



EDWIN S.W. YOUNG
CITY AUDITOR

OFFICE OF THE CITY AUDITOR

City and County of Honolulu

State of Hawai'i

January 4, 2013

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, 2012**

This report provides the City Council with an update on the activities of the Office of the City Auditor and summarizes our Fiscal Year 2012-13 Work Plan activities.

Projects Completed

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

- ***Audit of the Policies and Procedures Relating to the Honolulu City Council's Annual Contingency Allowance (Resolution 10-73)***. This audit reviews and makes recommendations for improving policies and procedures relating to the use and expenditure of the council's annual contingency allowance. The council chair's staff was briefed on the preliminary results and the recommendations are being implemented. The final report was released in December 2012.
- ***Triennial Peer Review***. The city auditor's office is required by generally accepted government auditing standards to undergo an external peer review by an independent audit organization at least once every three years. In early December, the peer review team conducted the triennial review and gave the city auditor's office a clean opinion. The peer review results were released in December 2012.
- ***Audit of the Department of Parks and Recreation's Camping Operations (Resolution 11-46)***. The audit objective is to conduct a performance audit of the camping operations of the Department of Parks and Recreation. The final report was released in October 2012.
- ***Audit Recommendation Status Report***. The report determined the number of outstanding recommendations completed, resolved, in-process, not started, and any that should be dropped. The report was released in October 2012.
- ***FY 2012 Financial Audit of the City and County of Honolulu***. The audit by the outside accounting firm started in July 2012. The audit is required by the city charter and includes the Comprehensive Annual Financial Report (CAFR); Public Transportation System - Bus and Paratransit Operations Financial Statements; Sewer Fund Financial Statements; Management Letter; and Single Audit of Federal Financial Assistance Programs. Audit work was delayed due to the newly formed HART authority, the elections, and other unexpected circumstances. The CAFR, audit work, and draft reports were completed in December 2012.

Status of Projects Started or Underway

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

- ***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. Field work is completed and report drafting is underway.
- ***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. Preliminary survey work was completed in November 2012. Field work was suspended for higher priority work and will re-start in March 2013.
- ***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 started in August 2012 and suspended for higher priority work. Survey work will re-start in March 2013.
- ***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)*.
- ***Service Efforts and Accomplishments Report (FY2012)***. This report contains city wide and department specific statistics, information and data on city missions, goals, services and programs. The report quantifies inputs, outputs, performance measures, comparisons, and trends over five years. This will be the third SEA for Honolulu. Audit work started in November 2012.
- ***National Citizen Survey (NCS)TM, City and County of Honolulu (2012)***. Work has begun on the National Citizen Survey (NCS)TM, City and County of Honolulu (2012). The NCSTM provides statistically valid survey results of citizen opinions of city services, programs, and priorities. This is the fourth citizen survey for Honolulu.
- ***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 suspended due to higher priority work.
- ***Monitoring of p-card purchases***. Ongoing.
- ***IFB Solicitation for New External Auditor***. Revised city charter requires external accounting firm to audit the city's financial statements. The solicitation is for a new accounting firm to replace the current external auditor when its contract expires in June 2013.

Projects to Be Started

- Audit of City Established Non-profits (on-going).
- Audit of Information Technology Operations, Security, Development, and Implementation
- Audit of City Transit and Paratransit Programs
- Other audits as requested by the City Council

Respectfully Submitted,



Edwin S.W. Young
City Auditor

c: City Clerk