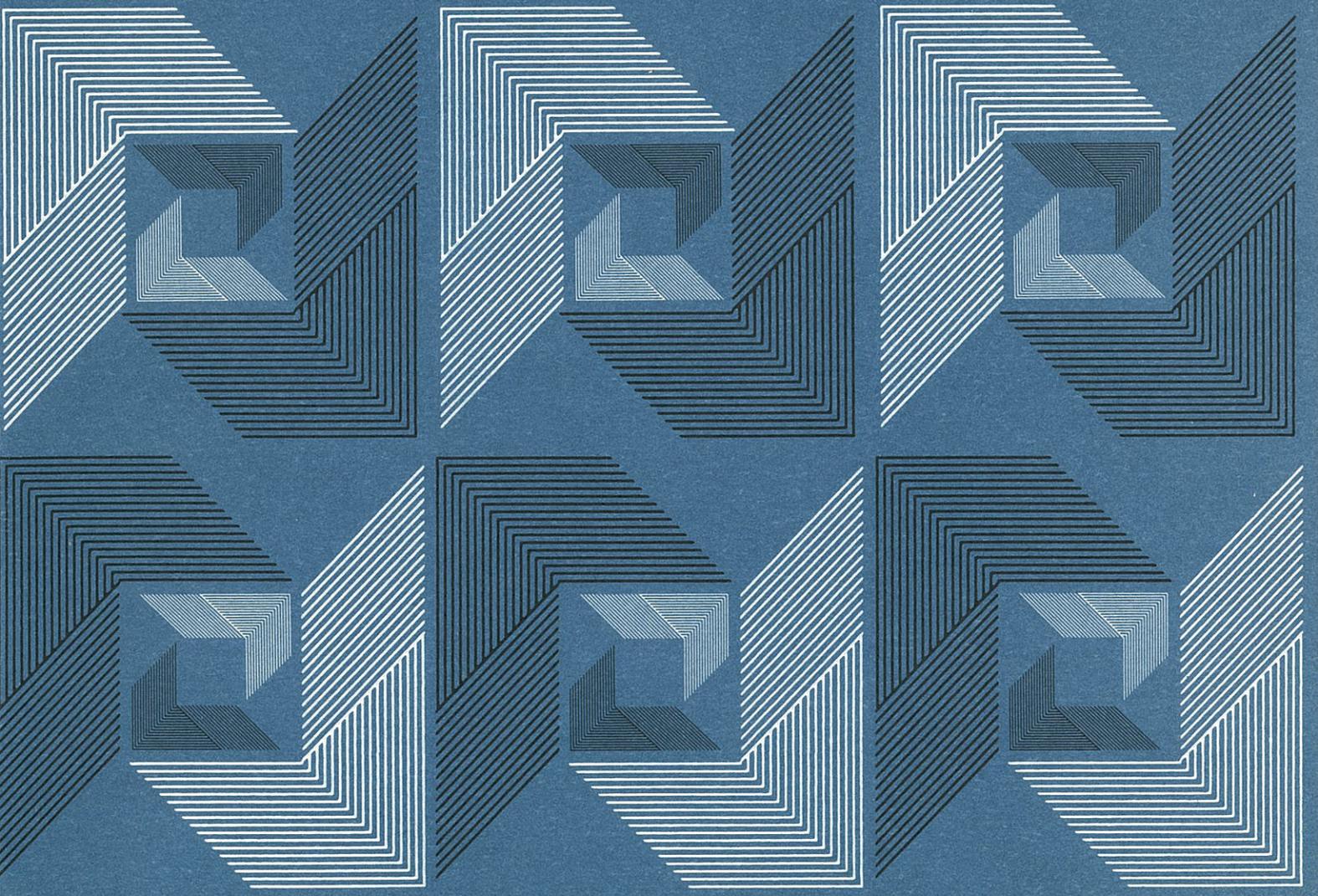


AUDIT REPORT NO. 79-2
FEBRUARY 1979

GENERAL AUDIT OF THE OFFICE OF ENVIRONMENTAL QUALITY CONTROL

A REPORT TO THE GOVERNOR AND THE LEGISLATURE OF THE STATE OF HAWAII



SUBMITTED BY THE LEGISLATIVE AUDITOR OF THE STATE OF HAWAII

THE OFFICE OF THE LEGISLATIVE AUDITOR

The office of the legislative auditor is a public agency attached to the Hawaii State legislature. It is established by Article VII, Section 10, of the Constitution of the State of Hawaii. The expenses of the office are financed through appropriations made by the legislature.

The primary function of this office is to strengthen the legislature's capabilities in making rational decisions with respect to authorizing public programs, setting program levels, and establishing fiscal policies and in conducting an effective review and appraisal of the performance of public agencies.

The office of the legislative auditor endeavors to fulfill this responsibility by carrying on the following activities.

1. Conducting examinations and tests of state agencies' planning, programming, and budgeting processes to determine the quality of these processes and thus the pertinence of the actions requested of the legislature by these agencies.
2. Conducting examinations and tests of state agencies' implementation processes to determine whether the laws, policies, and programs of the State are being carried out in an effective, efficient, and economical manner.
3. Conducting systematic and periodic examinations of all financial statements prepared by and for all state and county agencies to attest to their substantial accuracy and reliability.
4. Conducting tests of all internal control systems of state and local agencies to ensure that such systems are properly designed to safeguard the agencies' assets against loss from waste, fraud, error, etc.; to ensure the legality, accuracy, and reliability of the agencies' financial transaction records and statements; to promote efficient operations; and to encourage adherence to prescribed management policies.

5. Conducting special studies and investigations as may be directed by the legislature.

Hawaii's laws provide the legislative auditor with broad powers to examine and inspect all books, records, statements, documents, and all financial affairs of every state and local agency. However, the office exercises no control functions and is restricted to reviewing, evaluating, and reporting its findings and recommendations to the legislature and the governor. The independent, objective, and impartial manner in which the legislative auditor is required to conduct his examinations provides the basis for placing reliance on his findings and recommendations.



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**GENERAL AUDIT OF THE
OFFICE OF ENVIRONMENTAL QUALITY CONTROL**

**A Report to the Governor and the Legislature of the
State of Hawaii**

**Submitted by the
Legislative Auditor of the State of Hawaii**

Audit Report No. 79-2

February 1979

FOREWORD

Recognizing that the quality of the environment is of vital importance to the welfare of the people of Hawaii and that measures must be taken to protect the quality of the environment, the legislature established the office of environmental quality control in 1970. The office was assigned the responsibility to stimulate, expand, and coordinate environmental programs and to advise the governor on all matters relating to the environment.

This audit was undertaken in response to a legislative request to assess whether the office of environmental quality control has been attaining its objectives. We examined the office to assess its effectiveness and efficiency in coordinating, expanding, and stimulating environmental efforts; conducting its research program; managing its personnel and financial affairs; and maintaining relationships with other environmental organizations. We have made a number of recommendations in the audit report to correct problems which are hampering progress toward the State's environmental goals.

We wish to acknowledge the cooperation and assistance extended by the agencies we contacted during the audit.

Clinton T. Tanimura
Legislative Auditor
State of Hawaii

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Chapter 1

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The audit of the financial statements of the Department of Public Safety, Hawaii, is required by the provisions of the Public Accounting Act of 1954. The audit has covered the period from July 1, 1954, to June 30, 1955.

PART I

INTRODUCTION AND BACKGROUND

The Department of Public Safety, Hawaii, is a government agency which is primarily concerned with the maintenance of law and order and the protection of the public.

The Department is organized into several divisions, each of which is responsible for a specific function. The Department's operations are financed through the State Treasury.

The Department's financial statements are prepared in accordance with the provisions of the Public Accounting Act of 1954. The Department's financial statements are audited by the State Auditor.

Scope of the Audit

The audit was conducted in accordance with the provisions of the Public Accounting Act of 1954. The audit covered the period from July 1, 1954, to June 30, 1955.

Chapter 1

INTRODUCTION

This audit of the office of environmental quality control (OEQC) was conducted in response to a request from the presiding officers of the legislature to appraise whether the office has carried out effectively its responsibilities for protecting Hawaii's environment.

Objectives of the Audit

The objectives of the audit were:

1. To evaluate whether OEQC is performing its responsibilities efficiently and effectively,
2. To recommend changes, if any, which would lead to greater efficiency and effectiveness, and
3. To assess the legality and propriety of OEQC's expenditures and receipts, the adequacy of its financial accounting and internal control systems and procedures, and the accuracy of its financial statements.

Scope of the Audit

The audit covered the management practices and the financial affairs of OEQC. We

also examined other agencies, in particular the environmental quality commission, insofar as their activities have a bearing on OEQC.

The audit focused on the operations of fiscal year 1977, although the earlier and later years' activities were also reviewed. The base year for the financial statements was fiscal year 1977.

Organization of the Report

This report is presented in three parts.

Part I consists of this introduction and background information on OEQC and related organizations.

Part II presents our findings and recommendations on the effectiveness of the office in managing its programs, its financial management practices, and the financial statements.

Part III contains the responses of the agencies affected by our findings and recommendations.

Chapter 2

BACKGROUND

The passage of the Environmental Quality Control Act (Act 132, SLH 1970, HRS chapter 341) stemmed from legislative concern with environmental problems. The legislature noted that many federal regulations awaited action, increases in population and changes in social attitudes were compounding environmental problems, and state efforts at maintaining environmental quality were fragmented.

The purpose of the act was to "stimulate, expand and coordinate efforts to determine and maintain the optimum quality of the environment of the State." To accomplish this, the legislature established the office of environmental quality control (OEQC) in the governor's office with a director appointed by the governor. OEQC was made responsible for implementing the act and for advising the governor on all matters relating to environmental quality control. The act gave to the director "such powers delegated by the governor as are necessary to coordinate and, when requested by the governor, to direct pursuant to chapter 91 all state governmental agencies in matters concerning environmental quality."

The act also made the director responsible for calling attention to environmental problems, conducting research, proposing and recommending environmental programs and legislation, encouraging public acceptance of environmental legislation, initiating public education programs, and offering assistance to all upon request.

Organization and Functions of OEQC

OEQC is a staff agency. Its functions are advisory and supportive. It does not operate environmental protection programs. Rather, program operation is undertaken by the appropriate executive agencies. For example, the department of health is responsible for operating prevention programs for water, noise, and air pollution. OEQC's job is to provide assistance and to help coordinate the efforts of the various agencies involved in environmental matters.

OEQC says it focuses on preventing new pollution and enhancing the environment. It attempts to prevent pollution through the process of environmental impact statements. OEQC attempts to enhance the environment by promoting environmental education and awareness.

OEQC also has supported and managed a number of research projects. Among the major ones are studies on solid waste and the recovery of energy and other resources from waste, and studies of the environmental carrying capacity of the Hawaiian Islands.

OEQC has a staff of 11, including the director.¹ The OEQC director, for most of the agency's existence, was appointed on an interim basis and was on loan from the Federal

¹The number of authorized positions was reduced to 10 in the Supplemental Appropriations Act of 1978.

Environmental Protection Agency.² During this period, the director's salary was paid by the federal government. The State paid some perquisites, such as a housing allowance.

OEQC staff is divided into an environmental planning unit, an environmental impact analysis unit, and a clerical services unit. Activities of the environmental planning unit include providing staff support to the environmental council, monitoring contracts relating to carrying capacity and solid waste research, assisting in public liaison work through environmental task forces and committees, and other tasks as they arise. The environmental impact analysis unit is responsible mainly for reviewing environmental impact statements and related documents. The clerical services unit provides clerical support. In addition, two employees provide staff support to the environmental quality commission.

Related Organizations

Two other organizations were created by the Environmental Quality Control Act of 1970. They are the environmental center and the environmental council. A third body, the environmental quality commission, was established by statute in 1974. The operations of all three are closely tied to those of OEQC.

The environmental center. The environmental center at the University of Hawaii has the same responsibilities for the university as OEQC has for the State. The university environmental center is responsible for stimulating, expanding, and coordinating the educational, research, and service efforts of the university in environmental matters. The center is headed by a director who is a faculty member at the university. The director is advised by a policy committee, one of whom is the director of OEQC who serves ex officio.

The center was dependent on OEQC for financial support from the time it was established to 1977. It received an annual

contract from OEQC for such services as reviewing proposed environmental legislation, reviewing environmental impact statements, establishing environmental education courses at the university, and research. In 1977, the university and OEQC agreed that financial support for the center thereafter would be included in the university's budget. The center is now independent of OEQC.

The center's activities relate to OEQC in a number of ways. The center has been involved in the review of environmental impact statements and in OEQC's research efforts. The director of the center serves as an ex officio member of the environmental council. He served on OEQC's carrying capacity steering committee for two years. He was also chairman and principal investigator of the Hawaii environmental simulation laboratory (HESL), a research project at the university. HESL received several contracts from OEQC to conduct research on carrying capacity.

The environmental council. The environmental council was established to serve as a liaison between the director of OEQC and the general public. In that capacity its duty is to solicit from the public information, complaints, recommendations, and advice on environmental quality. It is also to publicize environmental matters requested by the director of OEQC. The council may make recommendations concerning ecology and environmental quality to the director. In 1974, the legislature gave the council the added responsibility of monitoring the progress of state, county, and federal agencies in achieving the State's environmental goals and of preparing an annual report on such progress with recommendations for improvement.

The council is chaired by the director of OEQC. By law, the council consists of no more than 15 members and includes representatives

²It should be noted that whenever reference is made to the director or the interim director in this report, this refers to the former interim director who headed the office from April 1971 to January 1978.

from the mass media and relevant disciplines such as environmental design; natural, physical, and social sciences; technologies; social ethics and philosophy; representatives from the university, business and industry; public and private schools and colleges; and voluntary community associations. Council members are private citizens who serve without compensation but are reimbursed for expenses incurred in discharging their duties.

The environmental quality commission. In 1974, the legislature passed a law on environmental impact statements (EISs) and created an environmental quality commission (EQC) to administer the law (Act 246, SLH 1974, HRS chapter 343). The commission is composed of ten members appointed by the governor. The commission includes representatives of labor and management; the construction industry; environmental interest groups; real estate groups; and the architectural, engineering, and planning professions. The chairman of the commission is appointed by the governor, and the director of OEQC serves on EQC as an ex officio, voting member. Here,

again, the members are private citizens who volunteer their time. They serve without compensation but are reimbursed for expenses.

The commission was established as a separate body in the office of the governor. It is empowered to make, amend, and repeal rules and regulations implementing the provisions of the EIS law. The EQC prescribes the content of environmental impact statements, procedures for submission, distribution, review, and acceptance of statements. It establishes criteria for determining whether statements are acceptable, establishes classes of exempt actions, and prescribes procedures for disseminating information about the status of EISs.

EQC's activities have been closely intertwined with those of OEQC. Before the passage of chapter 343, under an executive order, OEQC was responsible for administering an EIS system for programs and projects initiated by state agencies. After the enactment of chapter 343, OEQC has provided administrative support to EQC.

INTRODUCTION

PART II

FINDINGS AND RECOMMENDATIONS

Chapter 3

INTRODUCTION

In this part, we present our findings and recommendations on the effectiveness of the office of environmental quality control in managing its programs and its financial management practices.

Summary of Findings

Generally, OEQC has not carried out the responsibilities for which it was established. At the same time, OEQC has assumed responsibilities contrary to statutory intent. More specifically:

1. OEQC has not adequately coordinated, stimulated, and expanded the efforts of state agencies to maintain environmental quality.

2. Although OEQC is supposed to assist in implementing the State's EIS system, its actual operations have detracted from efficient and effective administration of the EIS law.

3. OEQC's research management practices have been negligent and unsystematic. OEQC has misrepresented the status of research and has not adequately monitored research contracts.

4. OEQC has not developed sound personnel management practices. It has no classification plan, policies, or procedures to ensure equitable staff treatment.

5. OEQC's financial management practices are deficient in several respects. Expenditures are not adequately controlled, and assets are not properly safeguarded.

Chapter 4

PROGRAM EFFECTIVENESS

In this chapter, we examine the overall effectiveness of the office of environmental quality control (OEQC) in attaining the objectives for which it was created. Briefly restated, these are (1) to coordinate the environmental programs of other state agencies and (2) to stimulate and expand efforts at maintaining environmental quality.

Summary of Findings

OEQC has not carried out the objectives of the office. Specifically,

1. OEQC has not effectively coordinated the activities of state agencies so that common environmental objectives can be attained. Although various coordinative mechanisms are available, OEQC has not taken advantage of them.

2. OEQC has not maintained liaison with those agencies whose activities have major environmental implications.

3. Despite its claims, OEQC has no programs to stimulate, educate, and expand efforts at maintaining environmental quality.

Objectives of OEQC

The legislature established OEQC with the intent that it coordinate, stimulate, and expand environmental efforts. It was to coordinate

efforts of all departments, agencies, and commissions of government, as well as the private sector.¹ It was also to advise the governor and the legislature concerning long-range plans and necessary legislation, and offer advice and assistance to private industry, governmental agencies, or other persons upon request.²

OEQC was made a staff agency in the governor's office, because it was felt that its placement there would enhance interagency communication, promote technical assistance to agencies, heighten awareness of environmental matters, and generally facilitate environmental functions for governmental agencies. As a staff unit, it was expected to take a broadly based view and provide analysis and advice to the governor which would go beyond the narrow self-interest of the individual line agencies. It was believed that such a staff unit would also be able to identify and resolve problems which fall beyond the jurisdiction of any individual agency. Although OEQC was not given direct authority in environmental programs, it was anticipated that it would effectively influence agencies in achieving environmental objectives.

The various expressions of intent in creating OEQC may be reduced to the following

¹Standing Committee Report 722-70 on S.B. 1132-70, 1970 Regular Session.

²Standing Committee Report 488-70 on S.B. 1132-70, 1970 Regular Session.

statements of objectives: (1) to coordinate the environmental programs and efforts of state agencies; and (2) to stimulate and expand environmental awareness and concern. OEQC has acknowledged these to be its objectives. In the Multi-year Program and Financial Plan for the period 1977-1983, for instance, OEQC stated that its purpose is to assist in "restoring, protecting, and enhancing the natural physical environment by stimulating, expanding, and coordinating efforts to determine and maintain the quality of the environment of the State."³

OEQC has been in existence for more than eight years. However, it has not achieved the objectives for which it was created. It has failed to provide the coordination it was supposed to furnish and it has neglected to carry out its function of stimulating and expanding environmental awareness and concern.

Failure to Carry Out Coordinative Functions

A staff agency coordinates by furnishing information and assistance to agencies at key decision points, by gathering and exchanging information, and by seeking to reduce conflict so that the various agencies can act harmoniously and cooperatively in order to attain a common goal.

OEQC has not made a concerted effort to foster communication and exchange of information among the agencies. It has not developed a system for sharing information. It has not made agencies aware of the role of OEQC and its relationship to the agencies' respective activities. OEQC has not always assisted agencies in carrying out environmental programs, and it has not provided guidance in bringing together the diverse programs of agencies.

Coordination can be accomplished through various techniques and mechanisms, and a number of these mechanisms have been established either by law or by OEQC, for this

purpose. OEQC, however, has not utilized these mechanisms.

The failure of OEQC to fulfill its function of coordinating the activities of agencies and its failure to take advantage of the mechanisms available to it in performing its coordination function are outlined below.

Unproductive committee work. Inter-agency committees are vehicles for promoting coordination. They can be used to facilitate communication and cooperation. They can provide OEQC with a forum for shared problem-solving. Committees also can provide an opportunity to help agencies develop a better understanding of environmental matters and to reach decisions on joint actions.

The professional staff of OEQC in fact do belong to a number of interagency committees. These are committees created by other agencies as well as those created by OEQC. Among those created by other agencies are the environmental policy committee of the University of Hawaii, the engineering liaison committee at the university, the state transportation planning council of the department of transportation, and the state plan policy council of the department of planning and economic development. OEQC's own committees include the carrying-capacity steering committee and the resource recovery overview committee.

