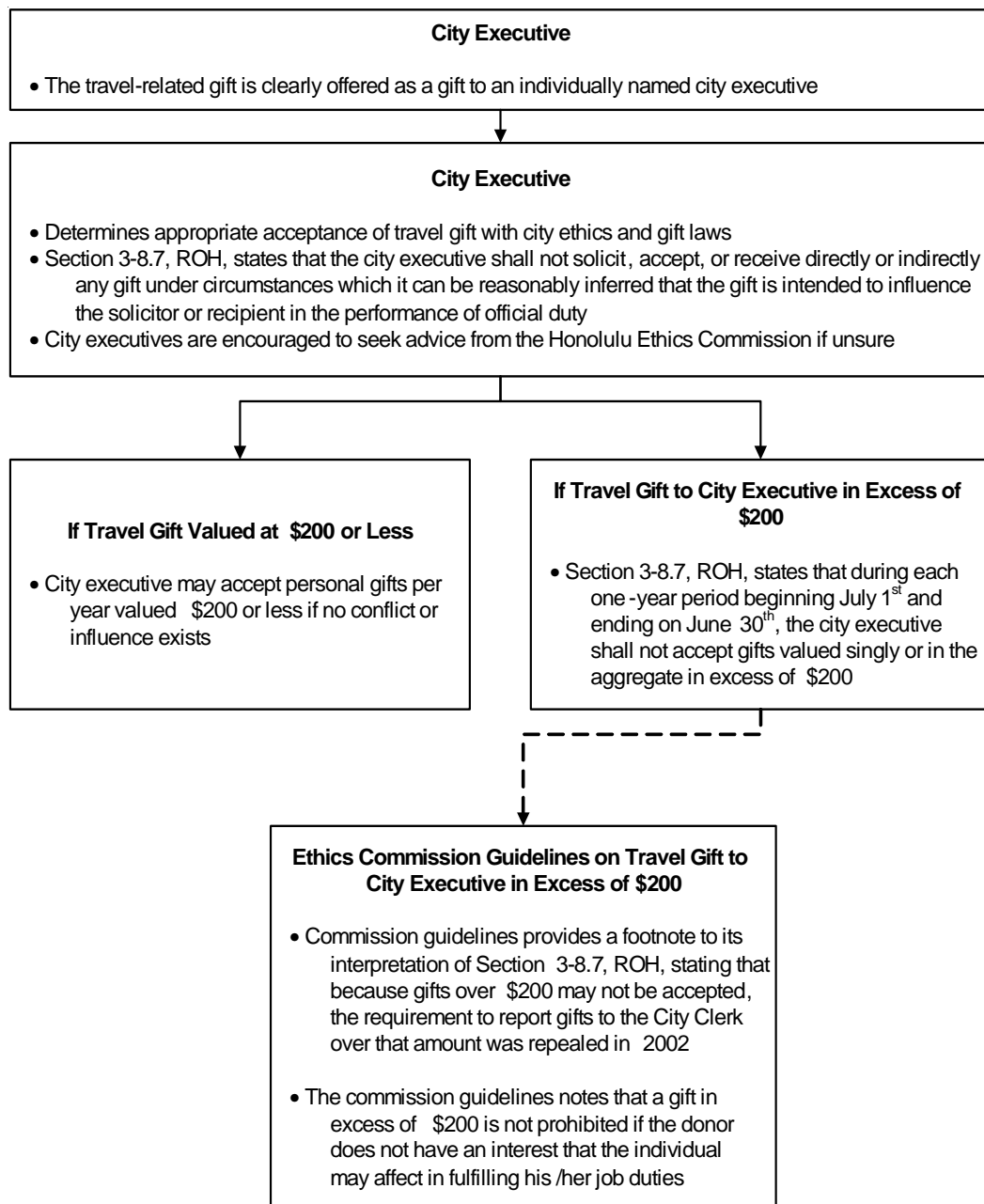
The rationale for the commission's interpretation of the personal gift acceptance requirement is explained in the commission's Advisory Opinion 2002-3. The opinion notes that both the charter and ordinance intended that a gift cannot be accepted if the donor intends to influence or otherwise reward an employee's work performance. Since the requirement of the intent to influence the employee remains as the basis for determining the appropriateness of a personal gift, the determination of whether a gift exceeding \$200 in value must be declined also depends on whether there is any intent to influence. If there is none, then the gift is not prohibited and can be accepted.

A problem with this situation is that acceptance of a personal gift and determination whether a potential conflict of interest rests entirely upon the individual. While the commission encourages officials to seek guidance prior to acceptance, and doing so offers some measure of protection should the acceptance of a gift be questioned, it is not required. Moreover, since Ordinance 02-15 deleted the reporting requirement to the city clerk's office there is effectively no oversight over those gift acceptance decisions. The ethics commission notes that normally an inquiry or complaint is needed to initiate an investigation about a questionable gift acceptance. Since an official is free to make the determination on the appropriateness of accepting a gift exceeding \$200 in value and there is no longer a disclosure requirement, it is difficult to determine if a gift was made. We believe that provisions of Section 3-8.7 RCH, as modified by Ordinance 02-15, permit individuals to circumvent the intent of the gift acceptance oversight and monitoring of the city council. Our review of executive travel showed that there were a number of instances where the situation above was used as rationale for not reporting the acceptance and use of gifted travel. As discussed in the following section, we found examples where the current ethics commission guidelines for Ordinance 02-15 codified in Section 3-8.7, ROH, are being used to evade gift reporting to the council.

Exhibit 2.4 outlines the evaluation, acceptance and disclosure requirements for personal gifts that also are applicable gifts of travel. As can be seen, the process while providing criteria to the individual for

acceptability of a proffered gift has no requirements to disclose or otherwise account for those gifts that are accepted.

Exhibit 2.4
Travel-Related Gifts to the Individual—Acceptance Requirements Pursuant to Section 3-8.7, Revised Ordinances of Honolulu



Source: Office of the City Auditor

The commission notes in its guidelines on gifts that there can be a degree of interpretation with each individual travel gift involved, and that this affects whether such a gift should be viewed as to the individual or an agency. For example former Mayor Jeremy Harris was invited to participate in a lecture series as part of the Kansas State University Distinguished Lecture Series. The lecture series held at Kansas State University covered all expenses involved for the mayor to participate. In this example, the ethics commission noted that it is possible to interpret this gift as a gift to the agency. If the mayor was attending the lecture series as part of a panel of mayors, it could be interpreted as relevant to the city and therefore would result in a gift to the agency rather than the individual. However, if the invitation was to the mayor as an individual rather than as his capacity as Mayor of Honolulu, it could be viewed as a gift to an individual, which in our opinion would require that the mayor take vacation leave of absence to attend this conference. Further, if the university has no involvement with the city and the mayor had no involvement with the university, it could be interpreted as no conflict for the mayor and therefore would not be prohibited regardless of the actual value of the gift. Because of the individual factors that can affect interpretation of the nature of a proffered gift, the commission recommends that it be consulted any time such an offer is received to ensure that proper gift disclosure occurs. The commission also notes that to avoid individual concerns, it recommends that donors make the offer to the agency to avoid the ethical concerns about individuals accepting gifts. The commission also recognized that it should be consulted whenever there is a question about acceptability of a gift; however, it is not mandatory.

