



EDWIN S.W. YOUNG
CITY AUDITOR

OFFICE OF THE CITY AUDITOR

City and County of Honolulu

State of Hawai'i

January 9, 2014

The Honorable Ernest Y. Martin, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai'i 96813

Subject: **Office of the City Auditor's Quarterly Report as of December 31, 2013**

This report provides the City Council with an update on the activities of the Office of the City Auditor and summarizes our Fiscal Year 2013-14 Work Plan activities.

Projects Completed

During this quarter, the Office of the City Auditor completed the following projects:

- ***Comprehensive Annual Financial Report (CAFR)***. Financial audit of city and county financial statements for FY2013 started in July 2013 and was completed in December 2013. Audit performed by external auditors under OCA contract. External audits include:
 - **City and County of Honolulu – Public Transportation System - Bus and Paratransit Operations, Financial Statements and Supplemental Schedules, June 30, 2013.**
 - **City and County of Honolulu – Sewer Fund Financial Statements, June 30, 2013.**
 - **Financial Audit of the City and County of Honolulu for Fiscal Year Ended June 30, 2013 – Management Letter**
 - **Single Audit of Federal Financial Assistance Programs**
- ***Audit of the Honolulu Authority for Rapid Transportation's (HART) Contracts and Spending for Public Relations and Public Involvement Services (Resolution 12-149)***. The resolution requests an audit of HART's contracts and spending for public relations and public involvement services to determine what specific public involvement service(s) each employee, contractor and subcontractor provides, and to provide an opinion on whether these services, and the amount paid for these services, individually and collectively, are objective; required by federal law; and justified. The final report was released in December 2013.
- ***Peer Review of the City Auditor Office for the City of San Jose, CA***. The peer review was completed in November 2013.
- ***Audit of the Real Property Assessment Division of the Department of Budget and Fiscal Services (Resolution 10-269)***. The resolution requests a performance audit of the Real Property Assessment Division of the Department of Budget and Fiscal Services regarding its process of classification, reclassification, valuation, and assessment of real property for taxation purposes. The final report was released on October 4, 2013.

- **Peer Review of the City Auditor Office for the City of San Diego, CA.** The peer review was completed in October 2013.
- **OCA Annual Report FY2012-13.** The annual OCA report for FY2012-13 was released in September 2013.
- **Monitoring of p-Card purchases.** OCA reviewed the city p-card purchases for FY2012-13 and the results were forwarded to the BFS Internal Audit Division for follow-up.
- **Review of Council's ACA and P-Card Transactions for FY2012-13.** Per the City Council response to the *Audit of the Policies and Procedures Relating to the Honolulu City Council's Annual Contingency Allowance*, OCA reviewed the ACA and P-card transactions for FY2012-13 and found no deficiencies. The results were released in August 2013.
- **Peer Review of the City Auditor Office for the City of Oakland, CA.** The peer review was completed in July 2013.

Projects Underway

During this quarter, the status of the Office of the City Auditor projects is as follows:

- ***Audit of the Department of Environmental Services' (ENV) Wastewater Contracts and Procurement Practices (Resolution 12-150).*** The resolution requests an audit of ENV's contracts, including its procurement practices to ensure that it is operating efficiently, effectively, and in compliance with all applicable laws and policies. Preliminary survey work indicates a series of audits is needed to cover the multitude of projects and sub-projects listed in the resolution. Fieldwork was suspended for higher priority work and will be resumed in March 2014.
- ***Audit of Management of City Capital Projects.*** This project was combined with the *Audit of the Department of Environmental Services' (ENV) Wastewater Contracts and Procurement Practices (Resolution 12-150)*.
- ***Audit of the Department of Customer Services' Motor Vehicle, Licensing and Permits Program (Resolution 13-27).*** The resolution requests an audit of the City's Motor Vehicle, Licensing and Permits Program. The audit is to address issues including, but not limited to, determining the efficiency of staff to process various motor vehicle licensing and permitting transactions; providing detailed statistics on daily and monthly transactions; providing recommendations on streamlining processes at motor vehicle licensing locations; and providing recommendations on legislation that should be introduced to assist with motor vehicle licensing location efficiency. As appropriate, the project will include processing of military members. Preliminary survey work started in September 2013 and fieldwork is ongoing.
- ***Audit of Funds Appropriated for Bicycle Projects (Resolution 10-297).*** The resolution requests an audit of the funds appropriated for bicycle projects to determine why such funding lapses at such a high rate and receives such low priority. The project was re-started in October 2013 and preliminary work is on-going.
- ***Service Efforts and Accomplishments (SEA) Report (FY 2013).*** Report contains citywide and department specific statistics, information and data on city missions, goals, services and programs. Report quantifies inputs, outputs, performance measures, comparisons, and trends over five years. This is the fourth SEA for Honolulu. The NCS portion of the project started in October 2013. This year's report is redesigned and presented in four separate reports:
 - **The National Citizen Survey™, City and County of Honolulu (2013) Community Livability Report.** Report presents citizen opinions and ratings for city services, programs, and priorities across eight central facets of community: Safety, Mobility, Natural

Environment, Built Environment, Economy, Recreation and Wellness, Education and Enrichment and Community Engagement.

- **The National Citizen Survey™, City and County of Honolulu (2013) Dashboard Summary of Findings Report.** Report summarizes citizen opinions of city services, programs, and priorities within the eight facets of community livability and benchmark comparisons with other communities across the nation.
- **The National Citizen Survey™, City and County of Honolulu (2013) Trends over Time Report.** Report provides trends over time with benchmark comparisons to previous survey results in 2006, 2010, 2011, and 2012.
- **The National Citizen Survey™, City and County of Honolulu (2013) Technical Appendices.** Contents include citizen survey results, benchmark comparisons, survey methodology, and survey materials.
- **Audit of the Board of Water Supply (BWS) (Resolution 13-201, FD1).** The resolution requests a comprehensive management and performance audit of the Board of Water Supply. The audit is to report on issues including, but not limited to, management policies and procedures; performance measurements to gauge the effectiveness and efficiency of BWS operations; financial tools and controls to provide assurance that BWS is using taxpayer funds effectively and efficiently; whether the status and powers of the BWS as a semi-autonomous agency should be maintained; problems associated with the new billing system implementation; whether the BWS can improve operational efficiency and effectiveness and reduce costs by: 1) improving its management policies and/or procedures; 2) improving customer service, especially by decreasing call wait times; 3) comparing costs and operations with other water jurisdictions; and 4) improving transparency through better communications with the public and the Council; and whether the BWS rate structure is fair to all customers when comparing BWS rates, water costs and operational costs with similar jurisdictions that are water providers. Preliminary survey work was started in November 2013 and is ongoing.

Projects to Be Started

- Audit Recommendations Status Report of prior audit recommendations. Follow-up of outstanding audit recommendations.
- Audit of the Honolulu Authority for Rapid Transportation (HART) Selected Expenditures and Operations
- Audit of Environmental Services Collection and Disposal Systems
- Audit of City Grants Recipients and City Established Non-Profits
- Audit of City Towing Operations
- Audit of Information Technology Operations, Security, Development, and Implementation
- Other audits as requested by the City Council

Respectfully Submitted,


Edwin S.W. Young
City Auditor

c: City Clerk