It appears that the staff spend a substantial amount of time on these committees. However, much of this committee work is unproductive. *First*, staff attendance at committee meetings is poorly supervised and managed. The staff have not been made aware of the purposes served by participation at meetings, and the matter of attendance has been left largely to the discretion of individual staff members. Staff often attend committee meetings in an unofficial capacity, and are more frequently observers than active participants.

³Multi-year Program and Financial Plan and Executive Budget for the period 1977-1983, December 1976, p. 1959.

Second, there is little coordination or communication among OEQC staff on committee work. Information on meetings attended is not routinely shared. Some staff report privately to the director; others do not. Not even the director knows of all the committees to which his staff belong. In response to an inquiry on the number of committee assignments, the director furnished us with a list of 11 committees. These, he said, are the only official OEQC committee assignments. Other committee meetings attended by staff would be unofficial and at their discretion.

In interviews, OEQC staff reported serving on 24 committees or task forces. On rechecking this, staff members insisted that they attended these in an official capacity, although they could not always recall the reasons for their attendance. The usual response was that someone had invited them to attend. Most of the invitations were apparently verbal, as they could not locate letters to substantiate these invitations.

The failure to supervise and coordinate committee work has led to inefficient and ineffectual use of staff time. Different committees serve different purposes. Staff may be observers at one, advocates at another, or resource people at yet another. The director has not made sure that these functions are being carried out.

Recommendations. We recommend that:

1. *OEQC inventory the committees to which its staff belong and review the reasons for participation; such participation should clearly be based on the objectives of the office;*
2. *OEQC instruct staff as to the functions served by their attendance at meetings; and*
3. *OEQC coordinate committee work and routinely exchange information on such work among the staff.*

Failure to prepare annual reports properly.

The Environmental Quality Control Act assigns to the environmental council the responsibility for preparing an annual report on the progress of county, state, and federal agencies toward achieving environmental goals. The annual report also is to make recommendations for improvement. All state and county agencies are required to cooperate with the council in preparing this report. Since the council is chaired by the director of OEQC and staffed by OEQC, the operational responsibility for the report rests with OEQC.

The preparation of the annual report provides an excellent opportunity for OEQC to gather information on the activities of the various agencies. This information could be used to analyze problems, measure progress, and coordinate programs. OEQC, however, has not made use of this opportunity:

1. OEQC's efforts at gathering information from agencies have been feeble.
2. OEQC has made only a perfunctory analysis of the information submitted by agencies.
3. OEQC has not made constructive recommendations.
4. OEQC has not followed through on the recommendations which it has made.

1. ***Failure to gather information.***

Information submitted by agencies for purposes of the annual report has not been satisfactory. This is evident from the letter OEQC sent to the departments on the preparation of the 1978 report. In that letter, dated July 8, 1977, OEQC noted: "In previous years, the Council's expectations in type and quality of information received for its annual report has been rarely met. Data submitted has ranged from sparse raw data from which Council had to draw its conclusion too, to a few good summaries of agencies' environmental programs."

Although the problem apparently has been one of long standing, OEQC has not attempted to work with the agencies to improve the quality of the information submitted. OEQC has not identified for the agencies exactly what it finds lacking, nor has it provided guidelines to the agencies in developing the kinds of data needed for the annual report. Rather, OEQC's communications to the agencies concerning submission of environmental data for the annual report have simply been generalized statements of expectancy. For instance, OEQC's letter, dated July 8, 1977, sent to the agencies, stated, "This year the Environmental Council expects each agency will examine their [sic] own environmental responsibilities, programs, projects, research, studies, etc. in relation to the State's Environmental Policy (chapter 344, H.R.S.). Each agency should report as its intents, accomplishments, and deficiencies for environmental programs, projects, research etc. as they relate to the guidelines set by Chapter 344, H.R.S. This would apply not only to the past fiscal year, but also to current and all proposed projects."

Not only has the information submitted by agencies been of poor quality, but in many cases agencies have not submitted any information at all. OEQC has done nothing in these cases to induce the agencies to submit the required information. Instead, it appears OEQC has encouraged the agencies not to reply at all. For instance, in its letter of July 8, 1977, OEQC said, "We have set August 30, 1977 as the deadline for the receiving of information from the agencies. Any agency not providing input by this date *shall be assumed to have made environmental progress.*" [Emphasis added.] Such a statement enables agencies not to reply at all on the excuse that they are making progress, although in fact they are not. Of course, there is no way to ascertain whether or not the agencies are indeed making progress when they submit no information on themselves. The latest annual report has no information on the environmental programs of the University of Hawaii, the department of accounting and general services, the department of defense,

Hawaiian home lands, the department of labor and industrial relations, the department of land and natural resources, the department of personnel services, the department of regulatory agencies, and the department of social services and housing.

2. *Perfunctory analysis of programs.* One of the most useful purposes to which information gathered in the preparation of the annual report can be put is to determine whether all agencies are working in concert in preserving or improving the quality of the environment and to measure progress of the State in the achievement of its environmental goals. It is further useful in ascertaining the problems that exist and in fashioning strategies to overcome such problems. This means that the information gathered needs to be sifted and analyzed. Such analytical work, however, is not now performed by OEQC.

Presently OEQC merely summarizes agency activities and publishes the summaries in the annual report. The summaries are prepared by levels of government: county, state, and federal. In the latest report, information has been summarized also by areas of environmental concern such as water, air, noise, open space, etc. The summaries in and of themselves shed little light on program effectiveness and problems in improving environmental quality. For example, under environmental education, the latest annual report notes that implementation of environmental education programs falls largely within the jurisdiction of the department of education, which will be developing a K-12 environmental program guide and supplemental instructional guides. It says that many agencies assist the department of education in evaluating environmental films for instructional purposes, as well as provide the department with information and speakers. The report ends the section on environmental education by saying that federal education programs consist of training for its personnel as well as occasional symposia and conferences. None of this is helpful in assessing whether the environmental education program is effective, whether progress has been

made, or what the actual needs are for an environmental education program.

3. Failure to fashion constructive recommendations. The statute requires that the annual report make recommendations for improvement. To be useful, recommendations should be as specific as possible. OEQC's recommendations in the annual reports have been, for the most part, couched in broad terms and thus have not been constructive. For example, in the report entitled *Hawaii's Environment 1975*, OEQC recommended: "All of us need a clearer idea of just what is possible for government to do. The Environmental Council with the Office of Environmental Quality Control should move quickly to accomplish this."⁴ This was essentially the only recommendation offered. Its meaning is unclear.

Then, in *Hawaii's Environment 1976*, OEQC concluded that the reluctance of some agencies to support the State's policy of environmental enhancement was a major problem. OEQC expressed concern about the weakness of the EIS law. It stated that the EIS system could be a significant means of minimizing environmental degradation and that "[i]f agencies complied with the law with the spirit intended they would not object to the process as being a 'stumbling block.'" To overcome this problem, OEQC recommended that the departments give environmental quality higher priority. The weakness of the EIS law was not discussed, and the recommendation was virtually meaningless. OEQC recommended no specific means by which the agencies might be encouraged to support the state policy on environmental quality control.

In the latest annual report, OEQC concluded that there appeared to be improvement in statewide environmental protection and that the State as a whole was doing a good job of improving Hawaii's water quality and solid waste management. It offered no justification for these conclusions, but it made a few recommendations such as control over auto vehicle emissions, early learning experiences in environ-

mental education, protection of unique and endangered species, and greater coordination among the various agencies. These recommendations again were too general to be of much assistance in enhancing the environment.

The recommendations in the annual reports have been overly broad, although the agencies in reporting to OEQC have in some cases made very specific recommendations for improvement. For instance, the department of health suggested at one time that legislation be enacted to allow it to promulgate rules and regulations controlling the quality of drinking water, as well as the quality of effluents injected into the ground. Then, the city and county department of public works pointed to the need for cooperation from the state department of agriculture and the university college of tropical agriculture in developing criteria for re-use of effluents for crop irrigation. These were concrete suggestions, but OEQC did not highlight them. An apparent reason for OEQC not highlighting agency recommendations is that, as pointed out above, OEQC does not analyze the data submitted by the agencies. Without such analysis, the relevance and appropriateness of agency recommendations cannot be determined.

4. Lack of followthrough. There has been no continuity in the reports. Each report is a snapshot of agency activities during a given year. There is no comparison of agency activities over the years, and there is no followthrough on recommendations that are made. Recommendations made one year are disregarded the next.

The first annual report, entitled *Progress Toward Hawaii's Environmental Goals*, made a number of recommendations. Among these was the recommendation that OEQC look into seven specific problem areas and provide solutions and plans by September 1975. For example, it recommended that an analysis be

⁴Environmental Council, *Hawaii's Environment 1975*, January 1976, p. 9.

made of the impact of tax incentives to encourage environmental protection, and also that OEQC devise a system for resolving conflicting objectives of programs. Since OEQC prepared the report and the recommendations, one would assume that it would follow up on the recommendations. However, this was not done. None of the subsequent reports referred again to these recommendations. Similarly, recommendations made in subsequent reports have not been picked up in later reports.

Recommendations. We recommend that:

1. *OEQC establish guidelines and assist agencies in developing information for assessing progress toward achieving the State's environmental objectives.*

2. *OEQC analyze the information acquired from agencies. Such analysis should compare present and past activities so that the extent of progress of each agency and that of the State as a whole can be determined. It should highlight conflicts between and among the programs, activities, and objectives of the various agencies.*

3. *OEQC make constructive recommendations in the annual reports. It should monitor and discuss in subsequent reports the progress made on these recommendations.*

Failure to provide leadership and coordination to implement the state environmental policy. In 1974 the legislature passed Act 247 (HRS chapter 344). By that act, the legislature enunciated the environmental policy of the State. The intent was to provide a framework within which decisions affecting the environment could be made. The committee report on the bill form of the act said, "Your Committee finds that Hawaii does not now have an environmental policy, and that such a policy should be established to guide decision making regarding actions or programs which may significantly affect the environment." Further, it said, "... all state and county agencies, boards, and commissions should examine their

policies, activities, programs and standards to conform them with the purposes of the bill"⁵

The policies enunciated in the act provide OEQC with points of reference in reviewing the activities of the various agencies. They form a basis for coordinating and reconciling the various agency programs. However, OEQC has not used the state environmental policy in any meaningful fashion. OEQC says that it monitors compliance with the Environmental Policy Act in the annual reports, but, as we have seen, there is no evidence to substantiate this. It appears that OEQC has left it up to each agency to assess its programs against the state policy. OEQC itself has provided no leadership to ensure that the policy is furthered. OEQC has complained that the act is too broad to be helpful. However, it has not indicated in what way the act could be improved.

Recommendation. We recommend that OEQC provide the leadership and coordination to implement the state environmental policy. OEQC should recommend to the legislature such changes as it thinks are appropriate to improve the act.

Failure to provide coordination in the implementation of the law on environmental impact statements. HRS chapter 343 contains the law on environmental impact statements. The law vests in the environmental quality commission (EQC) the responsibility to administer chapter 343. The commission may, however, delegate to any persons such power or authority of the commission as the commission deems reasonable and proper, except the power to make, amend, or repeal rules and regulations.

Before the law was enacted in 1974, OEQC was responsible for administering an environmental impact statement (EIS) system. After the law was passed, under an agreement with EQC, OEQC was supposed to provide

⁵Standing Committee Report No. 559-74 on H.B. 2547-74.

support to EQC in administering the law on environmental impact statements. The problems encountered in reaching that agreement and in performing under the agreement are discussed in chapter 5. Here we note the opportunities that the EIS law presented to OEQC to fulfill its role of coordinating the efforts of state agencies in enhancing the environment and how those opportunities have been viewed by OEQC.

Although, under the EIS law, the responsibility for implementing the law is vested in EQC, OEQC nevertheless still has the duty to coordinate the efforts of all state governmental agencies in matters concerning environmental quality (HRS, section 341-4). In terms of the EIS system, this means that OEQC can and should, as necessary, coordinate the efforts of state agencies in complying with the EIS law and the rules and regulations promulgated by EQC. However, OEQC has not provided such coordination. We detail this failure below.

Inasmuch as the University of Hawaii environmental center has conducted an extensive review of the environmental impact statement system,⁶ we reviewed the center's findings and recommendations against our assessment of the EIS process. By and large, the center has identified the principal failures of the system and its recommendations on how these failures should be corrected should be seriously considered. In each instance, the recommendations included the suggestion that OEQC provide greater interagency coordination and assistance. The recommendations focused on:

- . the EIS exemption process;
- . the EIS assessment process; and
- . the EIS preparation, review and acceptance process.

1. **The exemption process.** The EIS law provides that EQC shall establish rules and regulations to implement the law. Among the rules required is a list of classes of actions

which, because such action will probably have minimal or no significant effect on the environment, will be exempt from the preparation of an environmental impact statement. EQC, in discharging its responsibilities, established ten classes of actions which are exempt from the provisions of the EIS law. These ten classes are:⁷

- (1) operations, repairs, or maintenance of existing structures;
- (2) replacement of existing structures;
- (3) construction of single, new small structures, including single-family residences;
- (4) minor alterations to land, water, or vegetation;
- (5) basic data collection and research;
- (6) administrative activities;
- (7) construction of accessory structures;
- (8) interior alterations;
- (9) demolition of structures with certain exceptions; and
- (10) zoning variances, with some exceptions.

The rules require that each agency submit to EQC a list of actions which the agency believes fall in the above exempt classes.

The environmental center study found that the lists proposed by agencies are sometimes so broad that they include actions having significant environmental impacts. Moreover, in many instances the lists are not related to the

⁶University of Hawaii Environmental Center, *The Hawaii State Environmental Impact Statement System*, January 1978.

⁷Environmental Quality Commission, *Environmental Impact Statement Regulations*, June 1975.

classes of exempt actions established by the EQC. The study noted that "[p]robably the gravest inadequacies of the State EIS system relate to the lists of types of actions to be exempt that are compiled by agencies under the provisions of the EQC regulations."⁸ The study cited as an illustration the process of sand replenishment to existing beaches which the department of transportation listed as an exempt action under Class 1, operations, repairs, or maintenance of existing structures.

As a coordinating office, it would seem that the OEQC should review the lists proposed and established by the various state agencies and provide guidance to the agencies in order that both the intent and spirit of the EIS may be furthered and consistency might be fostered among the agencies in the kinds of actions that could be considered to be exempt. As the environmental center study noted so substantial a matter as the content of an exemption list should not be left to the individual agency. Rather, consistency in such lists can only be assured by having a single agency review, coordinate, and approve such lists. Although it should, OEQC has not moved in this area.

2. *The assessment process.* The EIS law allows each government agency to assess for itself whether any action it proposes or any action proposed by a private applicant requires an environmental impact statement. If an agency determines that the action will have no significant environmental impacts, the agency can then file a negative declaration. EQC regulations require that the reasons for the negative declaration be documented.

The environmental center study found that the assessment screen was being misused, resulting in a major failure of the EIS system. One example given was a negative declaration for the use of herbicides in areas totaling 500 acres on Kauai. Another was a negative declaration on trail construction on Kauai. A third was diversion of water on Maui.

When negative declarations are misused,

the purposes of the EIS law are defeated. OEQC has not reviewed negative declarations for consistency or adequacy, nor has it provided assistance to state agencies in their assessments of significance of impacts, even though, as a coordinating body, it could do so. The study again recommended that the environmental assessments of agencies could be improved with increased interagency coordination.

3. *The preparation, review, and acceptance process.* a. *The preparation process.* The environmental center study found that government agencies do not have staff with sufficient multidisciplinary expertise to prepare adequate EISs. For this reason, agencies frequently turn to outside consultants in preparing their EISs. The study suggested that the State arrange for pooling of agency services in preparing statements. The study recommended that since OEQC is responsible for coordinating the environmental activities of state agencies, OEQC should arrange ways in which technical staff can be pooled by various agencies.

b. *The review process.* The review process is a key element in an effective EIS system. It provides an opportunity for a number of parties to participate in and comment on the environmental impacts of a proposed action. The EIS system provides an opportunity for both internal review and external public review.

However, the study found considerable divergence among the agencies in the extent to which they encourage their staff to review, or even give them the opportunity to review, EISs. It noted cases in which a proposed action could have been blocked because of its negative impact on the environment, yet the agency responsible for raising the issue was silent. The study said that "[w]e are unaware of any amendment of the EIS Act or Regulations that is likely to result in improvement in agency participation in the review process. However, we suggest that the OEQC might usefully perform a

⁸U.H. Environmental Center, *Op. cit.*, p. 55.

coordinating role with respect to state–agency review of EISs, similar to the coordinating role we have suggested in the case of state agency EIS preparations.”⁹ It noted that such coordination might also reduce redundancy in review comments.

c. The acceptance process. After an EIS has undergone the review process, and if it fully and completely discloses the environmental impacts of the proposed action, the completed document is accepted by an appropriate authority. The accepting authority of an EIS of a private applicant is the agency that must approve the action for which the EIS has been prepared. The accepting authority of an EIS for an action proposing the use of county land and funds is the mayor of the county concerned. The accepting authority of an EIS for an action proposing the use of state land or state funds is the governor.

Acceptance of an EIS should be distinguished from approval of the proposed project. Acceptance of an EIS does not mean that the proposed action is environmentally sound or that the project should be approved. It only means the document adequately describes the significant environmental impacts of the project and has adequately responded to comments about these impacts. In other words, an EIS is acceptable if it supplies sufficient information on environmental consequences to the decisionmaker. No project can be approved unless the EIS for that project has been accepted.

OEQC reviews only those state agency EISs for which the governor is the accepting authority. OEQC recommends to the governor those which should be accepted. OEQC has not reviewed the acceptance procedures and policies of agencies which accept the EISs of private applicants; in these instances, each agency decides for itself whether the EISs prepared by the applicants are acceptable. Also, OEQC has not reviewed the adequacy or consistency of criteria used by agencies in making their decisions on acceptability. In this regard, the

environmental center study found that many EISs have been accepted by agencies even though, in the center’s judgment, responses to comments calling attention to significant impacts were inadequate.

The study concluded with a general recommendation that “[t]he improvements in effectiveness, and in some cases significant reduction in costs, depend upon better coordination of agency activities, the provision of more staff competence to agencies, and most importantly the increase of agency concerns with the success of the EIS system and environmental management in general.

“We suggest that the Office of Environmental Quality Control be provided with means to increase its assistance to other state agencies, and to provide more extensive inter-agency coordination in the preparation of environmental assessments and the preparation and review of EISs.”¹⁰

Recommendations. We recommend that:

1. *OEQC provide guidance to state agencies in determining the actions that may properly be listed as exempt from the requirement of preparation of an environmental impact statement; and OEQC monitor the listings prepared by the agencies for compliance with the EIS law and for consistency in agency determinations.*

2. *OEQC provide guidance to state agencies in determining whether a proposed action by a private applicant justifies a negative environmental impact declaration; and OEQC monitor the negative declarations filed by the agencies to ensure consistency and adequacy in the treatment of proposed private actions.*

⁹ *Ibid.*, p. 81.

¹⁰ *Ibid.*, p. 141.

3. *OEQC provide the leadership in pooling the technical skills available in the state agencies in preparing and reviewing environmental impact statements and in making such pooled skills available to the various state agencies.*

4. *OEQC establish for the guidance of state agencies procedures, policies, and criteria by which environmental impact statements of private applicants (as well as those of governmental agencies) may be reviewed and evaluated.*

Failure to maintain liaison with agencies.

Certain agencies make decisions which have substantial implications for environmental management. It is incumbent upon OEQC to keep abreast of these decisions and to seek opportunities to influence these decisions. However, we find that OEQC has neglected this responsibility.