Many of the former mayor's out-of-state travel gifts should have been reported to council

As part of our review of executive out-of-state travel, we found that 19 or the majority of the trips that were incomplete or had outstanding documentation were attributed to the former mayor and involved travel as a personal gift. For each of these travel files, we found no documentation to substantiate that a determination was made to treat the gifts as a personal or an agency gift. We found no evidence in the files that the ethics commission had been consulted on the acceptability of the mayor's travel gifts to the former mayor and the commission does not maintain public records of verbal inquiries.

However, upon examination of the 19 out-of-state trips for the former mayor that included gifted travel, the stated purposes of the trips as shown in Exhibit 2.5, indicate that the gifts were related to the former mayor's official position and not to him as an individual. Under this

conclusion, such travel should have been subject to review and approved by the city council under the rules governing gifts to city agencies. However we found no approval requests submitted to the council by the former mayor.

Exhibit 2.5

**Former Mayor's Out-of-State Gifted Travel Accepted as Personal Gifts
FY2002-03 to FY2004-05**

<i>Dates of Travel</i>	<i>Destination</i>	<i>Stated Travel Purpose</i>
Jul 18-20, 2002	Reno, NV	City Parks Forum symposium; Mayor Harris is one of five mayors chosen to participate
May 27-Jun 1, 2003	Denver, CO	Participate in workshop; conference focuses on actions and approaches of local governments in achieving climate protection goals
Dec 1-6, 2003	Washington, DC	Mayor elected as 2004-06 public director on AIA Board of Directors
Feb 28-Mar 7, 2004	Washington, DC	Board member of AIA; attend meeting
Apr 14-18, 2004	Suzhou, China	Participate in Mayor's Forum on important role tourism plays in cities' development and prosperity
Apr 20-30, 2004	Charleston, SC	Participate in Theme Team Meeting of the Sea Grant Coastal Communities and Economies program with the University of Hawaii
May 18-27, 2004	Melbourne, Australia	Keynote speaker/participate in workshop regarding his work in the 21 st Century Oahu: Vision for the Future Process and the Waikiki Revitalization Project
May 31-Jun 5, 2004	Iquique, Chile	Plenary panelist, "Tourism and Magical Cities"
Jun 5-12, 2004	Chicago, Illinois	Board member of AIA; attend meeting
Jun 20-26, 2004	Saipan, Northern Marianas	Participate as panelist, "Coral Reefs and Watershed Protection"
Aug 13-16, 2004	Melbourne, Australia	Participate as speaker about practical local solutions to global sustainability issues
Aug 20-24, 2004	Salt Lake City, UT	Selected as one of 60 highest government officials to attend Harvard University's China Leaders in Development Program; participate in Mayor's Forum
Sep 8-12, 2004	Banff, Canada	Board member of AIA; attend meeting
Oct 12-15, 2004	Indianapolis, IN	Guest lecturer to architecture students and keynote speaker for American Planning Association's Midwest Regional Planning Conference
Nov 7-8, 2004	Tucson, AZ	Speaker at Digital Government Conference
Nov 9-12, 2004	Kansas City, KS	Lecturer for Kansas State University's Distinguished Lecture Series
Nov 20-24, 2004	Nanjing, China	Distinguished Speaker and Guest of Honor at the World Tourism Marketing Summit
Nov 30-Dec 4, 2004	Washington, DC	Board member of AIA; attend meeting
Dec 10-11, 2004	Washington, DC	Luncheon speaker, "Building Infrastructure for Sustainable Cities"

Source: Department of Budget and Fiscal Services, Fiscal Services Section

Ethics Commission guidelines used to evade gift reporting to council

Documentation provided on the mayor's travel in 2004 confirms that all gifted travel was interpreted as personal with no reporting requirement. A summary of the mayor's travel for the year 2004 was provided to the city council, at its request, by the then director of the Department of Budget and Fiscal Services on December 13, 2004, in Department Communication No. 1133. This was submitted partly in response to the discussion of Resolution 04-384 requesting an audit of the mayor's recent travel. The communication's cover letter stated that "no conflict of interest existed for all travel taken for 2004." This statement indicates that all travel-related gifts were viewed as personal gifts and therefore, no disclosure, or review and acceptance by the city council is required. In accordance with the ethics commission interpretation of Ordinance 02-15, if the recipient concludes there was no conflict of interest, then acceptance of a personal gift in excess of \$200 was not prohibited.

Personal gifted travel not adequately reflected in travel documents

Choosing to accept gifted travel as a personal gift that does not require disclosure can result in a serious lack of accountability and assurance that expenses are properly documented and reconciled. It can also make it difficult to ensure that travel taken during official work time is for a public purpose. For example shortly after Ordinance 02-15 became effective the former mayor traveled to Reno, Nevada to participate in a City Parks Forum symposium as one of five mayors invited. It could be argued that since the mayor was apparently asked to attend the symposium in his capacity as mayor, that this may be viewed as a travel gift to the Office of the Mayor and subject to formal acceptance by the city council. However, since the gifted travel was interpreted as a personal gift to the mayor that did not present a conflict-of-interest situation, the gift, regardless of its value, was not prohibited and did not have to be disclosed.

Accepting travel-related gifts as personal gifts also leads to the concern that such travel may not be appropriately reflected as business or vacation travel by the city executive involved. As city employees, city executives, are permitted to incur business travel as regular work time. This includes reasonable time in transit to and from an event. However, if gifted travel is viewed as personal and not related to the normal duties of the position, then we believe such travel should be taken as vacation and not at the expense of city taxpayers.

The combination of lax reporting requirements for gifted travel coupled with lax review and approval of travel documents by the respective executive branch staff may result in the failure to submit accurate documentation necessary to differentiate business and personal expenses. For example a comparison of the former mayor's travel shown in Exhibit 2.5 with appropriate vacation leave records indicates that the majority of the gifted travel was taken as official city business. However, in at least one instance, there were vacation days taken as part of the official travel period. Travel documents indicate that the mayor's trip taken from August 13 - 16, 2004, to Melbourne, Australia was to participate as a speaker on practical local solutions to global sustainability issues. However, the former mayor's vacation records note that August 13, 2004 and August 16, 2004 were taken as vacation days. However, another trip by the mayor to Melbourne, Australia that lists the same purpose indicates that no vacation days were taken for travel taken from May 18 - May 27, 2004. We emphasize that this is not to question the appropriateness of the travel but rather to note that the guidelines and requirements for such travel and gifting are insufficient to ensure proper documentation, reconciliation, and accountability. Ethics commission staff noted that it is possible for official travel to also involve a personal gift. For example, a gift of coach-class airfare paid by a third party that is not viewed as an attempt to influence an official or otherwise be self-serving in nature can be considered a gift to an agency. However, if the airfare was for first class flight accommodations, the difference between coach and first class could be considered a personal gift. However, ethics commission staff agreed that if an entire trip is reported as a personal gift, it would appear questionable to take the trip without taking vacation. Most of the former mayor's reported personal gifted travel in 2004 was completed on city time and should have been reported for acceptance by the city council.

Managing director needs to provide better guidance and oversight on the reporting of travel-related gifts

Ensuring that there is proper management and administrative oversight relating to travel gifts is a fundamental responsibility of the managing director. This is particularly important for city executives because subordinates can sometimes be reluctant to question actions of their bosses. To ensure compliance with laws and policies on executive out-of-state travel and gifts, the managing director needs to ensure that clear guidelines and procedures are established in the Administrative Directives Manual.

