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Jan K. Yamane
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**"Insanity is doing
the same things
and expecting a
different result."**

*-- Aloha Tower
Development Corporation
board member on altering
development strategies
and pursuing a non-retail
concept for the Aloha
Tower Marketplace area.*

Report on the Implementation of State Auditor's 2010 Recommendations

Report No. 13-03, April 2013

Fewer than half of 2010 recommendations have been implemented; 30 percent are still in progress

The 2008 Legislature amended the Auditor's governing statute to require follow-up reporting on recommendations made in various audit reports to ensure agency accountability over audit recommendations. The purpose of this change was to apprise the Legislature annually of recommendations not implemented by audited agencies, and to require such agencies to submit a written report not later than 30 days after issuance of our report explaining why the recommendation was not implemented and the estimated date of its implementation.

Our review focused on entities' implementation of audit recommendations made in calendar year 2010. We found that of 72 recommendations made in 2010, 29 were closed (40 percent), 12 were open (17 percent), 21 were open but in progress (29 percent), three were open and likely not to be pursued (4 percent), five were considered not applicable (7 percent), and two were not assessed (3 percent). This report details each recommendation, its status, and actions taken related to the recommendation.

Investigation of Specific Issues of the Department of Business, Economic Development & Tourism, Report No. 10-01

Our 2010 report found a variety of troubling actions by the department in its portrayal and use of federal reimbursement funds and ethical concerns stemming from actions related to a 2005 trade mission to China. Our follow-up found a change in department leadership has coincided with a greater emphasis on transparency and compliance among department personnel. Actions have also been taken to address our 2010 recommendations regarding the continued use of federal reimbursement funds.

Financial Examination of the Department of Budget and Finance, Report No. 10-03

Our 2010 report questioned the department's management of state funds and its decision to invest in auction-rate securities in violation of statutory and departmental policy. When the market failed, the department was left with more than \$1 billion in securities with maturity dates as far off as the year 2045. Our follow-up found the State has reached an agreement that provides an opportunity to sell the securities and preserve its principal. In addition, the department has taken steps as recommended to revise its investment policy and increase oversight of its investment program to improve compliance.

Management Audit of the Aloha Tower Development Corporation, Report No. 10-04

Our 2010 report found a corporation mired in litigation for every development it had undertaken and headed by a board that knowingly operated with an outdated master plan and rules, which affected its ability to accomplish its mission. Our follow-up found the corporation was not abolished as recommended. Instead, it was moved to the Department of Transportation and its board membership reduced. Actions have been taken to address a \$7 million debt owed by the corporation and all litigation has been resolved. However, the board continues to knowingly move forward with an outdated master plan and has adopted a philosophy that surrenders its development responsibilities.



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**"If our credibility
is shot, we can't
function."**

*– Director of business,
economic development
& tourism on the need
for the department to
establish a reputation of
compliance.*

Program and Management Audit of the State's Purchasing Card Program, Report No. 10-05

Our 2010 report found the State Procurement Office (SPO) took a hands-off approach to administering the pCard Program by delegating significant responsibilities to executive agencies and failed to establish meaningful performance goals for the program. We concluded that this approach prevented the SPO from fully realizing the pCard Program's potential. Requests by our office to meet with the SPO to conduct our follow-up were not granted. As a result, we were unable to verify or clarify agency claims in relating to implementation of our recommendations.

Audit of the Department of Public Safety, Sheriff Division, Report No. 10-06

Our 2010 report found that a lack of proper guidance by management and inadequate training, coupled with expanded responsibilities, contributed to the division's struggles to uphold its law-enforcement duties. Our follow-up found the division has taken steps to provide clearer guidance for law enforcement and identify actions necessary to achieve strategic goals and objectives. However, ongoing personnel issues and unresolved disputes with other agencies continue to impact the division's ability to meet security needs at public venues such as courts and airports.

Management Audit of the Department of Public Safety's Contracting for Prison Beds and Services, Report No. 10-10

Our 2010 report found the department did not provide reliable financial data for policymakers to make knowledgeable decisions regarding the State's prison overcrowding problem. Procurement issues were also raised about agreements for prison beds and services at mainland corrections facilities. Our follow-up found the department has improved the accuracy of its incarceration data through better methodology. However, while procurement compliance is considered a priority for the department director, we found a number of department staff still engage in procurement activity without having received any procurement training as recommended.

Management and Financial Audit of the Department of Taxation Contracts, Report No. 10-11

Our 2010 report found several factors contributed to the department's inability to finalize a decade-long effort to replace its aging computer system. A lack of long-term planning, coupled with the department's reliance on a contracted vendor, raised concerns about the department's ability to perform ongoing enhancements to its information technology (IT) system beyond 2011, when the vendor's services expired. Our follow-up found new leadership has resulted in an improved work environment with an emphasis on long-range planning and working together to achieve department goals. The department has also followed our recommendation to develop a transition plan enabling it to adequately assume all technical functions and responsibilities previously performed by its IT vendor.