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**“I am flabbergasted  
to learn that  
this was never  
addressed.”**

*– Deputy attorney general  
for Hawai'i Teacher  
Standards Board when  
told that the contractor  
refused to return  
teachers' confidential  
personal information.*

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# Report on the Implementation of State Auditor's 2009 Recommendations

Report No. 12-06, August 2012

## *Less than half of 2009 recommendations have been implemented; public school teachers' personal information at risk*

To ensure agency accountability over audit recommendations, the 2008 Legislature amended the Auditor's governing statute to require follow-up reporting on recommendations made in various audit reports. The purpose of this change was to apprise the Legislature of recommendations not implemented by audited agencies. Section 23-7.5, Hawai'i Revised Statutes, now requires the Auditor to report to the Legislature annually on each audit recommendation more than one-year old that has not been implemented by the audited agency.

The review focused on the departments' implementation of audit recommendations made in calendar year 2009. We conducted interviews with department personnel, board members, and various advisory board/counsels, as applicable. We reviewed pertinent policies and procedures, reports, and other documents to assess management's claims regarding audit implementations. We conducted site visits to observe processes in place.

We found that of the 92 recommendations made in 2009, 39 (42 percent) were implemented and deemed closed. Seven recommendations (8 percent) remain open and 23 (25 percent) are open but in the process of implementation. We also determined that six recommendations (6 percent) are open and not likely to be pursued and eight recommendations (9 percent) are no longer applicable. We did not assess the implementation of nine recommendations (10 percent).

### ***Management and Financial Audit of Hawai'i Tourism Authority's Major Contracts, Report No. 09-02***

In our 2009 audit, we found that the Hawai'i Tourism Authority's (HTA) year-to-year approach to planning and program implementation hindered its ability to strategically manage the long-term growth of the state's visitor industry. In addition, we found that the authority did not have a functional strategic plan of its own to serve as a roadmap for the organization. The agency also lacked performance goals and targets for both its contractors and itself. Lastly, the agency's reports, which focused on actual spending compared with budgeted amounts, provided no indication of progress toward planned outcomes or measurable results.

In our follow-up effort, we found that the HTA has developed a new strategic plan, which it used to establish key performance indicators that measure the performance of its marketing contractors. The contractors, in turn, are required to provide monthly, quarterly, and annual reports detailing their results. However, we found that while HTA produces extensive information on the economic performance of the visitor industry in general, it has not established agency targets nor reported on its own performance towards achieving its goals. Moreover, we could not discern from our review of agency documents how well HTA is achieving its goal to optimize benefits that integrate visitors', the community's, and the visitor industry's interests. We found that the agency commissions reports and gathers data relevant to such a determination, but does minimal analysis and reporting of it.

### ***Procurement Audit of the Department of Education: Part 1 and Part 2, Report No. 09-03 and Report No. 09-04***

In part 1 of our report, we found no evidence that the department has the mechanisms and functions to monitor and review procurement compliance on a regular basis. Even though our audit was based on a relatively small sample size, we uncovered numerous instances of non-compliance and violations of procurement rules and regulations. In addition to the high volume of violations, we also identified several risk factors and indications of potential fraud, which compelled us to expand the scope of our work. We issued a separate report presenting the results of that expanded work.

Part 2 of our report revealed an organizational culture of disregard for procurement rules in the Office of School Facilities and Support Services (OSFSS). That culture had allowed office directors,



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**“The worst I’ve  
seen in my career.”**

*– The state chief  
information officer  
commenting on Hawai'i  
state government's  
management structure for  
information technology.*

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managers, and staff to believe they had the discretion to unilaterally determine whether compliance with procurement laws and rules was in the best interest of the department. As a result, non-compliant procurement practices were tolerated and, more importantly, unethical and possibly fraudulent behavior has been allowed to thrive.

The response to our audit was swift: the then-superintendent returned procurement authority for construction projects to the Procurement and Contracts Branch. However, five months after the then-superintendent rescinded OSFSS's procurement authority, the then-deputy superintendent restored it. In addition, despite the findings of our audits and its own independent investigator, the department did not take strong disciplinary measures against two of the three OSFSS employees who were found to have committed multiple procurement violations.

Today, two of the employees remain in their same jobs as heads of their respective OSFSS branches, which have been given even greater procurement authority with greatly reduced, if any, oversight by the Procurement and Contracts Branch. As a result, the risk of ethical misconduct in the OSFSS remains high, which creates a perception that the department has done little to address the issues.

### ***Study on the Appropriate Accountability Structure of the Hawai'i Teacher Standards Board, Report No. 09-05***

Our study found that the board failed to develop, administer, and deliver a professional teacher licensing program, its core function as a licensing agency. We found little evidence that licensing by the board ensured quality teaching and sufficiently served the interests of teachers and students to warrant its continuation. We concluded that the laws governing the board should be repealed and the responsibility for teacher licensure be transferred to the Board of Education.

In our follow-up effort, we found that the board has addressed operational issues highlighted in our audit report. The board's focus on its duty of setting teacher performance standards and serving as a licensing agency has led to noticeable improvement. These efforts have resulted in the board achieving its primary function—developing and administering a professional teacher licensure program for the teachers of Hawai'i. However, unresolved issues with a former contractor may have severe consequences for the board and public school teachers. Most serious of these was a refusal by the contractor to return confidential personal information of public school teachers licensed by the board from 2003 through 2008. The board's inability to retrieve this data exposes teachers to significant risk.

### ***Audit of the State of Hawai'i's Information Technology: Who's in Charge? Report No.09-06***

In our original report, we found an information technology (IT) governance structure that was bereft of effective leadership and coherent direction. In addition to confusion over roles, responsibilities, and lines of authority, the system was overseen by a part-time chief information officer (CIO) who lacked the commitment, time, and authority necessary to manage the government-wide system.

In our follow-up effort, we found that the Legislature and the governor's office have done much to establish a new IT infrastructure. However, we also found that the fundamental issues regarding the CIO's authority to implement and manage statewide initiatives have yet to be addressed. At this time, the scope of the CIO's authority does not extend beyond his own office and support staff of six. Therefore, the question of who is in charge of IT governance in Hawai'i remains unanswered.

### ***Investigation of the Procurement and Expenditure Practices of the Department of Business, Economic Development and Tourism and Selected Attached Agencies, Report No.09-07***

Our audit report, released in April 2009, revealed an organizational culture unconcerned with the directives of the Legislature and unconvinced of the importance of the Hawai'i Public Procurement Code. Department leadership was lacking, with a “tone at the top” that placed emphasis on expediency over accountability. Moreover, there were no assurances that policies and procedures were in place.

In our follow-up of the report's recommendations, we found that the department no longer uses appropriation transfer authority to fund projects denied by the Legislature and has discontinued funding of prior projects funded in this manner. In addition, the director enforces the rules, policies, and procedures of the Procurement Code by having division heads and executive directors sign an annual Procurement Delegation Agreement. The department also conducts internal audits to ensure compliance with the code.