Conclusion

City travel policies provide an adequate foundation for facilitating the administration of the out-of-state travel process. However, the process depends on the responsibilities of the traveler, the managing director and BFS fiscal services staff to properly ensure that the travel documents indicate the authority for the period of absence from the city, validates the travel for public purpose, and the required reporting of travel are properly accounted for. Our review of city executive travel file records show that executive out-of-state travel is incomplete and inaccurately reported resulting in a lack of accountability with established travel reporting requirements in city laws, policies and procedures. Several *Travel Requests* lack one or more items of supporting documentation on travel purpose, travel itinerary, airfare, and costs of lodging or conference fees. In addition, we found examples of *Travel Requests* with business/first class travel for the former mayor that was unclear and inconsistent with policy which states that air travel at first-class rates will not be approved except when accommodations at other rates are not reasonably available.

We found that the extent of unprocessed completed travel file records by city executives is significant. Completed travel forms are not only necessary for recording the authorization for the period of absence but also for the reconciliation and settlement of travel expenditures. Moreover, completed travel forms are necessary for compliance with federal tax laws since IRS require that a certain portion of travel allowances, such as per diem, be reported and appropriately included as taxable on Form W-2.

We also found similar mistakes and omissions in some of the limited documents in the current administration, however, recognizable improvements in providing proper supporting documentation when reporting travel requests and completed travel made review of travel purpose and costs less difficult.

Further, we found that accurate accounting and reporting of out-of-state travel is complicated when gifting is involved. In addition to ensuring that costs and other factors are properly recorded, it is also necessary to ensure that gifts that are proffered to agencies of individual city employees are within proper ethical guidelines and are properly disclosed. Current gifting guidelines for personal gifts permit the acceptance of gift to be largely dependent upon the individual's own discretion. Further, the present requirements appear to permit the gifts, including gifted travel, to be accepted without disclosure. The lack of a

disclosure requirement coupled with inadequate controls on the accurate reporting and reconciliation of travel requests, prevent travel records from being adequately reconciled.

Finally, we found that BFS needs to ensure that out-of-state travel reporting and accountability requirements are understood by those involved in processing executive travel. The managing director needs to work with BFS to ensure that travel reports are submitted in a complete and timely manner and that appropriate action to comply with federal and other regulations are met. We found several executive travel reports primarily by the previous administration were outstanding or unprocessed. However, resolution of unprocessed travel completed by executive travelers is needed for compliance with IRS regulations and BFS travel policy.

Recommendations

The managing director should:

- a. review and modify administrative directives as needed to ensure existence of clear policies and procedures necessary for accurate, consistent and timely reporting, accounting and documentation of executive out-of-state travel;
- b. work with the Honolulu Ethics Commission to ensure the proper identification of gifts and compliance with gift disclosure requirements, including gifted personal travel;
- c. establish a clear policy on use of first/business class accommodations for executives;
- d. ensure that all outstanding executive travel reports at BFS are resolved and properly accounted for and reported;
- e. ensure that the IRS taxability requirements are met for any outstanding executive travel reports;
- f. implement procedures to ensure that executive travel-related reports and documents are properly tracked and monitored for complete, accurate, and timely completion; and
- g. work with the city council to implement personal travel-related gift acceptance and disclosure requirements that ensure monitoring and accountability controls.

Appendix A
List of Executive Out-of-State Travel FY2002-03 to FY2004-05, by Department

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimated Travel Costs	Completed Travel Costs	Reconciled Travel Costs
1	Diebling, Chris	Deputy Director	BFS	Sep 8-15, 2004	Salt Lake City, Utah	Deferred Compensation Plan meeting	\$2939	Unknown	Unknown
2	Lui-Kwan, Ivan	Director	BFS	Jul 25-Aug 3, 2003	New York, New York	Monitor bond pricing/sale activities	\$2587	Unknown	Unknown
3	Arakawa, David	Corporation Counsel	COR	Oct 19-23, 2002	Denver, Colorado	International Municipal Lawyers Association (IMLA) conference	\$2490	Unknown	Unknown
4	Arakawa, David	Corporation Counsel	COR	Apr 26-30, 2003	Washington, DC	IMLA conference	\$2763	Unknown	Unknown
5	Arakawa, David	Corporation Counsel	COR	Oct 10-16, 2003	Minneapolis, Minnesota	IMLA conference	\$3130	Unknown	Unknown
6	Arakawa, David	Corporation Counsel	COR	Apr 22-27, 2004	Washington, DC	IMLA conference	\$2835	Unknown	Unknown
7	Arakawa, David	Corporation Counsel	COR	Oct 2-7, 2004	San Antonio, Texas	IMLA conference	\$3074	Unknown	Unknown
8	Okinaga, Carrie	Corporation Counsel	COR	Mar 24-26, 2005	San Francisco, California	Environmental Protection Agency (EPA) meetings	\$1458	\$1869	\$1869
9	Amii, Michael	Director	DCS	Nov 13-17, 2002	San Francisco, California	Accompany Mayor to National Association of Counties (NACo) conference	\$1753	\$1656	\$1656
10	Amii, Michael	Director	DCS	Jan 20-25, 2003	Washington, DC	Accompany Mayor to US Conference of Mayors	\$2890	\$3632	\$2642
11	Amii, Michael	Director	DCS	Feb 28-Mar5, 2003	Washington, DC	National Association of Workforce Boards meeting	\$2455	\$2446	\$2446
12	Amii, Michael	Director	DCS	Jul 10-16, 2003	Milwaukee, Wisconsin	NACo conference	\$2459	\$2412	\$2412
13	Amii, Michael	Director	DCS	Nov 5-9, 2003	Miami, Florida	NACo conference	\$2060	\$2135	\$2085
14	Amii, Michael	Director	DCS	Jan 18-24, 2004	Washington, DC	US Conference of Mayors	\$3097	Unknown	Unknown
15	Amii, Michael	Director	DCS	Feb 25-Mar 3, 2004	Washington, DC	NACo conference	\$2501	\$2615	\$2615
16	Amii, Michael	Director	DCS	Apr 30-May 5, 2004	Washington, DC	US Conference of Mayors	\$2243	\$1856	\$1856
17	Amii, Michael	Director	DCS	Jun 23-30, 2004	Boston, Massachusetts	US Conference of Mayors	\$3330	\$3500	\$3500
18	Amii, Michael	Director	DCS	Jul 16-21, 2004	Phoenix, Arizona	NACo conference	\$2121	\$1895	\$1895
19	Amii, Michael	Director	DCS	Sep 11-16, 2004	Washington, DC	YouthBuild USA event	\$2700	\$2399	\$2399
20	Amii, Michael	Director	DCS	Nov 10-14, 2004	Las Vegas, Nevada	NACo conference	\$1585	\$1618	\$1618