One crucial area is land use management and control. In a study on the integration and coordination of state environmental programs, The Council on State Governments pointed to the importance of land use management by saying, "...land is both a potentially unique resource in its own right and the locations basis for most of the human activities which have an impact on air, water, plant, and animal life, and the whole web of ecosystems."¹¹ Land use planning offers a vehicle for coordinating a wide range of activities in growth management and pollution control. Input into land use decisions should be a prime OEQC concern.

However, OEQC has formulated no position or policy on land use issues. It has no system for regularly reviewing decisions on changes in land use and assisting agencies in assessing the impacts of these decisions on the environment. The director has not assigned responsibility for this area to any staff member. There are no criteria or guidelines as to the kinds of land use decisions OEQC will review. OEQC's efforts have been random and ineffectual.

The two main agencies that deal with land use matters are the land use commission and the board of land and natural resources. OEQC has not systematically involved itself in the decisions made by these agencies.

1. **Limited involvement in land use commission decisions.** The land use commission (LUC) of the department of planning and economic development is a quasi-judicial body. It establishes boundaries and approves boundary changes for the State's urban, rural, agricultural, and conservation land use districts. The department of planning and economic development solicits input from state agencies in formulating recommendations to present to LUC in its deliberations. OEQC is one of these agencies.

OEQC has scarcely responded. Of a total of 40 petitions for boundary changes between January 1976 and December 1977, OEQC responded to only four. In one of them, OEQC recommended further analysis of rezoning for 429.2 acres from agricultural to urban. In another, it recommended further analysis of a petition to rezone 145 acres from agricultural to urban. In the third, it recommended denial of the rezoning of 830 acres from agricultural to urban, and, in the fourth, it recommended approval for downzoning 250 acres from urban to conservation.

OEQC presented no views on the other nine-tenths of the petitions—some involving substantial changes in land use (e.g., 450 acres from agricultural to urban in Waipio on Oahu, and 822.66 acres from conservation to urban at Keahole on Hawaii).

OEQC also has an opportunity to present its views in LUC's quasi-judicial hearings. However, it has never done this.

¹¹The Council on State Governments, *Integration and Coordination of State Environmental Programs*, Lexington, Ky., 1975, p. 76.

2. *Limited involvement in conservation district use applications (CDUAs).* Similarly, OEQC has an opportunity to provide input into the deliberations of the board of land and natural resources on the appropriateness of conservation district use applications. The board administers lands within the conservation land classification and has the power to grant exemptions for nonconservation uses on conservation lands. OEQC receives a copy of all conservation district use applications.

Here, again, OEQC's participation has been slight. A survey of those CDUAs submitted between July 1976 and April 1977 showed that out of 100 CDUAs, OEQC commented on only eight.

Recommendation. We recommend that OEQC incorporate the review of land use decisions into its program. Specific staff responsibility for this area should be assigned and policies and criteria be developed for the guidance of staff in providing input into these decisions.

Failure to Carry Out Stimulative and Educative Functions

OEQC's other main responsibility is to educate and stimulate. It is responsible for increasing awareness of and focusing attention on environmental issues.

Failure to develop the environmental council. The Environmental Quality Control Act created the environmental council to assist in stimulating interest in environmental issues. The council serves as the liaison between the OEQC director and the general public. By law, the council is responsible for soliciting information, opinions, complaints, recommendations, and advice concerning ecology and environmental quality. The council is to do this through public hearings or any other means and publicize such matters.

The director of OEQC is the chairman of

the council. The council consists of 15 members appointed by the governor. The law requires diverse representation on the council. Presently, it includes educators, businessmen, consultants, a doctor, an engineer, a planner, a retired developer, a realtor, and representatives of the mass media, the Outdoor Circle, and county government. The director of the environmental center at the University of Hawaii attends meetings of the council as an ex officio member. Four of the members are from the neighbor islands of Maui, Kauai, and Hawaii. The council meets at the call of the director of OEQC. Meetings are usually held monthly and have been relatively well-attended. Approximately nine to ten members are customarily present.

Two OEQC personnel provide staff support to the council. There is an executive secretary to the council and a part-time student helper. Their responsibilities include arranging for meetings, providing background information and research, and compiling the annual report for the council.

During one two-year period, the council was effective in stimulating public interest and participation in charting the State's environmental policies. The council was instrumental in forming the temporary commission on environmental planning (TCEP). TCEP was created in 1973 and remained active through the 1974 legislative session. It was chaired by a council member. It included representatives of county and state agencies, the legislature, and the public sector. Its efforts aided in the passage of significant environmental legislation, such as the law on environmental impact statements and the environmental policy.

Since then, council activities have not received much public notice. Our interviews with council members indicated some dissatisfaction and concern regarding their present functions and activities. Much of this has been brought on by OEQC's lack of effective support for the development of the council. Specific problems which emerged from these interviews are described below.

1. **Lack of council identity.** The environmental council was intended to be a vigorous body, voicing the environmental concerns of the general public as well as educating the public on environmental issues. Council members have commented that their activities are too low-key and have criticized the lack of publicity given to the council by OEQC. Members complain the public is unaware of the role and functions of the council. Members believe they lack identity as a body, making it difficult for them to solicit information from the public and otherwise to fulfill their liaison function.

It appears that OEQC has not given much thought as to how the council can be made effective. It has failed to develop a program for the council; and it has failed to provide assistance or direction to the council to enable it, on its own, to develop programs and activities to fulfill its statutory functions.

The council has been provided with no standardized operating procedures. OEQC has operated the council in an informal way, calling meetings as issues arise. The meetings are unstructured and poorly planned.

The council's lack of identity is illustrated by the following. In those few instances in which public participation has been invited, turnout has been extremely light. Three public meetings were held in 1977—one in Hilo, one in Kona, and one on Maui. Only two people attended in Hilo, five in Kona, and fourteen on Maui. The poor structure of the meetings was in part responsible for this. The agenda listed only one topic of discussion—"Citizen Input on Environmental Quality and Environmental Problems." In the absence of any specific issues which would arouse community interest, it is not surprising that very few attended.

Records of the council are scant. Thus, we were unable to determine what efforts were made to contact local citizen groups and create general public interest for the neighbor island meetings. According to the executive secretary, announcements were sent to the newspapers

and to radio stations. However, these were not available for us to examine.

2. **Inadequate feedback.** One of the primary functions of the council is to advise the governor. Yet, they have had little feedback on those issues on which they have made recommendations. For example, the council discussed and made recommendations on such issues as the SST, the H-3 project, and the purchase of Malaekahana Bay. The OEQC director told council members that he had discussed these issues with the governor or his representative. However, council members had little feedback from the director on these meetings. The council members were thus uncertain as to the actual impact of their recommendations. Indeed, without feedback, the council members were not certain, notwithstanding the representation of the OEQC director, as to which recommendations were actually discussed with the governor. Consequently, council members have questioned their own effectiveness.

3. **Lack of records.** Although OEQC has the staff to do so, OEQC prepares no minutes of meetings of the council. In addition, it has neglected to maintain proper files relating to council affairs. What little records that do exist are incomplete and disorderly. They consist of only the agenda and some cursory notes on two meetings.

In the absence of minutes and proper records, council members have found themselves discussing the same issues repeatedly over a period of time. Properly kept minutes and records would avoid the rehashing of issues. Properly kept minutes and records would also obviate the need to rely on memory to determine what recommendations the council has made.

OEQC's failure to take minutes of the meetings of the environmental council is not only poor management. It is also illegal. The council, as an agency created by statute, clearly falls within the purview of the state sunshine law (HRS chapter 92). This law requires that

minutes of meetings of boards be made available within 30 days of the meeting and that these be public records.

Recommendations. We recommend that:

1. OEQC develop, together with the environmental council members, a program for the council which would enable it to meet its objectives of stimulating public interest and participation in environmental issues.

2. OEQC work with the council in developing procedures to be followed at council meetings whereby the views of the council members may be systematically solicited.

3. OEQC ensure feedback to the council on the recommendations it makes to the governor.

4. OEQC maintain proper minutes and other records of the council.

Failure to stimulate environmental education. OEQC has emphasized repeatedly the

importance of environmental education. Nonetheless, it has no program in this area. OEQC has not assigned this responsibility to any of its staff. From time to time individual staff members respond to various educational projects that are proposed by other agencies or organizations, but OEQC itself has not taken the initiative to develop an educational program.

Since there is no program plan or specific assignment of staff responsibility for environmental education, efforts to date have been fragmented. They have consisted of reviewing some educational materials prepared under small OEQC grants, reviewing a framework for environmental education prepared by the department of education, and working with the Citizens Against Noise on a comic book on noise pollution. There have been few concrete results.

Recommendation. We recommend that OEQC develop a program to stimulate environmental education.

Chapter 5

THE ENVIRONMENTAL IMPACT STATEMENT SYSTEM IN HAWAII

An environmental impact statement (EIS) system was established by the federal government in 1970. Hawaii followed this model in 1971 when the governor issued an executive order requiring state agencies to prepare statements detailing the environmental impacts of actions involving the use of state lands or state funds. OEQC was designated in the executive order to administer this state EIS system. In 1974, the legislature restructured the administration of the state EIS system when it enacted Act 246 (HRS chapter 343) and created the environmental quality commission (EQC). The act vested in EQC the responsibility to administer the state law on environmental impact statements. In this chapter, we examine the role played by the office of environmental quality control (OEQC) in the implementation of the law on environmental impact statements.

Summary of Findings

OEQC has detracted from efficient and effective administration of the Hawaii EIS system. OEQC has not carried out its responsibility for supporting the work of EQC. Instead it has sought in a variety of ways to control and operate the EIS system itself. Further, OEQC has interfered with the operation of the EIS system by EQC and has created confusion among agencies as to the respective authority of EQC and OEQC.

Background

A brief discussion of the legal foundations of the state EIS system and how the system presently operates is presented below.

Legislative history. Four sources of authority and their interrelationships form the basis for the present EIS system. These are the National Environmental Policy Act; the Environmental Quality Control Act (Act 132, SLH 1970, HRS chapter 341); the governor's Executive Order of 1971; and the Environmental Quality Commission and Environmental Impact Statements Act (Act 246, SLH 1974, HRS chapter 343). Both the executive order and HRS chapter 343 have their roots in the National Environmental Policy Act.

1. *The National Environmental Policy Act.* On January 1, 1970, the National Environmental Policy Act (NEPA) was signed into law. It was the culmination of rising public concern over environmental degradation. Its purposes were stated thusly: "To declare a national policy which will encourage the productive and enjoyable harmony between man and his environment; to promote efforts which will prevent or eliminate damage to the environment and biosphere and stimulate the health and welfare of man, to enrich the understanding of the ecological system and natural resources important to the Nation; and

to establish a Council on Environmental Quality.”¹

To ensure adherence to the policies stated in the act, Congress included in section 102(2)(c) of the law a requirement that environmental impact statements (EISs) be prepared for all proposals for legislation or other major federal actions which might significantly affect the quality of the environment. Specifically, the law requires the responsible federal official to include in his recommendations on proposed actions detailed statements on:

- “(i) The environmental impact of the proposed action,
- (ii) Any adverse environmental effects which cannot be avoided should the proposal be implemented,
- (iii) Alternatives to the proposed action,
- (iv) The relationship between local short-term uses of man’s environment and the maintenance and enhancement of long-term productivity, and
- (v) Any irreversible and irretrievable commitments of resources which would be involved in the proposed action should it be implemented.”

In developing the EISs, the responsible federal official must consult with, and obtain the comments of, other federal agencies having jurisdiction or expertise in the area of the proposed action.

These EISs must be publicly reviewed. Copies of the statements as well as comments on the statements are to be made available to the president, the council on environmental quality, and to the general public. It was hoped that this

process would create a standard procedure whereby environmental concerns would be given some attention in federal decisionmaking.

2. *Environmental Quality Control Act.*

Concern for Hawaii’s environment during this same era resulted in the enactment of the Environmental Quality Control Act of 1970. The act created three bodies to carry out the purposes of the act. To briefly recap, these are OEQC, the environmental center at the University of Hawaii, and the environmental council.

OEQC has primary responsibility for implementing the act. It serves in an advisory capacity to the governor in all matters relating to environmental quality. Its duties include conducting research, recommending legislation and long-range programs, offering advice and assistance, initiating public education programs, and directing attention to environmental problems through the environmental center and the environmental council.

The environmental center was created to stimulate, expand, and coordinate the education, research, and service efforts of the university in environmental matters.

The environmental council is a 15-member appointed body chaired by the director of OEQC. It serves as liaison between the director and the general public by soliciting information, complaints, and recommendations through public meetings or other means.

3. *The Executive Order of 1971.* With the enactment of the Environmental Quality Control Act, the university’s environmental center and OEQC began to participate in the federal EIS review process for proposed federal actions in Hawaii. The State became further committed to the process in August 1971, when the governor issued an executive order patterned after NEPA. Under the executive order, all state

¹Section 2 of the National Environmental Policy Act of 1969, PL 91-190.

agencies were required to monitor, evaluate, and control their activities so as to protect and enhance the environment. The agencies were to include a detailed statement on the environmental impacts of proposed state actions that might significantly affect the quality of the environment. The requirements for the EISs were identical to those in NEPA.

State agencies were required to develop procedures and to submit draft impact statements to OEQC on proposed programs or plans for use of state funds or state lands. These statements were required to be accepted by the governor before the commitment of state funds or approval to proceed with the action.

Section 2 of the executive order assigned specific responsibilities to OEQC for carrying out the executive order, including the establishing of a clearinghouse for the receipt and dissemination of all draft EISs, consolidating and evaluating statements, advising and assisting the agencies in the development of procedures, providing for the review of all draft statements by a special review committee of the environmental council, making provisions for any public hearings deemed necessary by the council, and advising and assisting the governor in evaluating any modified environmental impact statement filed with the governor. In effect, the Executive Order of 1971 charged OEQC with responsibility for administering the entire EIS system for projects involving state funds or state lands.

OEQC's role was altered substantially by the passage of EQC and Environmental Impact Statements Act in 1974.

4. ***The EQC and Environmental Impact Statements Act.*** The EQC and Environmental Impact Statements Act restructured the state EIS system. In effect, it removed OEQC from having responsibility for the state EIS system and lodged that responsibility in EQC. The act, of course, still left OEQC with its duties enumerated in HRS chapter 341, including the duty to coordinate the efforts of state agencies

in enhancing environmental quality and the duty to advise the governor on environmental quality matters. It is through these duties that OEQC has some important role to play in the EIS system, notwithstanding the 1974 act on EISs. Thus, in chapter 4, we noted how OEQC might participate (and how OEQC is failing to participate) in the EIS system.

Nevertheless, the thrust of EQC and Environmental Impact Statements Act is clear. EQC has the responsibility for administering the State's EIS system. The major provisions of the act include the following.

EQC is composed of ten members. It includes representatives of labor, management, the construction industry, environmental interest groups, real estate groups, and the architectural, engineering, and planning professions. The members are appointed by the governor and serve without compensation. The OEQC director serves as an ex officio voting member.

EQC has the power to make rules and regulations governing the EIS system. It may delegate such authority as it deems proper for effective administration of the act, with the exception of its rulemaking powers.

An EIS is required under the act for any action which will have significant effects and which proposes the use of county lands or funds or state lands or funds.² It is also required for any action falling within the following five classes of action: actions proposing use of land in a conservation district; actions proposing use of land within the shoreline area; actions proposing use of any historic site; actions proposing any use in the Waikiki-Diamond Head area; and actions proposing certain amendments to existing county general plans.

²“‘Significant’ effect means the sum of those effects that affect the quality of the environment, including actions that irrevocably commit a natural resource, curtail the range of beneficial uses of the environment, are contrary to the State's environmental policies or long-term environmental goals as established by law, or adversely affect the economic or social welfare.” HRS section 343-1(8).

The governor or his representative is the accepting authority of EISs for actions involving state lands or funds. County mayors or their representatives are the accepting authorities of EISs for actions involving county lands or funds. For EISs covering private applicant actions, the agency that must approve the action is the accepting authority.

The Hawaii EIS system. There are five types of EISs: applicant EISs, county EISs, state EISs, federal EISs, and combinations of the above. In each case, the person proposing the action is responsible for preparing the EIS.

Applicant EISs are EISs prepared by private parties for proposed actions which fall within the five classes of action enumerated above. Each of these actions requires the approval of a government agency. (For example, a private party proposing a use within the state conservation district must have the approval of the department of land and natural resources.) The department which must approve the action determines whether the action will have significant effects. If the department determines that the action will have such effects, the department will require the applicant to prepare an EIS. The EIS must be accepted by the department before the department can approve the action proposed by the applicant.

County EISs cover those actions proposing the use of county lands or funds. State EISs involve the use of state lands or funds. Federal EISs propose the use of federal lands or funds. On occasion, there are actions involving combinations of the above. For example, many highway projects in Hawaii require both state and federal acceptance since they involve the use of both state lands and state and federal funds.

In every case, the EIS must be accepted by the appropriate authority before approval can be given to proceed with the proposed action.

In June 1975, EQC adopted *Regulations* governing the EIS system as well as *Rules of Practice and Procedure*. These rules and

regulations prescribe procedures for the preparation, review, and acceptance of EISs in Hawaii.

According to the regulations, if an action falls within an exempt class, such as minor repairs, no EIS is necessary. If an agency finds that an action will have no significant impact, it can issue a negative declaration. Notices of such negative declarations are published in the *EQC Bulletin*, a bimonthly bulletin issued by EQC to inform the public of EIS activities, such as negative declarations, the preparation of EISs, the availability of EISs for comment and review, the acceptance or nonacceptance of EISs, and other notices pertaining to EISs.

If a proposed action is deemed to have significant impacts, a notice is published in the *EQC Bulletin* that an EIS is being prepared. The proposing party sends a written request for comments to agencies, groups, and individuals who ask to be consulted. The proposing party responds in writing to these comments before filing a completed EIS. Multiple copies of the completed EIS are filed with EQC which then publishes a notice in the *EQC Bulletin* of the availability of the EIS for review and comments. EQC distributes copies of the completed EIS to designated public depositories and to interested parties.

After a 30-day review period, the applicant who submitted the EIS responds to comments received from reviewers of the completed EIS. The applicant then prepares a revised EIS which incorporates the comments and his responses to these comments.

Copies of the revised EIS are filed with EQC and the appropriate accepting authority. An EIS is acceptable if it fully and completely discloses the environmental impacts of the proposed action. The determination of acceptance or nonacceptance is published in the *EQC Bulletin*. Revised state agency EISs are submitted to OEQC for its recommendations on acceptability. If OEQC finds the EIS acceptable, it so recommends to the governor. If OEQC

finds the EIS unacceptable, it is returned to the agency for revision and subsequent resubmittal to OEQC. OEQC does not forward to the governor those which it finds unacceptable for an official decision of nonacceptance.

OEQC's Attempts to Usurp EQC's Powers: In General

When the EIS law superseded the 1971 executive order and shifted operational responsibility for the state EIS system from OEQC to EQC, the governor directed OEQC to furnish all necessary support to EQC in implementing the EIS law. However, OEQC has not complied with the changes made to its role in the EIS system and has failed to support the activities of EQC. Instead, OEQC has sought to continue its past dominant role in EIS operations. By such efforts, OEQC has caused confusion and dissension and has hindered the efforts of EQC in the implementation of the EIS law.

OEQC's attempts to secure a dominant role in the EIS system have included: (1) seeking to have EQC delegate to OEQC by *rules* some important powers and authority of EQC; (2) seeking to have EQC delegate to OEQC by *contract* some important powers and authority of EQC; (3) failing to provide the support it agreed to provide to EQC; and (4) issuing contrary instructions to agencies, which, in effect, countermanded those issued by EQC. Each of these is detailed below.

