

# OVERVIEW

## *Audit of Selected Hiring Policies and Practices of the Executive Branch of Government*

Report No. 05-12, December 2005

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### Summary

Our audit found that specific criteria are lacking in several areas with regard to the hiring policies and practices in the executive branch. As a result, agencies in the executive branch find ways to circumvent the controls currently in place to regulate hiring. For example, agencies take advantage of the approval process for special, research, and demonstration projects and for exempting employees who work on these projects. We also found that positions are routinely established and filled without legislative approval and that the practice of deploying employees from one agency to another provides questionable benefits. Furthermore, although the governor's budget execution policies attempt to manage spending, in part through the control of vacant positions, the resulting savings, if any, are not tracked or quantified by any agency in the executive branch.

We conducted the audit pursuant to Section 154 of Act 178 of the 2005 legislative session that required the Auditor to examine the implementation of the hiring policies established by the budget execution policies and instructions, to assess the implementation of the policies, and to include estimates of savings realized as a result of these hiring policies as identified by the Department of Budget and Finance.

We reviewed 42 positions exempted under Section 76-16(b)(12), HRS and their associated special, research, or demonstration projects. Because the statute does not provide criteria regarding these projects, the Department of Human Resources Development has developed definitions for the projects but they are broad in scope and result in a subjective approval process. We determined that several of the projects and exempt positions have been on-going for many years and appear to be a regular function of the agency, rather than a project under this section of the statute. These examples contradict the department's definition that a project should have a limited life and not be a normal function of an agency.

Agency heads have the discretion to manage personnel to achieve the agency's objectives and to provide for the most efficient and economical use of their workforce; however, we found that this flexibility is being used to evade formal hiring procedures. To illustrate this, we interviewed 11 employees who had been deployed to work at either the governor or lieutenant governor's office. Deployed positions, as described by the director of finance, are positions whose incumbents have been reassigned to perform work outside the program that funds the position. Six of the employees were interviewed and hired by the governor or lieutenant governor's office and not by the agency paying their wages. In fact, two of the employees were initially paid by the governor's office but after working for four months, one began receiving paychecks from the Department of Transportation and the other from the Department of Public Safety. We also found that some of



the deployed employees were performing duties unrelated to those reflected in their position descriptions. Additionally, most agencies reported the deployments had no impact on them which leads us to question whether this practice is an efficient and effective use of resources and whether the agency paying the wages receives a benefit as a result of the deployment.

The report submitted to the Legislature by the governor regarding unauthorized positions lists 934 positions and \$30,818,479 as expended for these positions in FY2004-05. The director of finance described "unauthorized positions" as those not specifically identified in the budget details, in legislative worksheets, or not authorized in other specific acts. This practice bypasses legislative approval and does not allow an accurate picture of the resources of any agency. In addition, funds used to pay for the unauthorized positions may have been appropriated for other purposes.

Finally, we were unable to find any agency in the state that actively monitors vacant positions to determine whether savings are achieved from position vacancies. According to the Department of Budget and Finance, funds appropriated for vacant positions are discretionary; therefore, they can be used for other purposes by agencies. As a result, we found that savings are not tracked or quantified and may in fact be nonexistent because the funds "saved" by not filling vacant positions can be used for other purposes.

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## Recommendations and Response

Our recommendations for the Department of Budget and Finance include developing written criteria to review requests to establish and fill exempt positions and discouraging the use of unbudgeted positions in the executive branch. We recommended that the Department of Human Resources Development develop written policies, procedures, and criteria to evaluate the appropriateness of special, research, and demonstration projects and establish a roster of all exempt, deployed, and unauthorized positions by agency. We also recommended that the Legislature require the Departments of Budget and Finance and Human Resources Development to collaborate and report on vacancies and any potential savings. Regarding deployed positions, we included recommendations to executive branch agencies to exercise more discretion when deploying positions and to ensure that the work being done benefits the agency funding the position.

The Department of Budget and Finance provided general comments, emphasizing the importance of flexibility in managing the State's resources. The Department of Human Resources Development also provided general comments echoing the Department of Budget and Finance's emphasis on the need for flexibility. The Office of the Governor did not provide a response.

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