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimated Travel Costs	Completed Travel Costs	Reconciled Travel Costs
21	Char. Lynette	Deputy Director	DES	Jan 29-Feb 4, 2003	San Francisco, California	EPA meeting	\$1646	\$1433	\$1211
22	Char. Lynette	Deputy Director	DES	Aug 30-Sep 7, 2004	Stockholm, Sweden	Mayor's Asia-Pacific Environmental Summit (MAPES) event	\$450	Unknown	Unknown
23	Au, Alvin	Deputy Director	DFM	Aug 11-13, 2003	Sunnyvale, California	City/State Armed Services Committee site visit of national guard training facilities	\$423 plus gifts-no costs given	\$423	\$423
24	Leopardi, Larry	Director	DFM	Oct 14-18, 2003	Laughlin, Nevada	Public works conference	\$180 plus gifts-no costs given	\$199	\$199
25	Bruce, Gordon	Special Information Technology Advisor	DIT	Apr 20-24, 2005	San Jose, California	Visit Cisco System's Executive Briefing Center	\$1439	\$1521	\$1586
26	Bruce, Gordon	Director	DIT	Jun 10-15, 2005	Brooklyn, New York	Attend Intelligent Community Conference & Awards	\$2083	\$2308	\$2308
27	Harrington, Courtney	Director	DIT	May 4-7, 2003	San Diego, California	Management for Government Websites conference	\$192 plus gift-no costs given	\$316	\$316
28	Harrington, Courtney	Director	DIT	May 26-30, 2003	Atlanta, Georgia	Attend Governing Managing Technology conference on behalf of Mayor Harris	\$1826	\$1923	\$1923
29	Harrington, Courtney	Director	DIT	Jun 20-25, 2004	Boston, Massachusetts	Attend Governing Managing Technology conference on behalf of Mayor Harris	\$1972	Unknown	Unknown
30	Harrington, Courtney	Director	DIT	Aug 6-11, 2004	San Diego, California	Environmental Systems Research Institute (ESRI)/MAPES conference	\$1501	\$1826	\$1794
31	Harrington, Courtney	Director	DIT	Oct 6-9, 2004	Washington, DC	Mayor's Summit-Homeland Security	\$1192 plus gift-no costs given	\$231	\$1463
32	Crispin, Eric	Acting Director	DPP	Dec 15-19, 2002	Boston, Massachusetts	Harvard Design School presentation, Kaka'ako District redevelopment	\$2255	\$2077	\$2077
33	Crispin, Eric	Acting Director	DPP	May 27-Jun 1, 2003	Denver, Colorado	International Council for Local Environmental Initiatives (ICLEI) conference	\$852 plus gift-no costs given	\$461	\$461
34	Crispin, Eric	Acting Director	DPP	Jun 8-13, 2004	Chicago, Illinois	American Institute of Architects (AIA) conference	\$2626	\$2626	\$2626
35	Crispin, Eric	Acting Director	DPP	Nov 11-16, 2004	Vancouver, BC	View transit system operations and meet with transit officials	\$2137	\$2231	\$2231
36	Balfour, Jr., William	Director	DPR	Oct 13-19, 2002	Tampa, Florida	National Recreation & Parks Association (NRPAA) conference	\$2274	\$2318	\$2318

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimated Travel Costs	Completed Travel Costs	Reconciled Travel Costs
37	Balfour, Jr., William	Director	DPR	Oct 17-25, 2003	St. Louis, Missouri	Travel request not available in travel file	N/A	\$2446	\$2446
38	Balfour, Jr., William	Director	DPR	Oct 11-15, 2004	Reno, Nevada	NRPA conference	\$1520	\$1628	\$1628
39	Diaz, Edward	Deputy Director	DPR	Jul 12-29, 2002	West Bend, Wisconsin	Wisconsin Parks and Recreation Association (WPRA) convention	\$3129	\$3003	\$3003
40	Diaz, Edward	Deputy Director	DPR	Jul 11-28, 2003	Superior, Wisconsin	WPRA convention	\$2705	\$2813	\$2813
41	Diaz, Edward	Deputy Director	DPR	Jul 9-Aug 1, 2004	West Bend, Wisconsin	WPRA convention	\$2767	\$2760	\$2760
42	Hirata, Edward	Director	DTS	Mar 27-28, 2005	Los Angeles, California	Meetings regarding rail systems	\$1825	\$1714	\$1714
43	Hirata, Edward	Director	DTS	Jun 3-9, 2005	Pittsburgh, Pennsylvania	Meetings regarding rail systems	\$2850	\$2661	\$2661
44	Miyamoto, George	Director	DTS	Nov 11-16, 2004	Vancouver, BC-Seattle, Washington-Portland Oregon	Investigate various transit systems	\$2005	\$1929	\$1929
45	Soon, Cheryl	Director	DTS	Sep 22-27, 2002	Las Vegas, Nevada-Los Angeles, California	American Public Transportation Association (APTA) meetings; meeting with Los Angeles' BRT officials	\$2292	\$1974	\$1974
46	Soon, Cheryl	Director	DTS	Jan 29-Feb 3, 2003	San Francisco, California	Federal Transit Administration (FTA) meeting	\$948	\$1035	\$1035
47	Soon, Cheryl	Director	DTS	Feb 19-22, 2003	San Francisco, California	FTA meeting	\$950	\$932	\$932
48	Soon, Cheryl	Director	DTS	May 3-8, 2003	Milwaukee, Wisconsin	APTA conference	\$1789	\$1907	\$1907
49	Soon, Cheryl	Director	DTS	Jul 8-11, 2003	San Francisco, California	FTA workshop	\$1045	\$1295	\$1295
50	Soon, Cheryl	Director	DTS	Apr 22-28, 2004	Washington, DC	American Planning Association (APA) conference	\$2520	\$2389	\$2389
51	Soon, Cheryl	Director	DTS	Sep 8-9, 2004	Washington, DC	FTA meeting	\$437	\$720	\$720
52	Doyle, Frank	Deputy Director	ENV	Aug 28-30, 2002	San Francisco, California	EPA meeting	\$1090	Unknown	Unknown
53	Doyle, Frank	Deputy Director	ENV	Oct 27-Nov 1, 2002	Long Beach, California	Solid waste management conference	\$1885	Unknown	Unknown
54	Doyle, Frank	Acting Director	ENV	May 10-13, 2003	San Francisco, California	EPA meeting	\$876	Unknown	Unknown
55	Doyle, Frank	Director	ENV	Oct 10-16, 2003	Los Angeles, California	Solid waste management conference	\$2166	Unknown	Unknown