OEQC's attempt to usurp EQC's powers through rules and regulations. Under the governor's orders to furnish support to EQC, OEQC did the staff work for EQC in the development of EQC rules and regulations on EISs. OEQC prepared several drafts of the rules and regulations.

The EIS law permits EQC to delegate to any person such power or authority vested in EQC as EQC deems reasonable and proper. OEQC took advantage of this provision in its

early attempt to secure a dominant role for itself in the state EIS system. OEQC built into the drafts of the rules and regulations it prepared for EQC the delegation of some important duties and functions to OEQC. These included the professional functions of administering the public review of EISs and the housekeeping duties of publishing the *EQC Bulletin* and maintaining EIS records.

In the review of the drafts by EQC, considerable discussion was had between OEQC and EQC on those provisions delegating power and authority to OEQC. Of particular concern was OEQC's insistence that OEQC should have the responsibility to review all EISs—not only those prepared by state agencies, but also those prepared by private persons. OEQC argued that it should be assigned the responsibility for the professional review of all EISs. "Because no other agency has the means or expressed intention of performing this service . . ." ³

EQC, however, questioned why all EISs should have to undergo OEQC's centralized professional review. The commissioners contended that OEQC's proposal would create requirements exceeding those specified by the EIS law. For his part, the chairman of the commission noted that, under OEQC's proposal, agencies could not act on those EISs for which they are the accepting authority unless they first receive OEQC's recommendations. The EIS law specifically decentralizes the authority to accept EISs. Under the law, agencies can make their own determinations of acceptance for those EISs for which they are the accepting authority; and, although agencies may ask EQC for a recommendation, the authority to accept rests with the agency.

Initially, EQC contemplated the delegation of limited authority in the rules to OEQC. The authority which EQC contemplated delegating to OEQC consisted mainly of such functions as clerical support and submission, filing, and distribution of EISs. In the end, however, EQC

³Minutes of EQC meeting, September 11, 1974.

opted to delete all references to OEQC in the rules and regulations.

OEQC's attempt to usurp EQC's powers through agreement. After the rules and regulations were adopted, EQC asked OEQC for a prospectus on the functions which OEQC planned to perform for EQC. This request apparently was made because, under the governor's orders, OEQC was to provide staff support to EQC. Indeed, the monies for the initial year of operation of EQC (1974-75) had been allotted by the governor to OEQC. (Our comments on this arrangement, which continues today, is set forth later in this chapter.)

In the proposal submitted by OEQC, OEQC again sought to assume many of those duties which OEQC had attempted to assign to itself by EQC rules and regulations. Thus the proposal stated that OEQC would publish the *EQC Bulletin*, distribute the EISs, review all EISs, monitor responses, make recommendations on the acceptability of EISs, assist preparers of EISs, handle inquiries, keep all official records, and give public information presentations and workshops. The proposal also stated that OEQC would assist in all commission business, including developing legislation, evaluating exempt classes of actions, providing clerical support, accounting for commission funds, and preparing biennial budgets for the commission.

According to the minutes, EQC wanted greater control over staff and funds. It did not perceive OEQC's proposal as allowing EQC to exercise that control. Thus, EQC desired a distinction to be made between those services to be performed by staff hired through EQC funds and those hired through OEQC funds.

After serious discussion, on August 7, 1975, OEQC presented EQC with two alternate proposals defining the EQC-OEQC relationship. Draft A provided for a separate EQC staff and established EQC's authority over the administration of the EIS process. Under this plan EQC staff was to be responsible for the

publication of the *EQC Bulletin*, the distribution of EISs, all commission business and recordkeeping, the preparation of recommendations on EIS acceptability, the evaluation of exempt classes of action, the development and evaluation of legislation, the development of public information materials, seminars, and the handling of inquiries. In Draft A, OEQC was to provide EQC with clerical and professional support when requested, to include in its budget request the resources sufficient for EQC, to account for EQC funds, to prepare job descriptions for EQC staff, and to recommend the hiring, promotion, transfer, and dismissal of staff for the commission, subject to the commission's approval.

Draft B, the alternate proposal, consolidated the two staffs under OEQC, in effect, again, delegating administrative functions to OEQC. Under Draft B, OEQC was to perform all functions, including maintaining official records, publishing the bulletin, distributing EISs, assisting in rulemaking, preparing recommendations on the acceptability of EISs, evaluating exempt classes of actions, assisting in public information functions, and handling inquiries.

EQC unanimously voted to accept Draft A. Essentially they opted for separate staffs and separate functions. This agreement was formalized in August 1975 as *EQC-OEQC Relationship: Delineation of Areas of Responsibility for the Administration of Chapter 343, HRS*.

OEQC's failure to provide staff support to EQC as agreed. The agreement reached between OEQC and EQC properly established EQC as the primary manager of the EIS system and assigned OEQC to a supportive role. However, OEQC has failed to carry out its promise to support EQC. It has failed to provide EQC with accurate information on funds available for EQC operations and to account properly for EQC expenditures; it has not revised job descriptions as it was supposed to; and it has taken personnel

actions without the knowledge or approval of EQC. These failings are detailed below.

1. *Misleading financial information.* The legislature initially appropriated \$75,000 for the purposes of EQC. This sum was for fiscal year 1974-75. It was appropriated to the governor's office. The governor allotted the \$75,000 to OEQC, the OEQC having been designated by the governor to furnish staff support to EQC. Since this initial appropriation, every appropriation thereafter for EQC has been included in the total appropriated for the purposes of OEQC. In other words, EQC has not been separately identified in the appropriations acts. This has meant that EQC had to depend on OEQC for the monies that the legislature appropriated to cover the purposes of EQC. OEQC, however, has not been completely honest or fair in dealing with EQC. OEQC has given inadequate and misleading information to EQC on the costs of and the amounts available for EQC operations.

Of the original \$75,000, only \$21,175 was expended in FY 1974-75. However, in presenting the budget request for the 1975-77 biennium, OEQC projected continued expenditures of \$75,000 per year for the support of EQC. Legislative appropriations to OEQC for fiscal year 1975-77 were made on this representation. For FY 1974-75, OEQC was appropriated \$288,146, not including the \$75,000 appropriated for EQC. For FY 1975-76, it was appropriated \$481,291, and for fiscal year 1976-77, it was appropriated \$485,015. Both the 1975-76 and 1976-77 figures included the projected \$75,000 per year expenditure for EQC.

OEQC has never fully accounted to EQC as to how much of the \$75,000 appropriated ostensibly for EQC purposes had actually been spent in each fiscal year. OEQC's reports to EQC have invariably noted EQC expenditures in amounts considerably less than \$75,000. For instance, in the discussion between OEQC and EQC on the proposed budget for FY 1977-78, OEQC reported EQC expenditures for FY

1976-77 of only \$2,858 and suggested a budget of \$6,000 for EQC for FY 1977-78.

The figures \$2,858 for FY 1976-77 and \$6,000 proposed for 1977-78 obviously did not include personnel costs. EQC questioned why the expenditures did not reflect the cost of personnel, and it wondered whether all non-personnel costs incurred by EQC were being accounted for.

OEQC never fully responded to these queries. It simply replied that the books were not kept in a way which permitted a break-out of all EQC expenditures.

While failing to provide EQC with complete information, OEQC at the same time kept emphasizing to EQC that OEQC's budget was very tight. In the discussion on the budget for FY 1977-78, for instance, OEQC stressed that its budgets in the past had been reduced by as much as 32 percent and more.

In the absence of proper financial information concerning its operations and in light of the representations of OEQC that budgeting was extremely tight, EQC was led to believe that there were insufficient funds for its operations. Acting on that belief, EQC took a number of actions curtailing its activities which have been detrimental to the EIS program.

For example, EQC decided not to hold public hearings in approving exemption lists submitted by agencies. Exemption lists are lists of proposed actions which the agencies believe are exempt from the requirement of preparing environmental impact statements. EQC's failure to hold public hearings has led to some question as to whether the lists are valid, since the approval of the lists may constitute rulemaking under the Administrative Procedure Act. Numerous EQC discussions were held on this problem, and EQC is reviewing again, under new procedures, many of the lists which it had previously adopted.

EQC also reduced the number of subscriptions to the *EQC Bulletin* in order to cut printing and mailing costs. An announcement was placed in the back of an issue of the bulletin that subscriptions were being renewed. Those who did not respond were cut from the list. A number of letters were subsequently received from those who protested being dropped from the mailing list. The cost-effectiveness of such a measure is questionable. *First*, the present circulation, built up again in response to the protests, differs little from the number circulated before the cut. *Second*, it is in the interest of a viable EIS system that information on EISs have the widest possible circulation. To reduce dissemination of information on EISs is to reduce the effectiveness of the system.

A closer examination of the finances of OEQC revealed that these curtailments in EQC activities were probably unnecessary. If the non-personnel expenses of EQC were as low as OEQC represented to EQC, then, even if the costs of the personnel assigned to perform EQC functions are considered, it appears that there should have been sufficient funds to pay for the costs of public hearings and other activities which EQC decided not to undertake. This conclusion is bolstered when one notes that in FY 1975-76, \$101,288 of the total appropriated to OEQC lapsed into the general fund and, in FY 1976-77, \$51,749 lapsed into the general fund.

2. *Misuse of staff.* OEQC had agreed that it would provide the necessary staff support to EQC. For this purpose, 2.5 or 3 new positions were created in OEQC with the approval of the governor. The new positions were for a "Coordinator of Environmental Analysis," an "Environmental Analyst," and an administrative assistant responsible for secretarial work and public affairs. The three new positions were to be supplemented by three existing environmental analyst positions in OEQC, for a total of 5.5 or 6 positions devoted to EIS work.⁴ Although the increase in OEQC staff by 3 positions was justified on the basis that 6 full-time staff would be needed for EIS work,

OEQC assigned only 4 positions to EIS work. It detailed the other added positions for different purposes. Thus, there are 2 environmental analysts (who review EISs) and 2 environmental program specialists nominally assigned to EQC. One of the environmental program specialists is the executive secretary to EQC, and the other environmental program specialist is supposedly the commission's assistant.

3. *Inadequate job descriptions.* The preparation of job descriptions for the staff assigned to EQC was another promised duty of OEQC. The staff assigned to EQC came from the total of 11 positions in OEQC. Before the agreement made between EQC and OEQC, the job descriptions for the various positions in OEQC referred to the functions of receiving, processing, and evaluating EISs, the handling of inquiries on EISs, the preparation of recommendations on EISs, etc. By the OEQC-EQC agreement, these functions were split between OEQC and EQC. As a consequence, the job descriptions for the positions assigned to EQC should have properly reflected the functions assumed by EQC and the job descriptions for the positions retained for OEQC purposes should have been revised to reflect the new and different functions of OEQC.

OEQC, however, failed to develop job descriptions to correspond to the differing functions of EQC and OEQC. The duties of EQC and OEQC staff remain undifferentiated. For instance, the job descriptions for the OEQC environmental analysts and the EQC executive secretary show that both are responsible for educating individuals in EIS procedures; coordinating, monitoring, and consulting with persons and agencies in conjunction with the EIS process; and responding to inquiries concerning the EIS process.

⁴With the three new positions, the total position count in OEQC rose from 8 to 10.5. A position count of 11 was subsequently approved by the legislature.

The consequences of this failure of OEQC to develop proper job descriptions have been confusion, conflict, and lack of coordination in the performance of EIS work. The staff of both EQC and OEQC have difficulty distinguishing the roles and responsibilities of EQC and OEQC. They find that they have overlapping duties. They are, thus, confused as to which staff should be doing what work. This has led to mutual suspicions that the other staff are not carrying their load. On occasion, the confusion and conflict have resulted in delays in the performance of essential tasks, including the publishing of the *EQC Bulletin*.

4. ***Taking personnel actions without EQC consent.*** Under the agreement, OEQC was to recommend personnel actions to the governor with respect to EQC-assigned staff, *subject to the approval of EQC*. However, OEQC has not abided by this agreement and has recommended salary increases, changes in job descriptions, and the hiring of personnel without even informing EQC of the recommendations or the resulting actions taken.

For instance, the director of OEQC recommended a change in the rank and pay of the EQC executive secretary two months after the EQC executive secretary was appointed to that position. This was based on a new job description which reflected increased responsibilities. OEQC did not discuss either the pay increase or the revisions in job description with EQC, even though the EQC executive secretary is supposedly an EQC position paid for by EQC funds.

Another example, in 1976, OEQC received authorization from the governor's office to fill the vacant position of the EQC commission assistant, and OEQC shortly thereafter filled the vacancy, all without the knowledge or approval of EQC. The commission was given the impression that OEQC was lending to the commission an OEQC employee to help part-time in the commission's business.

Such unilateral actions on the part of OEQC has led to confusion as to who has supervisory authority. Worse, it has led to undermining the authority of EQC. Take the case of the EQC executive secretary. Nominally he reports to EQC. However, the OEQC director also directs the EQC executive secretary. Take another case, that of the EQC commission assistant. She was hired by the director of OEQC, not by EQC. As a consequence, she sees herself as an OEQC staff member. However, her job description requires her to assist the EQC. Specifically, she is to assist the EQC executive secretary (the job description says "executive director," but in fact, there is no "executive director," only an executive secretary), and the executive secretary sees himself as her supervisor. However, since she thinks she is an OEQC staff member, she is reluctant to accept his supervision. This has led to conflicts over such minor matters as who is supposed to take minutes of meetings, who is responsible for putting out the *EQC Bulletin*, etc.⁵

OEQC's countermanding actions. Although both by law, and rules and regulations, and by agreement between EQC and OEQC, the responsibility for the state EIS system is clearly in EQC, OEQC nevertheless from time to time has interfered with EQC's administration of the system. It has improperly and illegally issued instructions and orders to state agencies which were contrary to those issued by EQC. The result has been delays in the processing of EISs and confusion in the field as to who has authority on EIS matters. Note the following examples.

1. ***EISs for federally funded highway projects.*** The department of transportation (DOT) has many projects which use both state and federal funds or lands. For these projects it needs to comply with both state and federal EIS requirements.

⁵The legislature abolished the position of EQC commission assistant in 1978. However, the person who had been appointed to that position by the director of OEQC in 1976 continues to work at OEQC as a temporary hire.

State and federal requirements differ in some respects. The most significant difference is in the requirements concerning responses to comments. EQC regulations require a 30-day public review period for EISs. During this period, written comments are made on the EIS. After the review period, the agency has 14 days in which to respond in writing directly to those who have filed written comments. The comments and the agency response are incorporated in the revised EIS which is submitted to the governor for acceptance.

Federal regulations allow a 45-day review period for EISs. Responses to comments are developed by the State in consultation with the Federal Highway Administration (FHWA). These responses must be cleared by the regional FHWA office before they can be included in the final EIS. There is no federal requirement that written responses be made directly to commentators.

To ease compliance on its part, DOT sought a single EIS procedure which would satisfy both state and federal requirements. Meetings were held among DOT, FHWA, EQC, and OEQC personnel to discuss the problem of the differing state and federal requirements and to determine whether a single EIS procedure which meets the requirements of both the state and federal governments could be fashioned. The issue was finally resolved when EQC voted unanimously that the "requirements for responses to comments be as prescribed by the Federal Highways Administration EIS guidelines."⁶

Since then DOT and FHWA have followed federal EIS requirements. However, OEQC recently decided unilaterally and arbitrarily to hold up the processing of joint state/federal EISs on the grounds that responses to comments are not seen by the commentators until after the governor has accepted the EISs. OEQC concluded that this "reduces the review process to an exercise rather than an open forum where issues are discussed, considered and evaluated."⁷

OEQC's action was clearly inappropriate. It assumed authority to make its own interpretation of EQC regulations and to enforce its interpretation without first discussing it with EQC. Further, OEQC had no empirical grounds for assuming that the established procedure reduced the effectiveness of the EIS process. The final state EIS is made available to the public by FHWA after its acceptance by the governor. The study by the UH environmental center found some problems with the review process, but the agreed-upon state-federal procedure was not one of them.

As a result of OEQC's stand, a new procedure was worked out by OEQC, DOT, and FHWA. EQC did not participate and was not informed of the new procedure. DOT/FHWA now follow this procedure on EISs although no written guidelines have been prepared and it has no official sanction. Discussions with FHWA, DOT, and OEQC revealed some discrepancies in their understanding of exactly what the procedures now are. The new procedure adds a time delay to the process, and there is a question as to exactly how it increases the effectiveness of the process.

2. *EIS for Barbers Point Harbor project.*

Agencies submit a notice of availability when an EIS has been completed and is available for public review and comment. According to EQC regulation 1:50, the EIS and notice of its availability must be received by EQC between 8:00 a.m. and 4:30 p.m. on the 5th and 20th day of each month for the notice to be published in the next issue of the *EQC Bulletin*.

An EIS on the department of transportation's Barbers Point Harbor project was submitted to EQC after the 4:30 deadline—at approximately 5:00 p.m.—on the 5th of October. The EQC staff had been forewarned by DOT that printing was delayed and

⁶Minutes of EQC, March 3, 1976.

⁷Memorandum to Donald Bremner, chairman, EQC, from Harry Akagi, acting director, OEQC, February 3, 1978.

the EIS might be submitted late. The EQC staff assured DOT that the notice of availability of the EIS would nonetheless be published in the October 8th bulletin. This decision, however, was countermanded by OEQC. An OEQC environmental analyst disagreed with the decision of the EQC staff and DOT had to resubmit the EIS. The notice of availability of the EIS was thus not published until the October 23rd *Bulletin*.

It is pertinent here to know that EQC rules permit the submission of documents after expiration times under certain conditions. EQC clearly had the authority to permit the publication of the notice of availability on October 8. However, OEQC used its leverage as advisor to the governor to force DOT to comply with its interpretation of the rules and regulations. In essence, OEQC overstepped its authority.

Need for Reexamining the Organizational Structure for Administering the EIS Law

The present organizational and budgetary arrangements make it possible for OEQC to assert a more aggressive role in EIS matters than appears intended by law. Both the staff supportive function assigned by the governor to OEQC and the inclusion of EQC financial requirements in OEQC's budget have aided and abetted OEQC's efforts to supplant EQC as the dominant force in the EIS system.

EQC is a part-time body. On the other hand, the office of the director of OEQC is a full-time position. So long as EQC must depend on a staff which is hired by the director of OEQC and which, on a day-to-day basis, is subject to the control of the director of OEQC, EQC cannot be expected to be fully in control of EIS matters. The agreement entered into between EQC and OEQC has not resolved this difficulty.

Although on paper the director of OEQC is supposed to take personnel actions (hiring,

promoting, transferring, firing) on positions assigned to EQC only with the approval of EQC, in practice the full-time status of the director, the closeness of the director to the governor, and the control by the director of EQC's budget have enabled the director of OEQC to disregard the agreement. Thus, the mere fact that the director of OEQC (with or without the approval of EQC) has the authority to hire the personnel for EQC purposes has caused, as illustrated above, staff loyalties to be confused. Indeed, in some cases, staff nominally assigned to EQC have said that they report to the director of OEQC.

Further, the agreement contemplated that there would be a clear division between the staff for EQC and the staff for OEQC. The division was to have been made from among the personnel situated within OEQC. However, OEQC never made such a clear division of staff. Nominally it assigned four of its staff to EQC. However, by failing to clarify the jobs of those assigned to EQC and the jobs of those retained by OEQC, OEQC has been able to direct and use the staff nominally assigned to EQC as well as the staff retained for OEQC purposes for OEQC's own ends. The fact that the staff for both EQC and OEQC are physically situated in the same office has facilitated this misuse of staff. The result has been confusion on the part of the staff of both EQC and OEQC as to what each of them *should* be doing. Control by EQC of the staff assigned to it is impossible under these conditions.