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimated Travel Costs	Completed Travel Costs	Reconciled Travel Costs
56	Doyle, Frank	Director	ENV	Nov 16-21, 2003	San Francisco, California and Seattle, Washington	EPA meeting, solid waste association conference	\$2491	Unknown	Unknown
57	Doyle, Frank	Director	ENV	May 16-18, 2004	San Francisco, California	EPA meeting	\$1662	\$1615	\$1615
58	Doyle, Frank	Director	ENV	Oct 7-8, 2004	San Francisco, California	Meeting with Bank of America officials re HPOWER project	\$1442	Unknown	Unknown
59	Doyle, Frank	Director	ENV	Nov 30-Dec 1, 2004	San Francisco, California	EPA meeting	\$476	\$445	\$445
60	Doyle, Frank	Director	ENV	Dec 11-17, 2004	Osaka, Japan	Visit solid waste management plants	\$2465	\$2465	\$2465
61	Houghton, Timothy	Deputy Director	ENV	Jan 30-Feb 8, 2004	Los Angeles, California	Association of Metropolitan Sewerage Agencies (AMSA) conference	\$2539	\$2131	\$2131
62	Houghton, Timothy	Deputy Director	ENV	May 14-18, 2004	San Francisco, California	Attend EPA meeting	\$972	\$1117	\$1117
63	Houghton, Timothy	Deputy Director	ENV	May 20-28, 2004	Washington, DC	AMSA conference	\$3926	\$3926	\$3926
64	Houghton, Timothy	Deputy Director	ENV	Oct 1-10, 2004	New Orleans, Louisiana	Water Environment Federation Technical Expo and Conference	\$3229	\$3284	\$3284
65	Houghton, Timothy	Deputy Director	ENV	Nov 30-Dec 3, 2004	San Francisco, California and Fountain Valley, California	EPA meeting in San Francisco; environmental conference/workshop in Fountain Valley	\$1318	\$1580	\$1580
66	Houghton, Timothy	Executive Assistant	ENV	Apr 29-May 6, 2005	Washington, DC	AMSA meeting and forum	\$3808	Unknown	Unknown
67	Steinberger, Timothy	Director	ENV	Aug 28-30, 2002	San Francisco, California	EPA meetings	\$1265	Unknown	Unknown
68	Steinberger, Timothy	Director	ENV	Aug 22-28, 2003	San Diego, California	American Public Works Association (APWA) conference	\$2718	\$2708	\$2708
69	Takamura, Eric (includes lodging, per diem and fees for Mayor Mufi Hannemann)	Acting Director	ENV	Mar 3-8, 2005	Los Angeles, California	Visit wastewater treatment plant; consent decree meeting	\$4011	\$3323	\$3323
70	Takamura, Eric (includes lodging, per diem and fees for Mayor Mufi Hannemann)	Acting Director	ENV	Mar 24-30, 2005	San Francisco and Los Angeles, California	EPA meetings; meetings with vendors and wastewater engineers	\$2737	\$3816	\$3816
71	Takamura, Eric	Director	ENV	May 1-4, 2005	Las Vegas, Nevada	Solid waste industry conference	\$1383	\$165	\$165

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimated Travel Costs
72	Char. Elizabeth	Director	HESD	Apr 30-May 6, 2005	Las Vegas, Nevada	Attend radiation course	Gift-no costs given
73	Char. Elizabeth	Director	HESD	May 25-27, 2005	Los Angeles, California	Attend domestic preparedness orientation	\$1069
74	Lanzilotti, Salvatore	Director	HESD	Sep 2-5, 2002	Seattle, Washington	Metropolitan Medical Response System (MMRS) meeting	\$279 plus gifts-no costs given
75	Lanzilotti, Salvatore	Director	HESD	Mar 7-16, 2003	Reno, Nevada	National Disaster Medical System (NDMS) conference	\$1863
76	Lanzilotti, Salvatore	Director	HESD	Sep 21-Oct 3, 2003	Washington, DC	Attend Homeland Security conference	\$2452 plus gifts-no costs given
77	Lanzilotti, Salvatore	Director	HESD	Apr 16-27, 2004	Dallas, Texas	NDMS conference	\$383 plus gifts-no costs given
78	Lanzilotti, Salvatore	Director	HESD	May 16-18, 2004	Torrance, California	Speaker at UCLA Center for Public Health & Disasters	\$984
79	Adonis, Vergel	Small Business Advocate	MAY	Dec 11-18, 2004	Manila, Philippines	Attend economic development of small businesses meetings	\$1610
80	Constantinainu, Walea	Film Industry Development Specialist	MAY	Oct 24-Nov 1, 2002	New York, New York	Attend Film Festival	\$2980
81	Constantinainu, Walea	Film Industry Development Specialist	MAY	Nov 11-18, 2002	Los Angeles, California	Attend American Film Institute (AFI) film festival	\$2320
82	Constantinainu, Walea	Film Industry Development Specialist	MAY	Jan 15-22, 2003	Salt Lake City, Utah	Attend Sundance Film Festival	\$3533
83	Constantinainu, Walea	Film Industry Development Specialist	MAY	Apr 7-15, 2003	Los Angeles, California	Attend film industry trade show	\$2683
84	Constantinainu, Walea	Film Industry Development Specialist	MAY	Oct 8-18, 2003	Los Angeles, California	Cineposium conference	\$3469
85	Constantinainu, Walea	Film Industry Development Specialist	MAY	Jan 7-21, 2004	New York, New York to Salt Lake City, Utah	Association of Film Commissioners International (AFCI) meeting	\$3833
86	Constantinainu, Walea	Film Industry Development Specialist	MAY	Jun 23-29, 2004	Los Angeles, California	AFCI board meeting	\$888
87	Constantinainu, Walea	Film Industry Development Specialist	MAY	Sept 17-20, 2004	Las Vegas, Nevada	AFCI board meeting	\$990

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimated Travel Costs	Completed Travel Costs	Reconciled Travel Costs
88	Constantinaiu, Walea	Film Industry Development Specialist	MAY	Nov 1-11, 2004	Los Angeles, California	Attend American Film Market and American Film Institute's Film Festival	\$3250	\$2967	\$3129
89	Constantinaiu, Walea	Film Industry Development Specialist	MAY	Dec 1-7, 2004	New York, New York to Los Angeles, California	International film commission board meeting and Women in Film Event	\$2350	\$1889	\$1406
90	Constantinaiu, Walea	Film Industry Development Specialist	MAY	Apr 11-20, 2005	Los Angeles, California	International film commission board meeting and Locations Trade Show	\$2455	\$2633	\$2692
91	Constantinaiu, Walea	Film Industry Development Specialist	MAY	Jun 12-17, 2005	New York, New York	AFCI board meeting and symposium	\$2105	\$1557	\$1622
92	Hannemann, Mufi	Mayor	MAY	Mar 1-8, 2005	Charleston, South Carolina to Los Angeles, California to San Francisco, California	The Mayor's Institute of City Design meetings	\$100 plus gifts-value \$1614	\$235	\$235
93	Hannemann, Mufi	Mayor	MAY	Mar 24-29, 2005	San Francisco, California to Los Angeles, California	Environmental Protection Agency (EPA) meeting and solid waste/rapid transit meeting	\$2279	\$1938	\$1938
94	Hannemann, Mufi	Mayor	MAY	May 14-20, 2005	Washington, DC to New York	Meetings with Secretary of Labor Advisory Committee; and city's underwriter insurance firm New York	\$786 plus gifts-value \$2100	\$783	\$783
95	Harris, Jeremy	Mayor	MAY	Jul 18-20, 2002	Reno, Nevada	City Parks Forum symposium.	\$560 plus gifts-no costs given	Unknown	Unknown
96	Harris, Jeremy	Mayor	MAY	Nov 14-17, 2002	San Francisco, California	NACo conference; EPA meeting	\$1655	\$1800	\$1800
97	Harris, Jeremy	Mayor	MAY	Jan 29-Feb 1, 2003	San Francisco, California	Meetings with Mayor's Asia-Pacific Environmental Summit (MAPES), and BusRapid Transit project	\$1755	Unknown	Unknown
98	Harris, Jeremy	Mayor	MAY	May 27-Jun 1, 2003	Denver, Colorado	ICLEI conference	\$852 plus gift-no costs given	Unknown	Unknown
99	Harris, Jeremy	Mayor	MAY	Sep 17-19, 2003	San Francisco, California	Attend solar energy summit	\$1226	Unknown	Unknown
100	Harris, Jeremy	Mayor	MAY	Oct 24-Nov 11, 2003	Athens, Greece and Washington, DC	Greece: ICLEI World Congress/Washington DC: speaking engagement on MAPES initiatives at efficient energy forum	\$3026	Unknown	Unknown