The control which OEQC has over the budget for EQC has been another debilitating factor in EQC's administration of the EIS system. Being dependent wholly on OEQC for its funds, EQC has not been able properly to plan its activities, nor has it been able, in the absence of fiscal information from OEQC, to evaluate its performance in implementing the EIS law.

It needs to be remembered that by law EQC has status equal to that of OEQC. Neither is subservient to the other. Moreover, the major

mission of each is different from that of the other. OEQC's mission is essentially that of advising the governor on all matters relating to environmental quality control and to coordinate the efforts of state agencies in enhancing environmental quality. Its functions are basically staff in nature and its perspective is broad rather than narrow. The mission of EQC is to administer the law on environmental impact statements. Its functions are line, rather than staff. EQC is responsible for a very specific and technical aspect of environmental quality control.

The missions of both EQC and OEQC are worthy of support. However, EQC cannot be expected to fulfill its statutory responsibilities unless it has full control over its personnel and budget. To expect EQC to administer the EIS law with a staff and a budget controlled by OEQC is unrealistic.

We think that the intent of the EIS law can best be furthered if the total dependency of EQC on OEQC for staffing and funds is eliminated and EQC is provided with a staff and a budget of its own.

We further believe that EQC should be removed from the governor's office where it is now lodged by law. Since the functions of EQC are line rather than staff, it would appear that EQC is better situated in a line department, but for administrative purposes only. We say for administrative purposes only since the

department within which EQC is placed may itself be subject to the requirements of the EIS law on some of the actions it might take. It seems that the most appropriate line department in which EQC might be placed for administrative purposes is the department of land and natural resources. This is the department whose actions are most closely tied to environmental matters. An alternative is the department of health, which has administrative and regulatory responsibility for other aspects of environmental quality.

The foregoing should not be construed as indicating that OEQC has no role at all in matters of environmental impact statements. As we noted in the previous chapter, OEQC has a coordinating role to assist the agencies in complying with the requirements of the EIS law and the rules and regulations established by EQC. OEQC would also have whatever responsibilities the governor should choose to delegate to it as the accepting authority for state agency EISs. But it is the EQC which is by law vested with the responsibility for directing, managing, and controlling the EIS system.

Recommendations. *We recommend that EQC be provided with a staff and with funding of its own. We further recommend that EQC be taken out of the governor's office and placed within the department of land and natural resources or alternatively in the department of health for administrative purposes.*

Chapter 6

RESEARCH MANAGEMENT

A statutory duty of OEQC is to conduct research or to arrange for the conduct of research in environmental quality. In this function, OEQC has spent much time and money. Two of its larger research projects have been studies on environmental carrying capacity and solid waste. Since 1974, OEQC has awarded nine contracts and expended approximately \$400,000 in state general fund monies for carrying-capacity studies. Since 1969, it has spent approximately \$300,000 in state and federal monies for solid waste studies.

In this chapter, we examine how well OEQC has performed its research function. We review OEQC's efforts in this area by focusing on OEQC's management of the carrying-capacity research, its major research effort at the time of our audit.

Summary of Findings

OEQC has undertaken the carrying-capacity research project without a clear research design. It has failed to articulate the problems to be solved and the objectives to be attained by the research project. Although lacking an overall research strategy, OEQC nevertheless has awarded a number of research contracts. The contracts themselves have failed to specify OEQC's expectations from the performance of the contracts. The contracts have been vaguely worded and OEQC has not properly monitored the performance of the contracts. The result has been a decided lack of progress in carrying-capacity research. There are

no readily usable data on the carrying capacity of the environment and the resources and the methodology that can be employed to measure impact on resource capacity.

Background

The impetus for the carrying-capacity studies came from a report issued by the temporary commission on statewide environmental planning in 1974. A key concern expressed in the report was the "carrying capacity" of the environment. The commission noted that Hawaii was approaching and had, in some cases, exceeded the limits of the environment's ability to provide sustained support to human activities. It described the condition where the environment's ability is exceeded as one of "overload."¹

Simply stated, carrying capacity refers to the capacity of resources to sustain a given population in a stable manner. The customary illustration of carrying capacity is the number of cows that can be sustained by a given grazing area without depleting or otherwise damaging the area.

Although the concept of carrying capacity is readily understood, it is complex and broad enough to allow a wide variety of research. For

¹Temporary Commission on Statewide Environmental Planning, *A Plan for Hawaii's Environment*, November 6, 1973, p. 8.

example, a carrying-capacity research could focus on resource systems and their capacities, or it could center on the uses of resources, including the social and technological factors influencing uses and possible tradeoffs among uses, or it could concentrate on the methodology for delineating the factors impinging on the resources.

The 1974 legislature passed the following resolutions in support of carrying-capacity research:

- (1) Senate Concurrent Resolution 26, SD 1, requested the governor's office to submit to the 1976 legislature a final report on criteria for defining the State's optimum carrying capacity, including criteria on population, air quality, water quality and supply, energy supplies, transportation systems, and land use capabilities.
- (2) Senate Concurrent Resolution 27, SD 1, requested the office of the governor to submit to the 1976 legislature a final report on criteria and mechanisms for officially declaring areas at environmental overload or in danger of environmental overload and to recommend preventative steps.
- (3) Senate Concurrent Resolution 53 requested the Hawaii environmental simulation laboratory (a research project at the University of Hawaii) to consider new approaches to understanding and managing environmental systems, giving particular attention to such concepts as carrying capacity, overload, and areas of critical concern.
- (4) House Resolution 62 requested the department of planning and economic development to develop criteria to determine the population carrying capacity of the State and to establish a procedure for declaring specific

areas or systems as being in a condition of overload or in danger of becoming overloaded.

Since a number of different agencies were involved in the legislative requests, the governor appointed a steering committee to establish policies for and to oversee and coordinate study activities. The governor named the director of OEQC to chair the steering committee. In practice, the director has provided most of the leadership in supervising the carrying-capacity studies. The remaining members of the committee have advised the director on the scope and direction of the carrying-capacity studies.

Initially, the committee consisted of representatives from the department of health, the department of planning and economic development, the department of social services and housing, the University of Hawaii, and the Hawaii environmental simulation laboratory at the University of Hawaii (HESL). Later, the representatives from the university were dropped and representatives of the department of transportation, the department of agriculture, department of land and natural resources, and the commission on population and the Hawaiian future were added.

The carrying-capacity study project was an ambitious one. The governor's steering committee projected a two-year time schedule and a total budget of \$700,000. The anticipated funding was:²

State general fund	\$200,000
U.S. Department of Housing and Urban Development	160,000
U.S. Department of Health, Education and Welfare	140,000
U.S. Environmental Protection Agency	200,000
Total	<u>\$700,000</u>

²Governor's Steering Committee on Carrying Capacity Studies, *An Approach for Developing, Assessing, and Utilizing Carrying Capacity Concepts and Criteria for Growth Management*, January 1975, p. 4.3.

The legislature appropriated \$100,000 for the first year of the project and another \$100,000 for the second year. For the rest, OEQC relied heavily on the possibility of federal funds. The steering committee directed its initial efforts at negotiations with the federal government. During the first two years, contracts were awarded to consultants whose primary responsibility was to produce material in support of applications for federal funds.

The department of planning and economic development eventually received \$160,000 from the U.S. Department of Housing and Urban Development. None of the other anticipated funding materialized. All of OEQC's research for carrying capacity has been supported through the state general fund. Table 6.1 presents all the contracts which have been awarded to date.

Unsystematic Research Management: Lack of a Strategy

OEQC's approach to the carrying-capacity studies has been inept and undisciplined. Early in the project, OEQC outlined a study plan which it submitted, in the name of the steering committee, to the legislature in 1975. The plan set forth a nine-step approach to the studies:³

- (1) Refine problem statement,
- (2) Specify standards, technology, values, and exogenous factors,
- (3) Identify systems which retard growth,
- (4) Develop long-term growth alternatives and analyze potential overloads,
- (5) Assess significant impacts,
- (6) Summarize results and criteria for making long-term decisions,
- (7) Summarize results and criteria necessary for making short-term decisions,

- (8) Develop transferability of methodology, and
- (9) Apply and revise carrying-capacity methodology.

Although broadly stated, the study plan was a reasonable and logical beginning. However, OEQC never got much past the first step of "refining the problem statement." This first step was to have identified the major growth issues, concerns, and decisions to be addressed. It was to have included a determination of the specific geographical scope of the project and an identification of those limited-capacity systems that had thus far been inadequately considered in Hawaii's growth. However, OEQC failed to establish such a foundation for its research program.

Aside from the study plan, OEQC has not fashioned any real strategy for the conduct of the carrying-capacity research. It never formulated problem statements, and it never articulated research objectives. It is unclear from OEQC's actions as to whether OEQC really knew what it wanted the research to accomplish.

Despite this lack of a coherent plan that would permit the progressive development of research findings, OEQC awarded a number of contracts. The result has been inadequate study findings and a decided lack of substantive progress in carrying-capacity research.

Loose Contract Administration

Lack of specifications and inexact contract terms. Since it had not defined the problems and articulated the objectives to be achieved by the carrying-capacity research endeavors, OEQC had no basis on which it could develop specifications for studies to be carried out, and it prepared none. OEQC has stated that it prepared no specifications because of the experimental nature of carrying-capacity research. It alleged

³*Ibid.*

Table 6.1

OEQC's Contracts for Carrying-Capacity Studies

<i>Contract number</i>	<i>Contract period</i>	<i>Contract amount</i>	<i>Final report title</i>
1. No. 4846	August 27, 1974 – June 10, 1974	\$ 16,500	<i>An Approach for Relating Carrying Capacity Concepts to Decision Making in Hawaii</i> (September 1974)
2. No. 5716	April 1, 1975 – March 31, 1976	17,819	No report.
3. Grant to HESL	July 1, 1975 – August 31, 1975	5,000	<i>Preliminary Systems Identification and Selection Criteria for Carrying Capacity Analysis</i> (August 1975)
4. No. 5793	August 18, 1975 – February 15, 1976	94,714	<i>Carrying Capacity Prototype Investigations in State of Hawaii</i> (February 1976)
5. No. 6697	March 1, 1976 – July 31, 1976	50,825	No final report published, only technical memorandum available.
6. Grant to HESL	January 1, 1976 – June 30, 1976	40,000	<i>Systems and Methodologies for Carrying Capacity Analysis in the Hawaii Study: An Illustration</i> (September 1976)
7. No. 6981	June 30, 1976 – October 31, 1976	36,431	<i>A Carrying Capacity Study, State of Hawaii, Area Selection and General Requirements</i> (November 1976)
8. No. 7672	February 10, 1977 – August 10, 1977	119,726	<i>A Carrying Capacity Study State of Hawaii North Kona–South Kohala</i> (November 1977)
9. No. 8087	June 30, 1977 – August 1978	29,400	<i>A Carrying Capacity Analytical Methodology for Growth Management</i> (August 1978)

that carrying-capacity was at the frontier of knowledge and there were too many unknowns to make precise statements on problems, methods, and objectives.

Granted the newness of the concept of carrying capacity, the failure to develop specifications for studies, articulating the problems to be met, and the objectives to be attained by the studies, could only spell disaster for the carrying-capacity research project. Without specifications, OEQC accepted proposals, both solicited and unsolicited, from contractors to undertake various research studies. The results were predictable.

Each contractor supplied its own definition of the problems and study objectives. These, and also the description of the methodology to be used in the study, were invariably vague and ambiguous. Note the following illustrations.

1. *Contract no. 5793.* This contract was for carrying-capacity prototype investigations at the cost of \$94,714. The proposal stated that the purpose of the study was to "demonstrate the applicability of the concept [of carrying capacity] in typical situations and to infer its generalization." The proposal said the study would demonstrate the usefulness of the carrying-capacity concept for decisionmaking, develop a better understanding of the strengths and weaknesses of carrying-capacity methodology, and characterize the elements of the methodology that lend themselves to generalizations. The emphasis was to have been on the application of the concept in planning situations using water supply and water quality as an illustration.⁴

Aside from these generalized statements, the proposal contained nothing further to clarify the results to be attained from the study. It did not identify the planning situations to which the results of the study would be applicable. Nonetheless, a contract was awarded for the full amount requested by the contractor.

The contract document was even less

definite. It stated that the contractor was to perform the following tasks:

- . Conduct research and provide a technical memorandum documenting the prototype application of the carrying-capacity concept to the water supply on Maui.
- . Conduct research and provide a second technical memorandum documenting the carrying-capacity prototype analysis of a water supply on Oahu.
- . Conduct research and provide a third technical memorandum documenting the carrying-capacity prototype analysis of a water quality segment on the island of Oahu.

The remaining contract items dealt with preparing a final report and summaries of findings for use with the department of housing and urban development and with the state legislature.

2. *Contract no. 6981.* The proposal for this \$36,000 contract was submitted by a member of the environmental council. The proposal described the project as follows: "[to] prepare a statewide evaluation on critical development activity areas in order to establish a priority area and to test basic methodology and its application technique for proposed comprehensive carrying capacity study."⁵ The body of the proposal offered no further clarification. Among other things, what methodology was to be tested was not explained. The contract that was awarded was even more general and less clear as to the focus of the study than the proposal.

⁴Contractor No. 5793. *Hawaii: Carrying Capacity Prototype Studies. Statement of Work*, August 1975.

⁵Contractor No. 6981. *Scope of Services. Identification and a Selection of Critical Areas for Carrying Capacity Studies*, June 25, 1976.

Deviation from contracts. The lack of precision in the contracts, both as to the problems addressed and the results to be attained by the studies, has made it easy all too often, for the contractor, at the request of OEQC or on its own volition, to deviate from the ostensible purposes of the contract. In the case of the early contracts, for instance, much of the efforts of the contractors was diverted to securing federal funds for the carrying-capacity research project. Contract nos. 4846 and 5716 were among these.

Contract no. 4846 was for the general purpose of preparing a paper on the conceptual framework for the carry-capacity studies. But the contractor's efforts were directed also toward developing a document for negotiating for financial assistance from federal agencies.

In contract no. 5716, the contractor was supposed to do the following:

- . Develop, coordinate, and update a detailed and specific study plan for carrying-capacity studies.
- . Develop and conduct four technical workshops on the first four research steps delineated in OEQC's initial study plan.
- . Specify preliminary inputs required to develop long-term growth alternatives, define and specify these growth alternatives, including amount, rate, type, and location of growth, and specify realistic implementing actions.
- . Provide above services in coordination with carrying-capacity studies and other planning activities of OEQC.

Instead of focusing on the above items, the contractor reported that "[a] major portion of time has been devoted to writing and re-writing the [federal] contract aid supporting document for HUD and DPED."⁶ The contractor prepared no updated detailed study plan as required by the contract, conducted only one

workshop, and filed no written report on the workshop it conducted. However, the contractor was paid the full contract amount.

While in the earlier contracts the efforts of the contractors were diverted to securing federal funds, in the recent contracts the efforts of the contractors have been shifted to economic development analysis. This shift started in 1976.

By 1976, OEQC had reported in publications and in correspondence that carrying capacity was ready for implementation and that the basic research had been accomplished (although, as we note later in the chapter, this was not the case). This was the status which was presented to the legislature. It was also the reason given by OEQC to the governor in urging a change in the composition of the steering committee.⁷

Based on this representation of OEQC, a consultant was hired to establish a priority listing of critical areas and to provide criteria for selecting the top priority area in which to apply carrying-capacity methodologies.

In light of the fact that the earlier studies had not fully researched and analyzed the concept of carrying capacity and developed the methodologies to be used in ascertaining carrying capacity, the resulting study had little to contribute toward the use of carrying-capacity methodologies. Indeed, the study addressed carrying capacity only tangentially. The basic thrust of the report appeared to be on economic development.

⁶Memorandum to Richard E. Marland, OEQC, from Contractor No. 5716. Subject: Progress Report No. 2, June 19, 1975.

⁷In his letter to the governor, the director said, "With 'Carrying Capacity' thus moving from a research and development phase to an 'implementation and application' phase, it is appropriate to consider changing the make up of the Steering Committee to more closely meet the current needs of the study program." Memorandum to George R. Ariyoshi, governor, from Richard E. Marland, director, OEQC. Subject: Steering Committee for Carrying Capacity Studies, October 4, 1976.

Thus, in the study, after stating that all local regions of the State had been examined, the consultant said, "A primary consideration in the selection process was *to choose a location where the development potential appeared to be significant* thereby exhibiting the capacity for receiving redirected growth from the Island of Oahu. As a result of the research reported herein, the Island of Hawaii in general, and the South Kohala–North Kona area in particular, *appears to have a relatively large carrying capacity if existing impediments to growth can be removed, resource problems resolved, and catalysts for growth identified.* Thus, it is selected for a carrying capacity study."⁸ [Emphasis added.]

The consultant reported that the South Kohala–North Kona area possessed one feature lacking in the other sites investigated, that is, "public and private investment has been substantial and if the proper incentives can be found for additional investment in the region, a strong economic base can be developed. That is, it appears that the region has the potential for significant economic growth which in turn could strengthen the Hawaiian economy, create employment opportunities for residents of the island, attract a labor force from the neighboring islands, etc."⁹

This kind of perspective deviates completely from the original carrying-capacity concept. It focuses on catalysts to growth rather than on the environmental constraints to growth; it stresses stimulation of the economy rather than protecting Hawaii's environment. The original rationale behind carrying capacity was that traditional development approaches ignore the limited capacities of many systems in the planning stages. The traditional model assumes that these can be corrected later at a socially acceptable cost. The carrying-capacity approach was to be innovative in that the limited capacities of existing systems were to be identified first. The carrying-capacity studies that followed this 1976 study have completely lost sight of this original rationale and have reverted to the traditional approach.

A contract for \$119,726 was subsequently awarded for a carrying-capacity substudy for the North Kona–South Kohala region. The resulting report stated: "The purpose of the North Kona–South Kohala Substudy is to illustrate the value of incorporating carrying capacity methodology in planning and growth management, as a means of preventing resource and environmental overload." Except for this brief mention of carrying capacity, the study completely ignored it thereafter. The key assumption for the study was that water and energy could be made available at reasonable costs to meet increased demands generated by growth.

The report consisted of two parts. Part I focused on the economic potential of tourism, diversified agriculture, and aquaculture. It tried to identify impediments to economic growth. It also tried to identify those industries which have the greatest potential for growth. Part II was a detailed profile of the study area. It looked at population, land use, private development, water systems, major natural hazards, climatic characteristics, sandy beach inventory, historical and archeological sites, soil types, and agriculture. Although the report claimed to have evaluated the resource base, this was not done. For example, under the subject of water systems the report said that adequate water supplies can be made available to all of the proposed development in South Kohala if adequate funds are made available to upgrade the infrastructure and facilities. In discussing land use, the report merely stated that South Kohala is characterized by a vast amount of open space and unimproved land. Exactly what the most appropriate use would be or how much should be left in open space was not mentioned. The study obviously was not a carrying-capacity analysis.

⁸Contractor no. 6981, *A Carrying Capacity Study State of Hawaii Area Selection and General Requirements*, November 1976, p. ii.

⁹*Ibid.*, pp. 33–34.

Carrying-capacity technology is more easily theorized than realized. There were and are significant difficulties, such as the unavailability of data, the complexity of the relationships between systems, technological changes, and shifts in political and social values. These difficulties were never acknowledged by OEQC.

Furthermore, OEQC has been less than candid in its reports on actual progress and accomplishments. These have led to unreasonably high expectations and, in its search to fulfill these expectations, OEQC has lost sight of its own role. OEQC's function in carrying capacity was not to formulate economic development options for counties but to develop criteria for defining various carrying capacities and a methodology which could predict when overload is being approached, particularly in terms of environmental resources.

Inadequate monitoring and evaluation of contract performance. The absence of a research strategy and design, and the resultant lack of specifications and imprecise contract terms for contractual studies also account for inadequate monitoring and evaluation of contract performance. Monitoring and evaluation is well-nigh impossible where the objectives of the studies are vaguely stated and standards and criteria by which to measure attainment of the study objectives are either not stated at all or imprecisely stated in the contracts.

Thus, even though research contracts are supposed to be monitored by OEQC's planning unit and payments for contract work are supposed to be based on the review of work performance by the staff of the planning unit, in fact, contract work for the most part has been insufficiently supervised and evaluated. OEQC has not formulated any guidelines on a monitoring system to pick up the slack created by the imprecise contract terms. The result has been a great deal of subjective judgment on the part of the staff in determining whether the contractor had fulfilled his contractual obligations.

Contract no. 6697 demonstrates the impossibility of evaluating adequacy of

performance by the contractor. This contract was supposedly a followup contract to contract no. 5793. It will be recalled that contract no. 5793 was for carrying-capacity prototype investigations. It was awarded to document the application of a carrying-capacity methodology using water supply and water quality as illustrations. Contract no. 6697 was awarded to the same consultant who performed under contract no. 5793. In contract no. 6697, the consultant was asked to do the following things:

- (1) Review and further verify, to the extent possible, the key assumptions and data sources used in the prototype studies.
- (2) Interview state and county agency personnel, public officials, and local experts to organize the information used in the carrying-capacity studies and to identify the key decisionmaking alternatives of agencies which will be required in the course of a carrying-capacity study.
- (3) Meet with and present information to state and county agency personnel in order to acquaint them with the research efforts.
- (4) Develop, prepare, and employ training materials in conjunction with the training workshops to instruct personnel in the use of carrying-capacity technology.
- (5) Review reports related to other systems on the island of Oahu and compile information on these systems in order to delineate a set of assumptions and data sources for determining the carrying capacity of Oahu prior to carrying out an actual study.
- (6) Based on the prototype studies, identify the types of contributions that can be made by the

carrying-capacity studies to the development of the Hawaii state plan.

- (7) Prepare a written report and technical memorandum synthesizing the results of research conducted under this agreement.

The purpose of doing these things was left unclarified in the contract. Thus, what was hoped to be gained by the interviews of state and county personnel, public officials, and local experts could not be ascertained. Equally uncertain was what ultimately was to be achieved by the training workshops.

A memorandum submitted by the consultant indicated that he had interviewed approximately 30 people from various federal, state, and county agencies, the university, and private organizations. There was, however, no way to establish whether this satisfied the first contract item calling for interviews or whether the ultimate objective of contract no. 6697 had been furthered in any way.

The contractor also reported holding four workshops to instruct planning officials and staff in the use of the concept of carrying capacity. Three were held at the state capitol and one at city council chambers. The first was attended by three legislators; the second by seven city and county planners; the third by thirteen planners, council members, and representatives from the public; and the fourth by five members of the public. Again there was no way to evaluate whether this attendance adequately advanced the purposes intended by the contract. In terms of the content of the workshops it is even more difficult to assess achievement of the objectives of the contract.

The workshops were to provide instructions in the use of carrying-capacity technology. The contractor summarized in the appendix of his memorandum the content of the presentations he made at the workshops. Since contract no. 6697 was a followup to contract no. 5793, and given the ostensible nature of

contract no. 5793 and the terms of contract no. 6697, one could have reasonably presumed that a carrying-capacity evaluation methodology was to have been taught at the workshops. However, this apparently was not the case. As stated in the appendix to the consultant's memorandum, the consultant would not even attempt to define carrying capacity at that point in the methodological development. He would merely present a planning approach based on the concept,¹⁰ such as recognizing constraints, examining options, etc. Thus, the introductory remarks made at the workshops included the comment: "Development of a planning methodology based on the carrying capacity concept is still in the infancy state. (Note: so far, only its potential usefulness has been ascertained!)"¹¹

Despite the uncertain results obtained from contract no. 6697, OEQC approved payment of the contract price to the consultant. There simply was no way to ascertain achievement of the ends intended by the contract.

The difficulty in assessing attainment of what was bargained for under the contracts has sometimes led to the payment to the contractor of the contract price even though the contractor failed to present his final work product. For instance, in contract no. 5716 the contractor was supposed to have submitted regular and systematic progress reports and a final report. Three progress reports were filed, but the final written report was not. Then in contract no. 6697, although both a written report and technical memoranda were required, only the technical memoranda were submitted. In each case, however, the contractor was paid his full contract price.

¹⁰Contractor No. 6697. *Appendix A. Carrying Capacity: An Emerging Philosophy for Growth Management in the State of Hawaii*, p. A-11.

¹¹Contractor No. 6697. *Appendix B. Training Materials*.

Lack of records. OEQC's equivocal approach to the carrying-capacity research project is reflected in the manner in which OEQC has maintained its records on the project. OEQC has only scattered records of its research effort.

First of all, OEQC has not properly kept the minutes of the meetings of the carrying-capacity steering committee. We are informed that many substantive discussions were held by the committee when it was first appointed on the direction and scope of the project. Yet there are no records of the decisions made by the committee.

Aside from the fact that this lack of minutes has deprived the State of valuable records of deliberations of the steering committee, the failure to prepare minutes was in violation of the sunshine law, which requires written minutes to be publicly available. The office of the lieutenant governor notified the department of the attorney general twice in 1975 that the carrying-capacity steering committee had failed to comply with the provisions of the law.

The second main deficiency in OEQC's records is in the contract files. It is impossible to determine whether the files are complete or incomplete. It is difficult to tell whether certain documents were submitted and have become misplaced or whether they were never submitted at all. Many of the documents called for in the contracts are not available in the files, although we were told by staff that they thought that the reports had been submitted. Further, the contract files do not reflect all changes made to the contracts. It seems that at times verbal changes were made to the contracts. However, no records of these changes are available in the files.

Finally, as noted above, not all of the work products required by the various contracts have been received and filed by OEQC. The work products under contract nos. 5716 and 6697 in particular are missing.

Lack of Progress in Carrying-Capacity Research

The inadequate handling of the carrying-capacity research project is evidenced in the results obtained thus far from the project. At most, the project has generated scattered bits of information on different ways of looking at carrying capacity. There is no readily usable methodology for assessing carrying capacity with respect to any of our resources, the criteria or standards for determining overload conditions, and suggested approaches to resource management that take into account the carrying capacity of resources.

This is so, notwithstanding OEQC's representations to the contrary. Over the years, OEQC has consistently misrepresented the success of the carrying-capacity research. Take OEQC's 1976 report to the legislature, for instance.

The report entitled, *Carrying Capacity Prototype Investigations in the State of Hawaii*, was a summary of the water system studies which had been done on Oahu and Maui (contract no. 5793). This report said that the results of the investigations "clearly illustrate the potential of carrying capacity studies to address complex growth-related issues that abound in Hawaii today."¹² The report held out hopes for substantial benefits from further investment in research. It said that carrying-capacity research could delineate various growth options based on key environmental and resource systems, identify the effects of major infrastructure decisions, such as highways, on growth and environmental quality, evaluate a range of feasible environmental standards, etc. However, there was nothing in the body of the report to substantiate these claims.

The report presented a methodology consisting of nine steps. This methodology was

¹²Governor's Steering Committee for Carrying Capacity Studies, *Carrying Capacity Prototype Investigation in the State of Hawaii*, February 1976, p. 9.

described as reflecting substantial progress in effectively assessing the environmental and resource carrying capacities of areas within the State. However, stripped of jargon, the steps were no more than those which would be taken in any systematic research program.

The first step, for example, was called "Geographic decomposition and preliminary focus of major overload conditions and potential key decisions." A reading of the narrative describing this step showed that it consisted of focusing the study on smaller geographic areas and reducing the complexity by selecting a few key issues for analysis. In other words, the first step is to limit the study to a manageable scope.

The second step was titled "Aggregation and containment of the analysis." This meant that data developed for the study should be appropriate for the level of decisionmaking for which they are to be used. For example, if major policy decisions are being made, unnecessarily detailed data should not be presented.

The third step was labeled, "Range of environmental, economic, and social criteria and standards." The thrust of the discussion was that these kinds of variables must be considered in any analysis of trade-offs.

The remaining steps were equally standard steps followed in a research project. They were by no means unique to carrying capacity nor innovative, as was promised.

The report was issued in the name of the steering committee. This prompted some concern. Not all of the members of the steering committee knew that a report in its name was being issued. Some of the members were not given a copy until after its submittal to the

legislature. They had no opportunity to review the report before its submission. One member protested to OEQC that his name had been listed as an author of the report when he had not participated in its preparation.

This was not the first time a member of the steering committee was seriously concerned with presentations to the legislature. Referring to another of the steering committee reports, he said, "the report overstates the scope and even the most optimistically expectable results." He noted, "I do not think that the legislature can possibly be aware of the limitations in the scope and results of the investigations that are now envisaged."

Recommendations. We recommend as follows:

1. *OEQC develop for any research project which it administers a strategy and a design for the project. This strategy and design should be formulated before any specific research contract is let. The strategy and design should address such questions as the problems to be solved, the specific objectives to be attained, and the general approaches to be followed in the research project.*

2. *OEQC develop specifications for every research contract to be let. The specifications should, among other things, clearly delineate the results expected to be produced by the specific research.*

3. *OEQC develop a system for monitoring and evaluating performance of research. Appropriate guidelines to be used in monitoring and evaluating should be fashioned for the assistance of those charged with the monitoring and evaluating functions.*

Chapter 7

PERSONNEL MANAGEMENT

This chapter reviews OEQC's management of its employees and the adequacy with which OEQC has carried out its personnel responsibilities. The chapter includes a discussion of management supervision and assignment of work, employee evaluation, and the classification system.

Summary of Findings

OEQC has paid too little attention to its personnel obligations. OEQC has established no policies or procedures to govern personnel practices. As a result, there is conflict and dissension among the staff. Morale is low, and there is a general lack of cooperation. Specifically:

1. OEQC has no classification plan, and its job descriptions are inadequate.
2. The work of the staff is not adequately organized and supervised. Overlapping assignments are often made and performance evaluations are inconsistently conducted.

Background

OEQC has 11 authorized positions, including that of the director.¹ Figure 7.1 is the current approved organization chart for the office.² OEQC personnel provide staff support to the environmental council and EQC.

As we have noted, the office is divided into a planning unit, an impact analysis unit, and a clerical services unit. The planning unit is headed by an environmental planning coordinator. It includes two environmental planners and an environmental technical specialist. They staff the environmental council, monitor research contracts, review planning legislation and planning documents, prepare environmental reports, maintain liaison with agencies and environmental groups, and provide assistance upon request.

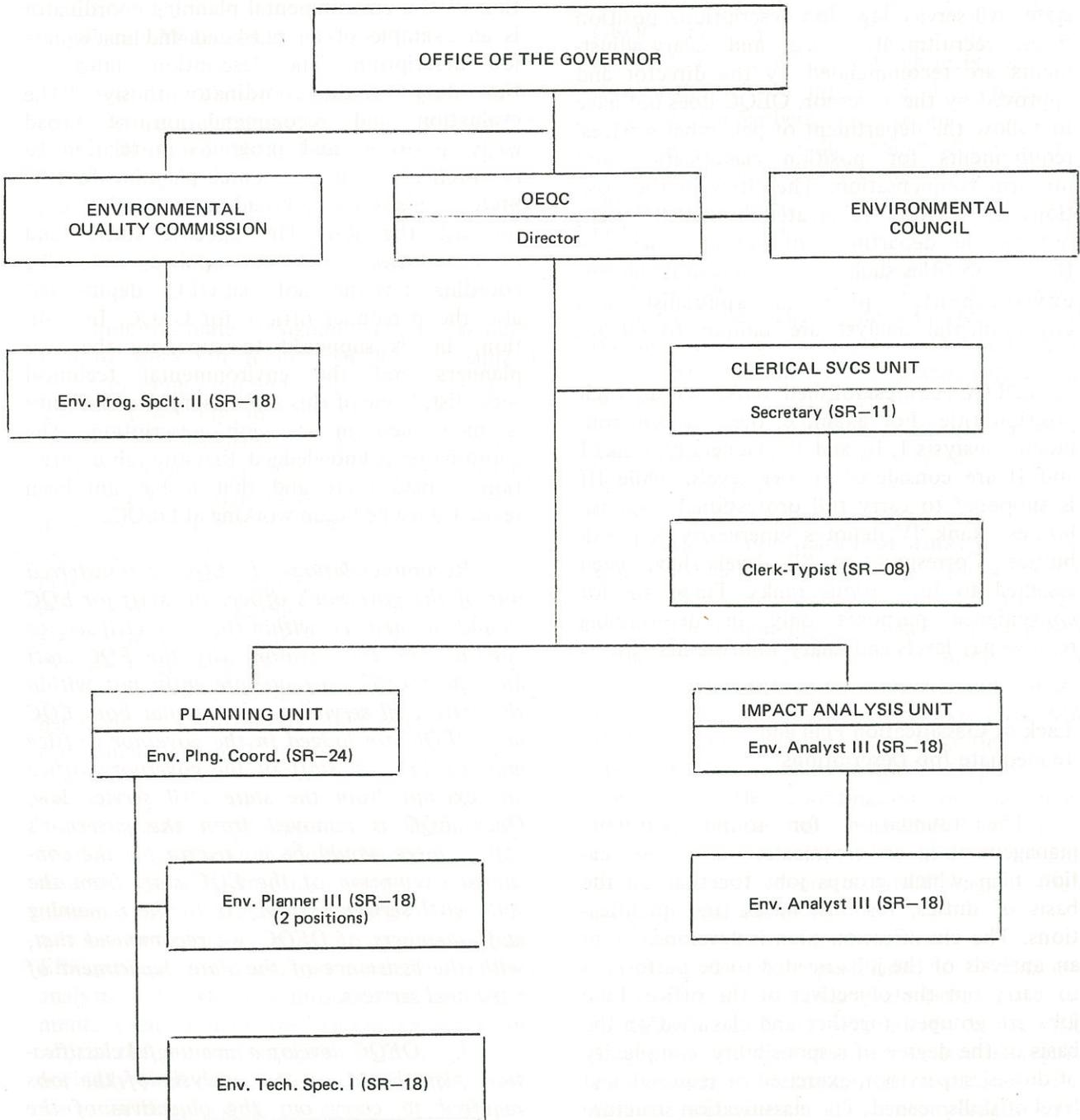
The impact analysis unit is primarily responsible for reviewing environmental impact statements and related documents. It consists of two environmental analysts. The office services unit provides secretarial and clerical support. It includes a secretary and a clerk typist. The office also has part-time student help which is not included in its position count.

Included in OEQC's position count of 11 are the executive secretary and commission assistant to EQC. The executive secretary is shown on figure 7.1 as "Environmental Program Specialist II." The commission assistant's

¹The number of authorized positions has been reduced to ten in the Supplemental Appropriations Act of 1978.

²The current organization chart is slightly different from the one in effect during the period of our audit. The lines of authority are more clearly depicted in the present chart, and it reflects ten positions rather than 11.

Figure 7.1
Office of the Governor
Office of Environmental Quality Control



Source: Approved organizational chart of the office of environmental quality control, July 10, 1978.

position is not shown on figure 7.1.³ The executive secretary reports to EQC.

As part of the governor's office, all OEQC personnel are exempt from the provisions of the state civil service law. Job descriptions, position titles, recruitment, hiring, and salary adjustments are recommended by the director and approved by the governor. OEQC does not have to follow the department of personnel services' requirements for position classification and uniform compensation. The titles of the positions in OEQC were created by OEQC itself, not by the department of personnel services. Hence, job titles such as environmental planner, environmental program specialist, and environmental analyst are unique to OEQC.

OEQC has established ranks within each position title. For example, there are environmental analysts I, II, and III. Generally, ranks I and II are considered trainee levels, while III is supposed to carry full professional responsibilities. Rank IV denotes supervisory responsibilities. Corresponding SR levels have been assigned to the various ranks. These are for convenience purposes only in determining relative pay levels and salary adjustments.

Lack of Classification Plan and Inadequate Job Descriptions.

The foundation for sound personnel management in an organization is a classification plan which groups jobs together on the basis of duties, responsibilities, and qualifications. The classification plan is developed from an analysis of the jobs needed to be performed to carry out the objectives of the office. Like jobs are grouped together and classified on the basis of the degree of responsibility, complexity of duties, supervision exercised or required, and level of skills needed. The classification structure assists in determining the kinds of employees to recruit, in setting pay, and in clarifying the promotional opportunities available to employees. The plan assures fair treatment of

employees. However, OEQC has no classification plan.

Furthermore, descriptions are out of date, inadequate, and inaccurate. The job description of the environmental planning coordinator is an example of an outdated and inadequate job description. The description states the first duty of the coordinator thusly: "The evaluation and recommendation of broad goals, priorities and programs in relation to comprehensive environmental planning for the State." This is a very broad and general description of the job. The specific duties and responsibilities are not spelled out. The coordinator is the unofficial OEQC deputy and also the personnel officer for OEQC. In addition, he is supposed to supervise the two planners and the environmental technical specialist. None of this supervisory responsibility is mentioned in the job description. The coordinator acknowledged that the job description is inadequate and that it has not been revised since he began working at OEQC.

Recommendations. If EQC is transferred out of the governor's office, the staff for EQC should be included within the state civil service system. The only reason why the EQC staff and the OEQC staff are presently not within the state civil service system is that both EQC and OEQC are lodged in the governor's office and, by law, all staff in the governor's office are exempt from the state civil service law. Once EQC is removed from the governor's office, there would be no reason for the continued exemption of the EQC staff from the state civil service system. As to the remaining staff members of OEQC, we recommend that, with the assistance of the state department of personnel services:

1. *OEQC develop a meaningful classification plan based on an analysis of the jobs required to carry out the objectives of the office.*

³The Supplemental Appropriations Act of 1978 eliminated the position of commission assistant to EQC. However, the individual has continued on as a temporary hire.

2. *OEQC prepare accurate and adequate job descriptions for each position, delineating the duties and responsibilities and qualifications for each position.*

Inadequate Management of Staff

Staff morale at OEQC is low; working relationships are strained; and work is hampered by conflicts and dissensions. These conditions are due in part to poor management of personnel. Work assignments are unclear; work coordination is lacking; and employee performance evaluation is unsystematic.

Indiscriminate assignments and assumption of work. In theory, OEQC is organized into a planning unit and an impact analysis unit. This is true only in that the impact unit is responsible primarily for reviewing environmental impact statements. There is actually considerable overlap in duties and responsibilities. This need not be a handicap, particularly in an office with a small staff in which everyone may be called to help out on a project. But even in such a situation, each person ought to know what exactly is assigned to him and what the others are doing so that all staff may work together. OEQC's handling of work assignments has deviated from this standard and has created resentment and conflict.

Frequently overlapping assignments have been made without everyone affected by such assignments being informed. For example, the planning unit was asked to review master plans for ten beach parks in order to speed up the EIS process for these projects. The impact analysis staff was not informed of this assignment, even though the assignment was one which the impact analysis staff would have normally performed. The impact analysis staff were not even asked to assist, although the impact analysis staff were most familiar with the required procedures. Conversely, the impact analysis staff have sometimes been asked to review planning documents and application for

permits, even though this is not really their job.

Perhaps because of the indiscriminate assignments of work, there has also been indiscriminate assumption of work by the various OEQC staff members. Staff members have assumed responsibility for projects on their own without even informing the director or other staff members. This, again, has created resentment and a feeling that areas of responsibility are not being respected. For instance, the impact analysis staff have become involved in environmental issues, such as the SST, even though these have not been assigned to them. When OEQC subsequently became officially involved in these environmental issues, the work on the issues was assigned to other staff members. One consequence was accusation by the impact analysis staff that the staff members who were later assigned to work on the issues plagiarized the work previously done by the impact analysis staff.