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimated Travel Costs	Completed Travel Costs	Reconciled Travel Costs
101	Harris, Jeremy	Mayor	MAY	Dec 1-6, 2003	Washington, DC	American Institute of Architects (AIA) board meeting	Gift-no costs given	Unknown	N/A
102	Harris, Jeremy	Mayor	MAY	Jan 21-24, 2004	Washington, DC	US Conference of Mayors	\$2667	Unknown	Unknown
103	Harris, Jeremy	Mayor	MAY	Feb 23-27, 2004	Hong Kong	United National Asia-Pacific Leadership Forum; Keynote speaker: Sustainable Cities of the Future	\$1843	Unknown	Unknown
104	Harris, Jeremy	Mayor	MAY	Feb 28-Mar 7, 2004	Washington, DC	AIA board meeting	Gift-no costs given	Unknown	N/A
105	Harris, Jeremy	Mayor	MAY	Apr 3-10, 2004	Denver, Colorado	Conference on World Affairs (CWA) forum	\$2265	Unknown	Unknown
106	Harris, Jeremy	Mayor	MAY	Apr 14-18, 2004	Suzhou, China	World Tourism Organization conference	\$50 plus gift-no costs given	Unknown	Unknown
107	Harris, Jeremy	Mayor	MAY	Apr 20-30, 2004	Charleston, South Carolina	National Sea Grant Program Office team meeting	\$2912 plus gift-no costs given	Unknown	Unknown
108	Harris, Jeremy	Mayor	MAY	May 18-27, 2004	Melbourne, Australia	ICLEI conference	\$100 plus gift-no costs given	Unknown	Unknown
109	Harris, Jeremy	Mayor	MAY	May 31-Jun 5, 2004	Iquique, Chile	Hemispheric Sister Cities Forum	\$100 plus gift-no costs given	Unknown	Unknown
110	Harris, Jeremy	Mayor	MAY	Jun 5-12, 2004	Chicago, Illinois	AIA meeting	Gift-no costs given	Unknown	N/A
111	Harris, Jeremy	Mayor	MAY	Jun 20-26, 2004	Saipan, Commonwealth of the Northern Marianas	EPA Region IX conference	\$100 plus gift-no costs given	Unknown	Unknown
112	Harris, Jeremy	Mayor	MAY	Jun 27-29, 2004	Boston, Massachusetts	U.S. Conference of Mayors	\$3262	Unknown	Unknown
113	Harris, Jeremy	Mayor	MAY	Jul 16-18, 2004	Burlington, Vermont	Global Community Initiatives, Inc. (GCI) conference-Sustainable Communities 2004	\$1391	Unknown	Unknown
114	Harris, Jeremy	Mayor	MAY	Aug 6-9, 2004	San Diego, California	ESRI conference	\$2178	Unknown	Unknown
115	Harris, Jeremy	Mayor	MAY	Aug 13-16, 2004	Melbourne, Australia	ICLEI conference	Gift-no costs given	Unknown	N/A

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimated Travel Costs	Completed Travel Costs	Reconciled Travel Costs
116	Harris, Jeremy	Mayor	MAY	Aug 20-24, 2004	Salt Lake City, Utah	GCI conference – Mayor's Forum, China Leadership Development Series	\$1490 plus gift-no costs given	Unknown	Unknown
117	Harris, Jeremy	Mayor	MAY	Aug 27-30, 2004	Denver, Colorado	World Renewable Energy Congress and Expo (WREC) conference	\$1285	Unknown	Unknown
118	Harris, Jeremy	Mayor	MAY	Aug 30-Sep 7, 2004	Stockholm, Sweden	Royal Institute of Technology program ceremony	\$1830	Unknown	Unknown
119	Harris, Jeremy	Mayor	MAY	Sep 7-12, 2004	Banff, Alberta, Canada	AIA meeting	Gift-no costs given	Unknown	N/A
120	Harris, Jeremy	Mayor	MAY	Oct 12-15, 2004	Indianapolis, Indiana	Ball State University/American Planning Association conference	Gift-no costs given	Unknown	N/A
121	Harris, Jeremy	Mayor	MAY	Oct 15-18, 2004	Niagara, Canada	Attend liveable communities awards event	\$1465	Unknown	Unknown
122	Harris, Jeremy	Mayor	MAY	Oct 18-19, 2004	San Diego, California	International City/County Management Association (ICMA) conference	\$891	Unknown	Unknown
123	Harris, Jeremy	Mayor	MAY	Nov 7-8, 2004	Tucson, Arizona	Center for Digital Government conference	Gift-no costs given	Unknown	N/A
124	Harris, Jeremy	Mayor	MAY	Nov 9-12, 2004	Kansas City, Kansas	Kansas State University lecture/presentation	Gift-no costs given	Unknown	N/A
125	Harris, Jeremy	Mayor	MAY	Nov 15-20, 2004	Hiroshima, Japan	2004 - U.S. Cities Summit	\$2382	Unknown	Unknown
126	Harris, Jeremy	Mayor	MAY	Nov 20-24, 2004	Nanjing, China	World Tourism Marketing summit	\$2382 plus gift-no costs given	Unknown	Unknown
127	Harris, Jeremy	Mayor	MAY	Nov 30-Dec 4, 2004	Washington, DC	AIA meeting	Gift-no costs given	Unknown	N/A
128	Harris, Jeremy	Mayor	MAY	Dec 10-11, 2004	Washington, DC	U.S. Dept. of State seminar	\$997 plus gifts-no costs given	Unknown	Unknown
129	Ishii, Sharon	Executive Assistant to the Mayor	MAY	Aug 5-9, 2004	Osaka, Japan	Attend Japan-Hawaii Goodwill Cultural Exchange on behalf of Mayor Harris	\$280 plus gift-no costs given	\$180	\$180
130	Menendez, Manuel	Executive Director	MAY	Jan 20-25, 2003	Washington, DC	U. S. Conference of Mayors	\$2159	\$2170	\$2170
131	Menendez, Manuel	Executive Director	MAY	Mar 2-4, 2003	San Diego, California	Performance Institute conference	\$906 plus gift-no costs given	\$879	\$879
132	Menendez, Manuel	Executive Director	MAY	Jul 16-20, 2003	San Francisco, California	Fox School of Business at Temple University, Mayor's Technology Summit	\$330 plus gift-no costs given	\$497	\$497

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimated Travel Costs	Completed Travel Costs	Reconciled Travel Costs
133	Menendez, Manuel	Executive Director	MAY	Sep 2-9, 2003	Busan, Korea	Represent Mayor Harris at Tourism Promotion Organization (TPO) meeting	\$1365 plus gift-no costs given	Unknown	Unknown
134	Menendez, Manuel	Executive Director	MAY	Sep 19-22, 2003	Taipei, Taiwan	Democratic Pacific Assembly (DPA) meeting	\$200 plus gift-no costs given	Unknown	Unknown
135	Menendez, Manuel	Executive Director	MAY	Oct 13-16, 2003	Incheon, Korea	Attend sister city signing ceremony on behalf of Mayor Harris	\$1352	Unknown	Unknown
136	Menendez, Manuel	Executive Director	MAY	Jan 20-24, 2004	Washington, DC	U.S. Conference of Mayors	\$2897	Unknown	Unknown
137	Menendez, Manuel	Executive Director	MAY	Feb 23-27, 2004	Hong Kong	Asia-Pacific Leadership Forum	\$992	Unknown	Unknown
138	Menendez, Manuel	Executive Director	MAY	Apr 27-May 1, 2004	San Diego, California	The Performance Institute conference; Keynote Speaker: Doing More with Less	\$1615	Unknown	Unknown
139	Menendez, Manuel	Executive Director	MAY	May 16-20, 2004	Busan, Korea	TPO forum	\$1448	\$1143	\$1143
140	Menendez, Manuel	Executive Director	MAY	Jun 24-Jul 1, 2004	Boston, Massachusetts	U.S. Conference of Mayors	\$3266	\$3678	\$3678
141	Menendez, Manuel	Executive Director	MAY	Jul 15-23, 2004	Burlington, Vermont	Global Community Initiatives conference	\$2034	\$2444	\$2444
142	Menendez, Manuel	Executive Director	MAY	Aug 1-8, 2004	Hiroshima, Japan	Assist in planning of Japan-US Summit	\$1100 plus gift-no costs given	\$1439	\$1324
143	Menendez, Manuel	Executive Director	MAY	Oct 6-9, 2004	Washington, DC	Attend Fox School of Business, Mayor's Technology Summit	\$1615	\$1281	\$1281
144	Menendez, Manuel	Executive Director	MAY	Oct 19-24, 2004	Houston, Texas	SportsTravel magazine conference/expo	\$1698	\$1791	\$1856
145	Menendez, Manuel	Executive Director	MAY	Nov 4-6, 2004	San Francisco, California	Meet with San Francisco mayor regarding signing of Friendship City agreement	\$753	\$1214	\$1312
146	Menendez, Manuel	Executive Director	MAY	Nov 13-20, 2004	Hiroshima, Japan	Assist in planning of Japan-US Summit	\$1924	\$3104	\$3319
147	Menendez, Manuel	Executive Director	MAY	Nov 20-24, 2004	Nanjing, China	World Tourism Marketing Summit	\$1398	\$2353	\$2319
148	Menendez, Manuel	Executive Director	MAY	Dec 10-16, 2004	Manila, Philippines	Sister City Friendship Summit	\$2610	\$2523	\$2420
149	Shaw, Abelina	Chief of Staff	MAY	Apr 24-May 2, 2004	New York	Committee meeting of Mayor for Peace mayoral delegation	\$2021	\$2420	\$2548
150	Lee, Benjamin	Managing Director	MDO	Feb 1-2, 2003	San Francisco, California	Site visits; zoo and exploratorium; attend EPA meetings	\$203	Unknown	Unknown

Appendix A

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimated Travel Costs
151	Lee, Benjamin	Managing Director	MDO	May 10-13, 2003	San Francisco, California	EPA meeting	\$1034
152	Lee, Benjamin	Managing Director	MDO	Nov 15-19, 2003	San Francisco, California	EPA meeting	\$1021
153	Lee, Benjamin	Managing Director	MDO	Aug 6-11, 2004	San Diego, California to San Francisco California	Environmental Systems Research Institute (ESRI) conference/summit: EPA meeting in San Francisco	\$1780
154	Lee, Benjamin	Managing Director	MDO	Sep 7-11, 2004	Washington, DC	Federal Transit Administration meeting	\$2015
155	Lee, Benjamin	Managing Director	MDO	Oct 13-20, 2004	Toronto, Canada to Washington, DC	Presentation at LivCom Awards competition: meet national AIA officials	\$2691
156	Tom, Malcolm	Deputy Managing Director	MDO	Jul 18-20, 2002	Reno, Nevada	City Park Forum Symposium	\$715 plus gift- no costs given
157	Tom, Malcolm	Deputy Managing Director	MDO	Apr 14-18, 2004	Suzhou, China	China International Tourism Festival and Mayor's Forum	\$1277 plus gift- no costs given
158	von Guenther, Kanthi	Chief Medical Examiner	MED	Feb 15-21, 2003	Chicago, Illinois	Attend annual meeting of forensic scientists	\$1995
159	De Alwis, Kanthi	Chief Medical Examiner	MED	Feb 15-21, 2004	Dallas, Texas	Attend annual meeting of forensic scientists	\$2553
160	De Alwis, Kanthi	Chief Medical Examiner	MED	Jun 4-9, 2005	Las Vegas, Nevada	Attend annual meeting for coroners and medical examiners	\$1238
161	Goodhue, Jr., William	Deputy Medical Examiner	MED	Sep 25-Oct 3, 2002	Shreveport, Louisiana	Attend annual coroners and medical examiners meeting	\$2636
162	Goodhue, Jr., William	Deputy Medical Examiner	MED	Aug 8-15, 2003	Waterville, Maine	Attend forensic sciences seminar	\$2396
163	Goodhue, Jr., William	Deputy Medical Examiner	MED	Nov 29-Dec 5, 2004	Orlando, Florida	Attend forensic sciences conference	\$2429
164	Carlisle, Peter	Prosecuting Attorney	PAT	Sep 18-27, 2002	Columbia, South Carolina	National District Attorney's Association (NDAA) conference	\$40 plus gift- no costs given
165	Carlisle, Peter	Prosecuting Attorney	PAT	Oct 16-20, 2002	Anchorage, Alaska	MADD conference	\$420 plus gift- no costs given
166	Carlisle, Peter	Prosecuting Attorney	PAT	Nov 19-24, 2002	Austin, Texas	NDAA board meeting	\$1747
167	Carlisle, Peter	Prosecuting Attorney	PAT	Mar 14-29, 2003	New Orleans, Louisiana	NDAA board meeting	\$1921

No.	Traveler's Name	Title	Dept	Travel Dates	Travel Location	Travel Purpose	Estimate Travel Costs
168	Carlisle, Peter	Prosecuting Attorney	PAT	May 10-14, 2003	Las Vegas, Nevada	National Tourism Safety & Security conference	\$410 plus gift-no cost given
169	Carlisle, Peter	Prosecuting Attorney	PAT	Jul 16-Aug 1, 2003	Snowmass, Colorado to Orlando, Florida	NDAA board meeting and Institute of Police Technology symposium	\$2119 plus gift-no cost given
170	Carlisle, Peter	Prosecuting Attorney	PAT	Nov 17-23, 2003	Tucson, Arizona	NDAA board meeting	\$1434
171	Carlisle, Peter	Prosecuting Attorney	PAT	Mar 16-26, 2004	Ft. Lauderdale, Florida to Los Angeles, California	NDAA board meeting and California Tourism Safety & Security conference	\$2282 plus gift-total cost not given
172	Carlisle, Peter	Prosecuting Attorney	PAT	Oct 19-31, 2004	Monterey, California	NDAA board meeting	\$1371
173	Carlisle, Peter	Prosecuting Attorney	PAT	Dec 1-5, 2004	San Diego, California	San Diego Family Justice Center Foundation meeting	\$440 plus gift-no cost given
174	Carlisle, Peter	Prosecuting Attorney	PAT	Feb 6-19, 2005	Alexandria, VA to Washington, DC	American Prosecutors Research Institute (APRI)/ NDAA conference	\$1476 plus gift-no cost given
175	Carlisle, Peter	Prosecuting Attorney	PAT	Apr 22-May 1, 2005	Asheville, North Carolina	NDAA board meeting.	\$1877

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Responses of Affected Agencies

Comments on Agency Responses

We transmitted a draft of this report to the Office of the Managing Director on June 30, 2006. A copy of the transmittal letter is included as Attachment 1. On July 17, 2006, the managing director submitted a written response to the draft report, which is included as Attachment 2. We were subsequently informed that the Department of Budget and Fiscal Services was also preparing a written response to the draft report. The department requested, and the city auditor granted, an extension to Wednesday, July 19, 2006 to submit a response. A copy of the department's response is included as Attachment 3.