Lack of coordination of work. When work which normally belongs to one unit is assigned to another unit without informing the first unit of the assignment, and when staff members, without specific assignments, assume the performance of work which normally falls outside their area of responsibility, these are clear signs that the organization lacks coordination of effort. We have already noted in chapter 5 that there is little coordination of the work performed by the staff assigned to EQC and the remaining staff of OEQC. This lack of coordination exists even among the staff assigned solely to OEQC matters.

Unsystematic performance evaluation. What little performance evaluation that exists in OEQC has been perfunctory and erratic. In general, the staff members receive no regular information on management expectations and little guidance as to the strengths and weaknesses of their on-the-job performances.

Performance evaluation when made is done apparently for some employees and not for

others. Our examination of the personnel records showed written personnel evaluations for only half of the staff. All of the evaluations were for the fiscal year 1975-76.

The purposes of the evaluations have also differed from case to case. In some instances, the performance evaluations served as an annual performance report. In others they were used to justify requests for annual increments.

This erratic system of performance evaluation is clearly unfair to all employees.

Recommendations. We recommend that:

1. OEQC clearly delineate areas of responsibility for staff personnel, based on job descriptions. These should be respected to the extent possible. Staff members should be informed if overlapping job assignments become necessary. OEQC should also provide for coordination of work of the staff members.

2. OEQC develop a system for the regular evaluation of employee performance. To assist the employee in improving performance, the system should include discussions on management's performance expectations and provide constructive feedback on each employee's strengths and weaknesses.

Chapter 8

INTERNAL CONTROL

This chapter presents our findings and recommendations on the system of internal control of OEQC. The term, "system of internal control," means the plan of organization and all of the methods and measures adopted within the office to ensure the accuracy and reliability of accounting data, to safeguard the office's assets, and to assure adherence to prescribed laws, policies, procedures, and rules and regulations of the State in financial transactions.

Summary of Findings

OEQC's system of internal control is deficient in the areas of control over expenditures and management of property. Adequate controls are lacking specifically over:

- (1) purchase order forms;
- (2) confirming purchases;
- (3) receipt of goods;
- (4) invoices submitted for payment by consultants;
- (5) inventory of property; and
- (6) telephone usage.

Inadequate Control over Expenditures

OEQC does not exercise sufficient control over expenditures and over the processing of summary warrant vouchers for payment. As a result, the office is exposed to possible unauthorized or improper purchases or expenditures.

Poor control over purchase order forms.

State agencies use a purchase order form to order goods and services from vendors. The form, when issued to vendors, becomes a contractual commitment for the goods and services ordered. To prevent unauthorized use of the forms, adequate control must be exercised over their supply. We have found, however, that a supply of these forms is kept by the OEQC office secretary in an unlocked desk drawer and also in an unlocked storage cabinet. The forms are thus easily accessible to anyone in the office.

Another deficiency in control over purchase order forms is that the purchase order forms are not prenumbered. By "prenumbered" we mean the preprinting of sequential numbers on the forms. Without prenumbering, the office has no method of accounting for the purchase order forms. The forms could be taken and used without the office knowing that the forms had been taken without authority.

Prenumbered forms make it possible to account for every purchase order form. While prenumbering will not prevent unauthorized use, it can aid in quickly identifying missing forms so that attempts can be initiated to locate them and any unauthorized purchases can be identified quickly.

Recommendation. We recommend that all purchase order forms be kept under lock and key. We also recommend that the forms be prenumbered.

Confirming purchases. OEQC makes numerous purchases on a confirming basis. Under this practice, a purchase commitment is made before the preparation and approval of a purchase order. Confirming purchases are technically illegal. Proper custody of public monies requires that certification of availability of funds and the propriety of purchases be made in advance of obligating public funds.

There may be emergency situations when time does not permit prior preparation and issuance of a purchase order, but our review of the purchase orders issued by OEQC during fiscal year 1976-77 revealed that this was not the case. Confirming purchases were made when a purchase order could have been prepared. Among these were confirming purchases of office supplies, printing services, and interisland air fare for environmental council members.

Recommendation. We recommend that OEQC formulate and enforce an internal policy prohibiting the practice of confirming purchases, except in cases of emergencies.

Lack of documentation on receipt of goods. Many of OEQC's summary warrant vouchers which we examined lacked supporting evidence that goods for which payments were made had actually been received. In some of these cases, it is possible that the invoices had been processed for payment before the actual receipt of goods. Whatever the reason, the payment for goods without evidence of receipt of the goods constitutes poor accounting practice.

The purchase order form used by OEQC has a line for the signature of the person receiving the goods and the date of receipt. OEQC also uses a stamp which it imprints on each copy of the vendor's invoice. The stamp has spaces to be filled in or initialed to indicate, among other things, the date the items on the invoice were received. If these spaces on the purchase order form and the imprints are properly filled and payments for goods are made only when the spaces are filled, there would be

assurance that payments are being made only for goods actually received. However, in many instances, the spaces on the purchase orders and the imprints on invoices filed with the summary warrant vouchers were not filled in to indicate the receipt of the goods in question.

The majority of the summary warrant vouchers lacking documentation were for the purchase of routine office supplies such as paper, tablets, binders, and other miscellaneous supplies. There appears to be no reason why the receipt of these goods could not have been properly documented.

The problem of inadequate documentation of receipt of goods and services appears to be widespread among state agencies. In February 1976, the state comptroller, who is responsible for preauditing and approving all payments made to vendors, issued a memorandum on the subject.¹ In the memorandum, the comptroller reminded all agencies of the importance of including information regarding receipt of goods and services on the summary warrant vouchers. In the memorandum, he stated further that documentation of receipt is an essential control in ensuring that merchandise received and/or services rendered are as ordered and merchandise and/or services subsequently paid for have actually been received or performed. We concur.

Recommendation. We recommend that OEQC comply with the comptroller's memorandum by fully documenting the receipt of goods. This means the individual receiving goods must sign and date the purchase order and initial and date the stamp imprinted on the vendor's invoice.

Inadequate information on invoices submitted by consultants. OEQC does not require its consultants under contract to provide sufficient information on the invoices submitted by the consultants so that OEQC

¹Memorandum, 1976-3, February 6, 1976, Hideo Murakami, Comptroller, subject: "Voucher Evidence of Receipt of Goods."

can determine whether the charges for services and for expenses are correct, reasonable, and proper. Some consultants, as a matter of course, do submit sufficient descriptions of the services performed and information to justify the charges noted on their invoices, but others merely submit invoices which indicate the percentage of work completed and the amount due. Despite the lack of adequate information on these invoices, OEQC approves them for payment and sends them to the governor's office for further review and approval.

On occasion, the governor's office returns invoices which are so lacking in information that it cannot determine the propriety of the invoices or the accuracy of the amounts of the invoices. The following case is an example.

The consultant entered into a contract with OEQC for \$190,487 in July 1976. The consultant was to conduct an analysis of the technical and economic feasibility of establishing a resource recovery facility on Oahu. In each of the invoices it submitted, the consultant displayed (1) the amount of the charges cumulated from the time the consultant started work on the contract to the invoice date and (2) the amount currently due. In a column next to the amount of the cumulated charges, the consultant categorized the cumulative charges and amount currently due by salaries and wages, overhead, and travel expense. It showed its computation of cumulated overhead as a percentage of direct labor. Other than this information, the consultant included no explanations for the charges shown on the invoice. It gave no description of the work performed or the study which it conducted.

In June 1977, OEQC approved for payment two invoices totaling \$19,072 in current amounts due, and submitted them to the governor's office for review and approval. However, the accountant at the governor's office could not reconcile the amounts shown on the invoices as cumulative charges and current amounts due with payments which the office had already made. It appeared to the

accountant that the cumulated charges were overstated by \$17,366. In addition, because of the lack of detailed information, the staff of the governor's office questioned the propriety and reasonableness of travel expenses and the method of computing overhead.

The governor's office returned the invoices to OEQC and asked for a detailed explanation from the consultant as to the individuals incurring the travel expenses, the purpose of the travel, and a detailed breakdown of the expenses. OEQC was also asked to request an explanation on how overhead percentages were derived and used to determine overhead charges.

We were informed by OEQC that the apparent overstatement of cumulated charges by \$17,366 resulted from a prior invoice for \$17,366, which had been returned by the governor's office to OEQC because of the same questions on travel expenses and overhead. This invoice had not been resubmitted to the governor's office for review and approval. No payments had been made.

After the invoices were returned, OEQC—as requested by the governor's office—asked the consultant for a detailed explanation of travel and overhead charges. OEQC corresponded with the consultant for a period of approximately six months. In January 1978, the invoices, along with the explanation provided by the consultant, were again submitted to the governor's office for review and approval.

OEQC is responsible for determining whether the information on an invoice is sufficient to justify payment. It should make sure that the information is sufficient before it recommends payment.

Recommendations. We recommend that OEQC:

1. *Require detailed information regarding charges on all invoices submitted by consultants who are under contract so that the*

office can make a proper determination of the propriety and reasonableness of charges. It should also require details from consultants on the work performed and the progress made during the period for which they are billing the office.

2. *Review all charges shown on invoices for propriety and accuracy before routing them to the governor's office for further review and approval.*

Poor Management of Property

Property under the control and jurisdiction of OEQC is poorly managed. In particular, there is a lack of control over the office's inventory of property and a lack of control over telephone usage.

Lack of control over inventory of property.

Under HRS section 106-1, all departments and agencies of a public character are required to file annually with the state comptroller an inventory of all state property in its possession, custody, or control as of July 1. Our examination of the inventory report filed by OEQC, and our inspection of the property under OEQC control, revealed the following.

1. *Inaccurate report.* The inventory report filed by the office is not accurate. Various items such as a desk, filing cabinet, and a car are not listed in the report. Further, books, office materials, and supplies, are not included. It is important that the report include all OEQC property, since the report fixes responsibility for the property on the custodian of the property.

2. *Missing items.* A few of the property items listed on the inventory report as being in the office are in fact missing from the office. We were unable to locate a desk and a worktable. Personnel responsible for taking the physical inventory are aware that the items are missing. They could not give any reasons for the absence of the items. In accordance with the

comptroller's Circular No. IM-1-76, dated June 14, 1976, the office should have indicated on the inventory report that the items could not be located and explained the reasons why. By signing the inventory report, the director incorrectly certified that the items listed in the report were under his control.

3. *Untagged items.* Some items are not tagged with state identification decals as required by the state comptroller. For example, some bookshelves are not tagged. All equipment should be tagged to ensure the positive identification of equipment and to facilitate the taking of a physical inventory.

Recommendations. We recommend that OEQC:

1. *Correct its inventory report by including all property which is under its custody and control.*

2. *Exercise more care in controlling its equipment and report all missing equipment to the state comptroller.*

3. *Tag all equipment with state identification decals as required by the state comptroller.*

Lax control over telephone usage. OEQC exercises poor control over inter-island and mainland phone calls. The office allows office personnel to place long distance calls at their discretion. After placing calls, staff members are supposed to record the call on a log form and fill in such information as the name of the caller, the number called, and the location. The following weaknesses in control are noted.

1. *Lack of system of authorization.* The office does not have a system whereby long distance calls are authorized by a responsible OEQC official before they are placed. This increases the possibility of unofficial or personal long distance calls being made by staff members. In the past, a former staff member placed personal calls to the neighbor islands. While

prior authorization for calls will not prevent unofficial or personal calls, when combined with the proper recording of calls it will help to strengthen control over calls.

2. Failure to properly record and report calls. OEQC uses the interisland-wide area telephone services (WATS) for interisland calls. The department of accounting and general services (DAGS) is responsible for administering the system and requires that all calls placed through the WATS system be properly recorded on log forms, together with other pertinent information.

For mainland calls, OEQC uses the state centrex system, which requires direct distance dialing. This system is also administered by DAGS, which requires that the calls be recorded and logged properly. DAGS will absorb all long-distance toll charges for departments and agencies funded by the general fund if the proper recording and reporting procedures are followed. DAGS charges an agency for all interisland calls not recorded on the log forms and for all mainland calls not reported to the state centrex operator immediately upon completion of the call.

We found that OEQC is being charged for numerous interisland and mainland calls.

These calls are technically unauthorized or unofficial, since proper procedures are not followed. The situation has been particularly frustrating for the office secretary, who informs us that in many instances she is only aware of a long distance call having been made when the office receives a billing from DAGS. She has sent out memos to the staff requesting their cooperation in recording all long distance calls. In some instances, mainland calls are recorded, but the office is still charged, because the secretary is informed long after the calls are made and the calls are not recorded promptly enough.

Recommendations. We recommend that OEQC strengthen its control over long distance calls by:

1. Requiring prior authorization for all long distance calls by an appropriate member of the office and by informing the secretary of such approval before the call is placed.

2. Adopting and enforcing a strict policy that all long distance calls be recorded immediately upon completion and that the centrex operator be immediately notified in the case of mainland calls.

Chapter 9

FINANCIAL STATEMENTS

This chapter contains the results of our examination of the financial statements of the office of environmental quality control (OEQC) for the fiscal year July 1, 1976 to June 30, 1977. Included in this chapter are explanations of the financial statements, our opinions regarding the reasonable accuracy of the financial statements, and displays of the statements. The financial statements and schedules are as follows:

- Statement of General Fund Appropriations, Expenditures, and Unencumbered Balances (table 9.1);
- Schedule of Expenditures (table 9.2); and
- Statement of Capital Improvements Project Appropriations, Allotments, Expenditures, and Balances (table 9.3).

Method of Accounting

The accounts of OEQC are maintained on a modified cash basis of accounting. Financial statements likewise are prepared on this basis. Generally, under this basis, revenue is recognized when actually received in cash; expenditures are recognized at the time liabilities are paid, except for encumbrances of funds for commitments. Commitments are recorded at the time contracts are awarded and orders for services, equipment, and supplies are placed.

Purchases of capital assets are recorded as operating expenditures and are not shown as

assets on the financial statements. These capital expenditures are accounted for as part of the statewide general fixed-asset group of accounts. Depreciation on these assets is generally not recorded by the State.

In accordance with the practice followed by other state agencies, earned vacation and sick-leave credits are not reflected in OEQC's financial statements. Vacation credits of state employees, although technically accrued when earned, are recorded as expenditures and charged against funds appropriated only when the vacations are taken or claimed (in cases of employment termination). Sick-leave credits, although accrued, can only be applied when an employee is ill. There is no cash payoff for unused, accrued sick leave credits upon the termination of employment.

All full-time state employees are required by section 88-42 of the Hawaii Revised Statutes to become members of the employees' retirement system of the State. The system requires contributions to be made by both the employee and the employer (State). The employer's share of the contribution for employees is appropriated annually to the department of budget and finance and is not reflected in the financial statements.

Statement of General Fund Appropriations, Expenditures, and Unencumbered Balances

The statement of general fund appropriations, expenditures, and unencumbered

balances of OEQC for the year ended June 30, 1977 is shown in table 9.1.

Opinion on statement. In our opinion, the statement of general fund appropriations, expenditures, and unencumbered balances fairly presents the resources that were made available to OEQC and the expenditures that were made during the fiscal year ended June 30, 1977.

General description of the statement. The statement presents a summary of the general fund transactions of OEQC for the year ended June 30, 1977. The state general fund is used for all resources not specifically reserved for special purposes. Any state activity not financed through another fund is financed by the general fund.

Resources. The general fund resources that were made available to OEQC and the expenditures made therefrom are described below.

1. **State general fund appropriations.** Initially, the state legislature, by Act 195, SLH 1975 (the General Appropriations Act of 1975), appropriated a total of \$492,234 from the general fund revenues of the State for the operations of OEQC for the fiscal year beginning July 1, 1976 and ending June 30, 1977. Subsequently, the legislature, by Act 226, SLH 1976 (the Supplemental Appropriations Act of 1976), reduced the appropriation for the fiscal year ended June 30, 1977 to \$485,015.

2. **Transfers.** During the fiscal year, funds totaling \$15,065 were transferred from the general fund appropriation (\$485,015) to a demonstration project for Indo-China refugees. The transfer had the effect of reducing the resources available by \$15,065.

3. **Beginning balances.** At July 1, 1976, OEQC had a total of \$73,776 in the state treasury which was carried over from general fund appropriations made by the state legislature in prior years. The total consisted of balances of \$34,660 and \$39,116, from the

appropriations made by Act 132, SLH 1970, and Act 112, SLH 1971, respectively.

The legislature by Act 132, SLH 1970, created OEQC and appropriated \$155,000 to fund its operations. Act 112, SLH 1971, appropriated \$100,000 to OEQC for the purpose of conducting a feasibility study of a major recycling program for the State's natural resources and solid wastes.

Expenditures. In the fiscal year ended June 30, 1977, a total of \$418,201 was incurred in operating expenditures. Included in the total of \$418,201 was the sum of \$97,137 in encumbrances. Encumbrances are obligations which, although not yet paid, are chargeable to the fiscal year in which the obligation is incurred. A brief discussion of the major categories of expenses included in the \$418,201 total expenditure follows.

1. **Personal services.** Personal services, which include salaries for employees and expenditures for services provided by others, totaled \$375,011. A detailed listing of the personal services expenditures is presented in table 9.2.

2. **Other current expenses.** This category of expenditures includes all expenditures except those for personal services and equipment. For the fiscal year ended June 30, 1977, a total of \$43,190 was expended for other current expenses. Table 9.2 presents a detailed listing of expenditures for other current expenses.

Excess of resources over expenditures. In the fiscal year ended June 30, 1977, the total resources available to OEQC exceeded total expenditures by \$125,525 (\$543,726 - \$418,201).

Lapsed balance. Of the total \$125,525 excess remaining at the close of the fiscal year, the sum of \$51,749 lapsed and was returned to the state general fund. The lapsed amount represented the unexpended and unencumbered state general funds appropriated to OEQC by

Act 226, SLH 1976, for the fiscal year ended June 30, 1977.

Unencumbered balances. At June 30, 1977, there was an unencumbered and unexpired amount of \$73,776. This sum represented the same balances of prior-year appropriations shown as beginning balances at July 1, 1976. As indicated on the statement, there were no expenditures made from the prior-year appropriations during fiscal year 1976-77. In fact, expenditures of the prior-year appropriations have been infrequent. There were no expenditures made from the appropriation of Act 132, SLH 1970, in five of seven years following the appropriation. The major expenditure (\$115,507) from this appropriation was made in fiscal year 1970-71. With respect to Act 112, SLH 1971, no expenditures were made in three of the six years following the appropriation. Expenditures of \$16,841, \$13,586, and \$36,457 were made from this appropriation in fiscal years 1971-72, 1972-73, and 1975-76, respectively.

We understand that the balance of \$34,660 from Act 132, SLH 1970, has been restricted and, thus, no further expenditure has been made. The appropriation balance of \$39,116 from Act 112, SLH 1971, lapsed into the state general fund on June 30, 1978.

Schedule of expenditures. The schedule of expenditures shown in table 9.2 presents a detailed listing of personal services expenses and other current expenditures which are the major categories of expenditures. Certain items listed under the major categories of expenditures of the OEQC require further explanation.

1. **Personal services.** The detailed listing of OEQC personal services expenses shows total expenditures of \$375,011 for employees, services of the office of the attorney general, and contractual services. An explanation of these items follows.

a. **Employees.** Salaries of \$115,546 paid to OEQC employees do not include the

salary of the director of OEQC. In accordance with an agreement with the federal Environmental Protection Agency (EPA), the director's salary is paid for by the federal government.

b. **Services of attorney general.** During the fiscal year, the office reimbursed the state attorney general's office for legal services provided by a deputy attorney general who was temporarily assigned to OEQC. The reimbursement totaled \$11,250 for such services as legal research and reviewing and preparing legislation.

c. **Contractual services.** OEQC incurred expenditures of \$248,215 during the fiscal year for contractual services. Contractual services included services performed for OEQC by such other state agencies as the University of Hawaii's environmental center and by private research and consultant firms.