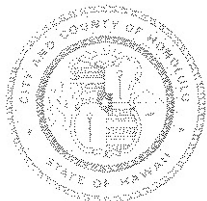
In response to our draft report, the managing director stated that his office would utilize the recommendations of the report, including working with the Department of Budget and Fiscal Services, ethics commission and city council to ensure that all reporting requirements are met in a proper and timely manner. He emphasized as was noted in our report, that most of the concerns addressed practices of the former administration and reiterated our observation that additional guidance from the present administration appeared to be resulting in improved processing of travel-related documents. The managing director noted that they intend to work diligently to maintain complete and accurate records for executive travel.

The director of the Department of Budget and Fiscal Services noted that overall the audit was a good report, and acknowledged the problematic nature of the documentation and processing of the previous administration's travel-related documents, particularly when gifted travel was involved. The director contended, however, that our findings are not completely accurate because we relied primarily upon review of records maintained by the fiscal accountants when we should have relied upon voucher payment documents maintained by the accounts payable section. The director noted two examples of copies of travel requests that were found in the voucher payment records that were not found in our review of the fiscal accountants' records. In response to the letter, we subsequently obtained copies of the specific missing documentation which were not in the department files during our fieldwork and have adjusted our final report to reflect this information.

However, we believe the director's comments improperly characterize the audit. Our audit objectives were to review and assess city executive staff's accuracy and completeness in reporting of out-of-state travel and the policies and procedures in place for ensuring accountability, which includes the role of the Department of Budget and Fiscal Services' fiscal accountants in the processing of travel-related documents.

In our meeting with department officials it was confirmed that the fiscal accountants and not accounts payable staff are responsible for working directly with city agencies to process out-of-state travel-related documents and payments. In accordance with the department's own policies and procedures, the fiscal accountants are responsible for verification of travel expenditures, review and approval of travel advances, and reconciliation of completed travel statements. The fiscal accountants are responsible for completion of the claims vouchers prior to being forwarded to the accounts payable staff for payment. During our fieldwork we did track records on selected travel documents maintained by the accounts payable section, and were informed by accounts payable staff that the fiscal accountants are responsible to review and process travel-related documents. Voucher payments are only a part of the travel-related process and the accounts payable section is not a repository for all travel-related documents. Further, documentation maintained by the fiscal accountants may not be "originals" but are no less "official" and should be more complete than payment voucher records maintained by accounts payable. Finally we believe that since the fiscal accountants are responsible for the review, approval and processing of travel-related documents, the acknowledgement by the director of budget and fiscal services that their records are "incomplete" further supports our concerns for the need to improve accountability.

We are encouraged that the administration representatives have acknowledged the problems and appear committed to proactively address the concerns identified in the audit.



OFFICE OF THE CITY AUDITOR
CITY AND COUNTY OF HONOLULU
 1000 ULUOHIA STREET, SUITE 120, KAPOLEI, HAWAII 96707 / PHONE: (808) 692-5134 / FAX: (808) 692-5135

LESLIE I. TANAKA, CPA
 CITY AUDITOR

June 30, 2006

COPY

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

Dear Mr. Hashiro:

Enclosed for your review are two copies (numbers 11 and 12) of our confidential draft audit report, *Audit of the City's Executive Staff's Out-of-State Travel*. 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, July 17, 2006.

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,

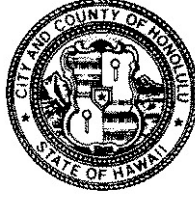
A handwritten signature in cursive script, appearing to read "Leslie I. Tanaka".

Leslie I. Tanaka, CPA
 City Auditor

Enclosures

OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 300 * HONOLULU, HAWAII 96813
PHONE: (808) 523-4141 * FAX: (808) 523-4242 * INTERNET: www.honolulu.gov



MUFI HANNEMANN
MAYOR

WAYNE M. HASHIRO, P.E.
MANAGING DIRECTOR

TRUDI S. SAITO
DEPUTY MANAGING DIRECTOR

July 17, 2006

'06 JUL 17 110:42

Mr. Leslie I. Tanaka, CPA
City Auditor
1000 Uluohia Street, Suite 313
Kapolei, Hawaii 96707

C & C OF HONOLULU
CITY AUDITOR

Dear Mr. Tanaka:

Thank you for the opportunity to comment on the draft audit of the executive staff's out-of-state travel.

We note that the audit was a response to concerns expressed by the City Council over the sources and financing of travel by the previous mayor. You noted that your review period covered only the first six months of the Hannemann administration. You also acknowledged that, for the most part, our executive travel files were complete and that our office was now providing guidance to the administrative staff on the proper procedures to follow in processing travel-related documents. We will work diligently to maintain complete and accurate reports of executive travel and will continue to provide guidance both to executives traveling at City expense and those charged with maintaining travel records. In addition, we will use the recommendations you made, including working with the Department of Budget and Fiscal Services, Ethics Commission, and the City Council, to ensure all reporting requirements are met in a proper and timely manner.

In conclusion, we appreciate that you indicated the Hannemann administration has shown "recognizable improvements in providing proper supporting documentation when reporting travel requests," particularly in comparison to the past practices you documented in your audit.

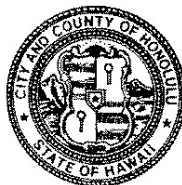
Sincerely,

A handwritten signature in cursive script that reads "Wayne M. Hashiro".

Wayne M. hashiro
Managing Director

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
 530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
 PHONE: (808) 523-4616 • FAX: (808) 523-4771 • INTERNET: www.honolulu.gov

MUFI HANNEMANN
 MAYOR



MARY PATRICIA WATERHOUSE
 DIRECTOR

PATRICK T. KUBOTA
 DEPUTY DIRECTOR

July 19, 2006

'06 JUL 19 P 6:07

C & C OF HONOLULU
 CITY AUDITOR

Mr. Leslie I. Tanaka, CPA
 City Auditor
 1000 Uluohia Street, Suite 313
 Kapolei, Hawaii 96707

Dear Mr. Tanaka:

Thank you for the opportunity to comment on the executive staff's out-of-state travel. I will only be commenting on concerns raised in regards to the Department of Budget and Fiscal Services.

Overall, we feel it is a good report, however, I would like to make a couple clarifications. The auditors relied heavily on the fiscal accountants travel documents files although they were informed on a number of occasions that these files may not be complete. The auditors were told that the voucher payment documents maintained by the Accounts Payable section are the official records and are more complete, but they chose to use the fiscal accountants' records instead. Consequently, their findings are not completely accurate. For example, Walea Constantinou did submit a travel request form for her April 2004 trip (item 83) and a Travel Request for Peter Carlisle's April 2005 was prepared (item 175).

We did have problems with the prior administration submitting their documents to us on a timely basis. Donated travel especially posed a problem since we had no way of knowing what was going on unless the department provided us with the necessary information.

Please feel free to call me at 523-4617, if you have any questions or concerns.

Sincerely,

Mary Patricia Waterhouse, Director
 Budget and Fiscal Services

cc: Wayne M. Hashiro, P.E.
 Managing Director

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