Encumbrances of \$93,893 are included in the total of \$248,215 of expenditures for contractual services. The encumbrances represented unpaid contractual obligations and are chargeable to fiscal year 1976-77, the year the contracts were executed.

2. **Other current expenditures.** Included in OEQC's total expenditures of \$43,190 for current expenditures is \$6,000 (\$500 per month) for housing allowance. This represented payments made to the director in accordance with the agreement with EPA.

Statement of CIP Appropriation, Allotments, Expenditures, and Balances - Bond Fund

OEQC's statement of CIP (capital improvements program) appropriation, allotments, expenditures, and balances of the general obligation bond fund for the year ended June 30, 1977 is shown in table 9.3.

Opinion on statement. In our opinion, the statement shown in table 9.3 fairly presents the financial transactions of the general obligation bond fund for the year ended June 30,

1977, with respect to the expenditures of the appropriation contained in the statement.

General description of the statement. The bond fund accounts for the proceeds from the sale of bonds to finance capital improvement projects. Generally, DAGS is the agency responsible for the administration of the capital improvements projects for the State. However, in some instances, the legislature designates other agencies to be responsible for executing a project. The statement of CIP appropriation, allotments, expenditures, and balances presents a summary of the transactions of the proceeds from the bond fund for the capital improvements projects for which OEQC is responsible.

1. **Appropriation.** The state legislature, in the capital improvements part of Act 226, SLH 1976 (the Supplemental Appropriations Act of 1976), appropriated \$2 million for the solid waste project shown on the statement. The purpose of the project was to plan, design, and construct a facility for recovering, recycling, or reusing solid waste. Of the total appropriation of \$2 million, \$1.2 million was appropri-

ated for planning and designing, and \$800,000 was appropriated for construction.

2. **Allotments.** Allotments of \$287,487 represent the amount authorized by the director of finance to OEQC to incur obligations and make expenditures in accordance with the appropriation made by the state legislature for the solid waste project.

3. **Expenditures.** During the fiscal year ended June 30, 1977, a total of \$84,466 was expended for the solid waste project.

4. **Balances.** The balance of \$203,021, at June 30, 1977, represented the excess of allotments over expenditures (\$287,487 - \$84,466) and consisted of an allotment balance of \$25,000 and encumbrances of \$178,021. The allotment balance represents the unexpended and unencumbered portion of the allotment which is available for future expenditures. The encumbrances represent funds which have been committed or obligated by contracts entered into by OEQC.

Table 9.1

**Office of Environmental Quality Control
Statement of General Fund Appropriations
Expenditures, and Unencumbered Balances
For the Year Ended June 30, 1977**

Resources		
Appropriation		
Act 226, SLH 1976		\$485,015
Transfers		[15,065]
Balances — July 1, 1976		
Act 132, SLH 1970	\$34,660	
Act 112, SLH 1971	39,116	73,776
Total resources		<u>543,726</u>
Expenditures		
Personal services		375,011
Other current expenses		43,190
Total expenditures (Table 9.2)		<u>418,201</u>
Excess of resources over expenditures		125,525
Lapses		<u>51,749</u>
Unencumbered balances — June 30, 1977		
Act 132, SLH 1970	\$34,660	
Act 112, SLH 1971	39,116	\$ <u>73,776</u>

Table 9.2

Office of Environmental Quality Control

Schedule of Expenditures
For the Year Ended June 30, 1977

Personal services	
Employees	\$115,546
Services of attorney general	11,250
Contractual services	248,215
	<hr/>
Total personal services	375,011
Other current expenditures	
Office rental	13,585
Rental of office equipment	5,718
Housing allowance	6,000
Travel and subsistence, intra-state	4,446
Travel and subsistence, out-of-state	1,386
Postage	2,600
Office supplies	1,491
Books and subscription	1,051
Printing	5,871
Registration fees, workshops, and seminars	554
Other expenses	488
	<hr/>
Total other current expenditures	43,190
	<hr/>
Total expenditures (Table 9.1)	\$418,201
	<hr/>

Table 9.3

Office of Environmental Quality Control

Bond Fund – General Obligation Bonds
 Statement of Capital Improvements Project Appropriation
 Allotments, Expenditures, and Balances
 For the Year Ended June 30, 1977

Appropriation		
Act 226, SLH 1976, solid waste project		\$2,000,000
Unallotted appropriation		<u>1,712,513</u>
Allotments		287,487
Expenditures – current year		<u>84,466</u>
Balances		
Allotments	\$ 25,000	
Encumbrances	<u>178,021</u>	<u>\$ 203,021</u>

COMMENTS ON AGENCY RESPONSES

The following comments are based on the responses received from the agencies listed in the table on page 5. The comments are intended to provide a summary of the issues raised by the agencies and to provide a basis for the development of the final report. The comments are organized by agency and are presented in the order in which the agencies were contacted. The comments are presented in a format that is consistent with the format used in the table on page 5. The comments are presented in a format that is consistent with the format used in the table on page 5.

Comments on the Report

PART III

RESPONSES OF THE AFFECTED AGENCIES

The following comments are based on the responses received from the agencies listed in the table on page 5. The comments are intended to provide a summary of the issues raised by the agencies and to provide a basis for the development of the final report. The comments are organized by agency and are presented in the order in which the agencies were contacted. The comments are presented in a format that is consistent with the format used in the table on page 5. The comments are presented in a format that is consistent with the format used in the table on page 5.

The following comments are based on the responses received from the agencies listed in the table on page 5. The comments are intended to provide a summary of the issues raised by the agencies and to provide a basis for the development of the final report. The comments are organized by agency and are presented in the order in which the agencies were contacted. The comments are presented in a format that is consistent with the format used in the table on page 5. The comments are presented in a format that is consistent with the format used in the table on page 5.

COMMENTS ON AGENCY RESPONSES

A preliminary draft of this report was transmitted on February 23, 1979 to the governor, the presiding officers of both houses of the legislature, the director of the office of environmental quality control (OEQC), the chairman of the environmental quality commission (EQC), the chairman of the board of land and natural resources, and the director of the department of health. A copy of the transmittal letter to the director of OEQC is included here as attachment 1. Similar letters were sent to the other officials listed above.

The executive agency officials were asked to comment on the recommendations made in the report, including comments on the actions taken or which will be taken on the recommendations. The responses of the agencies are included here as attachments 2 to 4.

Comments on the Responses

Both the director of OEQC and the chairman of EQC agree generally with the recommendations made in the report. (See attachments 2 and 3, respectively.) In our report, we recommended that the environmental quality commission (EQC), which has jurisdiction over environmental impact statements, be transferred to the department of land and natural resources or the department of health for administrative purposes. The chairman of the board of land and natural resources has responded that he has no objection to the recommendation (see attachment 4.) No response was received from the department of health.

The new director of OEQC and the chairman of EQC disagreed with only those recommendations relating to the need for coordination in the state environmental impact statement (EIS) process. Our audit report identified some of the principal environmental activities in the State which have not been adequately coordinated. Among these are certain stages in the EIS system: the exemption process; the assessment process; and the preparation, review, and acceptance process. A recent study by the University of Hawaii environmental center and our audit find that there are deficiencies in the above processes that can be corrected through greater interagency coordination.

We recommended that OEQC furnish the needed coordination by providing guidelines to state agencies by which they might determine when actions are properly exempt from the provisions of the EIS law and when actions justify the use of negative declarations. OEQC disagrees with this recommendation on the grounds that such guidelines are the responsibility of EQC and OEQC involvement would lead to conflict and confusion. While EQC is responsible for generally administering the EIS system for the State and for promulgating rules and regulations, it is OEQC that should be providing assistance and needed coordination to state agencies. The intent of the word "guidelines," which was used in the preliminary draft of our report to describe the kind of guidance and assistance which OEQC should provide, has apparently been misinterpreted by OEQC. To clarify the intent, the word has

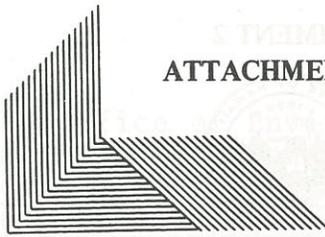
been changed to "guidance" in the final audit report. As to our recommendation that OEQC needs to monitor the actions of the state agencies concerning negative declarations and provide assistance to the agencies, OEQC reports that it does monitor negative declarations and advises EQC and the state agencies involved when questionable declarations are observed. While we did not find this to be the case in all instances at the time of the audit, the fact that OEQC reports that it has observed questionable declarations underscores the importance of the function.

EQC disagrees with the finding that there are major problems in the exemption process and with negative declarations. EQC draws this conclusion from the fact that it has received few formal complaints. While the number of complaints may be an indicator, it is not necessarily an accurate measure of the adequacy and effectiveness of the exemption process and negative declarations. Reliance on complaints made by outside parties is not sufficient.

OEQC also disagrees with our recommendation that it provide leadership in pooling the technical skills available in state agencies in preparing and reviewing EISs. OEQC says that agencies must be responsible for environmental analysis as an integral part of project planning, and that it should not be performed in isolation after the project planning is completed. We agree. However, when agencies need technical assistance or specialized skills to perform environmental analysis, OEQC should be in a position to direct the agencies to the needed resource personnel.

ATTACHMENT 1

THE OFFICE OF THE AUDITOR
STATE OF HAWAII
465 S. KING STREET, RM. 500
HONOLULU, HAWAII 96813



CLINTON T. TANIMURA
AUDITOR
RALPH W. KONDO
DEPUTY AUDITOR

February 23, 1979

Mr. Richard L. O'Connell, Director
Office of Environmental Quality Control
550 Halekauwila Street, Room 301
Honolulu, Hawaii 96813

C
O
P
Y

Dear Mr. O'Connell:

Enclosed are two copies of our preliminary report of the *General Audit of the Office of Environmental Quality Control*. The preliminary report has been distributed to the following officials: the Governor, the presiding officers of both houses of the Legislature, the chairman of the Environmental Quality Commission, the chairman of the Board of Land and Natural Resources, and the director of health.

The report contains a number of recommendations. We would appreciate receiving your comments on the recommendations, including the actions that have been taken or will be taken with respect to the recommendations. Please submit your written comments to us by March 9, 1979. Your comments will be included as part of the final report.

Since the report is still not in its final form and changes may be made to it, the circulation of this report should be restricted to those members of your organization whom you might wish to call upon to assist you in your response. Public release of the report will be made by our office after the report is printed in its final form.

If you wish to discuss the report with us, we will be pleased to meet with you, at our office, on or before March 2, 1979. Please call our office for an appointment. If we do not hear from you, we will assume that a meeting is not necessary.

We appreciate the assistance and cooperation extended to us during the audit.

Sincerely,

Clinton T. Tanimura
Legislative Auditor

Enclosures

ATTACHMENT 2

GEORGE R. ARIYOSHI
GOVERNOR



RICHARD L. O'CONNELL
DIRECTOR
TELEPHONE NO.
548-6915

STATE OF HAWAII
OFFICE OF ENVIRONMENTAL QUALITY CONTROL
OFFICE OF THE GOVERNOR
550 HALEKAUWILA ST.
ROOM 301
HONOLULU, HAWAII 96813

RECEIVED

March 8, 1979

MAR 9 11 14 AM '79

OFFICE OF THE AUDITOR
STATE OF HAWAII

Mr. Clinton T. Tanimura
Legislative Auditor
State of Hawaii
465 S. King Street
Honolulu, Hawaii 96813

Dear Mr. Tanimura:

Thank you for the opportunity to respond to your preliminary report of the General Audit of the Office of Environmental Quality Control.

Since I am relatively new in the position of OEQC Director, having assumed the position in February of 1978, I have discussed the findings and recommendations of your report with my staff. As a result of these discussions, I wish to present, as attached, my responses to your recommendations.

While not in agreement with all of your recommendations, I find most to be appropriate. At the same time, I wish to note that during the past year procedures have been instituted and actions initiated which should alleviate many of the concerns. In other areas, we are in the process of initiating timely corrective actions as appropriate.

I appreciate the opportunity to respond to your report.

Sincerely,

Richard L. O'Connell
Director
Office of Environmental
Quality Control

CC: Governor Ariyoshi

Comments of the Office of Environmental Quality Control
on Recommendations Contained in the Preliminary Report,
General Audit of the Office of Environmental Quality Control
by the Office of the Legislative Auditor, February 1979

Page 4 - 5

1. OEQC inventory the committees to which its staff belong and review the reasons for participation; such participation should clearly be based on the objectives of the office;

OEQC has inventoried its committee involvement and continually reviews the value of its participation.

2. OEQC instruct staff as to the functions served by their attendance at meetings; and

OEQC staff attend committee meetings only as directed and for purposes specified by the Director.

3. OEQC coordinate committee work and routinely exchange information on such work among the staff.

The OEQC Director coordinates committee work and advises appropriate staff on a need to know basis.

Page 4 - 10

1. OEQC establish guidelines and assist agencies in developing information for assessing progress toward achieving the State's environmental objectives.

OEQC agrees that it would be helpful to provide better guidelines and more assistance to governmental agencies for assessing their progress toward achieving the State's environmental objectives. Additional steps in this area will be taken during 1979.

2. OEQC analyze the information acquired from agencies. Such analysis should compare present and past activities so that the extent or progress of each agency and that of the State as a whole can be determined. It should highlight conflicts between and among the programs, activities, and objectives of the various agencies.

OEQC agrees that additional analyses of agency activities would be useful and will increase their effort in this area.

Page 4 - 11

3. OEQC make constructive recommendations in the annual reports. It should monitor and discuss in subsequent reports the progress made on these recommendations.

The current (1978) Environmental Council report contains

constructive recommendations which are being monitored and will be discussed in subsequent reports.

Page 4 - 17

1. OEQC provide guidelines to state agencies by which the agencies may determine the actions that may properly be listed as exempt from the requirement of preparation of an environmental impact statement; and OEQC monitor the listings prepared by the agencies for compliance with the EIS law and for consistency in agency determinations.

OEQC disagrees with the recommendation that it should provide guidelines to state agencies regarding exemptions to the EIS law and monitor their listings for compliance and consistency. This is a function performed under state law by the Environmental Quality Commission. OEQC involvement could lead to conflicts and confusion.

Page 4 - 18

2. OEQC provide guidelines to state agencies by which the agencies may determine whether a proposed action by a private applicant justifies a negative environmental impact declaration; and OEQC monitor the negative declarations filed by the agencies to ensure consistency and adequacy in the treatment of proposed private actions.

OEQC disagrees with the recommendation that it should provide guidelines to state agencies regarding negative environmental impact declarations. Such guidance is the responsibility of the EQC which has promulgated regulations regarding this matter. OEQC involvement could lead to conflicts and confusion. OEQC does monitor negative declarations and advises the EQC and the state agency involved when questionable declarations are observed.

3. OEQC provide the leadership in pooling the technical skills available in the state agencies in preparing and reviewing environmental impact statements and in making such pooled skills available to the various state agencies.

OEQC disagrees with the recommendation that it provide leadership in pooling technical skills available in the state agencies in preparing environmental impact statements. This procurement of needed skills to conceive and plan a project, including the associated environmental analysis of the project alternatives, is the responsibility of the sponsoring agency. If they do not have the needed skills in-house, whether it be structural design, soil mechanics, environmental analysis or whatever else may be needed, they must be prepared to contract for those skills. Environmental analysis must be an integral part of project planning. It should not be a separate exercise performed in isolation by others after the project planning is completed.

OEQC does insure that appropriate state agencies have an opportunity to review federal EISs (see Governor's Administrative Memo: 1979-1, January 8, 1979). OEQC also brings to the attention of

certain State agencies any complex EISs prepared under State law when it is felt that those agencies have a particular expertise that would be helpful in the review. In addition, the Environmental Center insures that the resource skills within the University are used in EIS review to the extent they can be made available.

4. OEQC establish for the guidance of state agencies procedures, policies, and criteria by which environmental impact statements of private applicants (as well as those of governmental agencies) may be reviewed and evaluated.

OEQC agrees that it should provide guidance to state agencies (as well as to the public) in the review and evaluation of EIS. Toward that end OEQC has conducted workshops and seminars and in cooperation with EQC is preparing an informational booklet which reviews the requirements, procedures, and intent of the law and provides guidance in the review of EISs.

Page 4 - 20

Recommendation. We recommend that OEQC incorporate the review of land use decisions into its program. Specific staff responsibility for this area should be assigned and policies and criteria be developed for the guidance of staff in providing input into these decisions.

OEQC has incorporated the review of land use decisions into its program. Specific staff responsibility for this area has been assigned as described in the functional statement of the Impact Analysis Unit which reviews, analyzes and evaluates applications for "...permits and approvals involving conservation district uses, zoning, variances, conditional use permits, land use re-classifications, general plan amendments, land subdivisions and work in navigable waters...". Because of the large numbers of such actions, OEQC identifies and applies its efforts to only the most egregious cases.

Page 4 - 24

1. OEQC develop, together with the environmental council members, a program for the council which would enable it to meet its objectives of stimulating public interest and participation in environmental issues.

OEQC, together with the environmental council, has developed a program for the council aimed at stimulating public interest and council participation in environmental issues. (See minutes of April 20, 1978 and subsequent meetings).

2. OEQC work with the council in developing procedures to be followed at council meetings whereby the views of the council members may be systematically solicited.

The views of council members are solicited on all matters discussed at council meetings. Parliamentary procedures are followed when taking formal actions.

3. OEQC ensure feedback to the council on the recommendations it makes to the governor.

OEQC agrees that it should provide feedback to the council on its recommendations.

4. OEQC maintain proper minutes and other records of the council.

Proper minutes and records of the council are maintained by OEQC.

Page 4 - 25

Recommendation. We recommend that OEQC develop a program to stimulate environmental education.

While OEQC has no formal program in environmental education, it has been and will continue to be active in this area. Responsibility for this activity is assigned as described in the functional statement of the Planning Unit which "develops and reviews proposals for improvements in environmental education." OEQC will explore the need for and desirability of a more formal program in this area.

Page 5 - 23

Recommendations. We recommend that EQC be provided with a staff and with funding of its own. We further recommend that EQC be taken out of the governor's office and placed within the department of land and natural resources or alternatively in the department of health for administrative purposes.

EQC has and should have a professional staff of its own. However, one might properly question the cost effectiveness of providing separate clerical and administrative staff and a separate budget for an activity whose total expenditures approximate \$25,000 annually. However, OEQC would have no objection to such action, nor would it object if EQC were placed in another department for administrative purposes.

Page 6 - 20

1. OEQC develop for any research project which it administers a strategy and a design for the project. This strategy and design should be formulated before any specific research contract is let. The strategy and design should address such questions as the problems to be solved, the specific objectives to be attained, and the general approaches to be followed in the research project.

OEQC agrees with this recommendation.

2. OEQC develop specifications for every research contract to be let. The specifications should, among other things, clearly delineate the results expected to be produced by the specific research.

OEQC agrees with this recommendation and all outstanding contracts so specify.

3. OEQC develop a system for monitoring and evaluating performance of research. Appropriate guidelines to be used in monitoring and evaluating should be fashioned for the assistance of those charged with the monitoring and evaluating functions.

OEQC has developed a system and guidelines for monitoring and evaluating performance of research (see OEQC Director's memo dated September 5, 1978, Subject: Assignment of Project Officers).

Recommendations. If EQC is transferred out of the governor's office, the staff for EQC should be included within the state civil service system. The only reason why the EQC staff and the OEQC staff are presently not within the state civil service system is that both EQC and OEQC are lodged in the governor's office and, by law, all staff in the governor's office are exempt from the state civil service law. Once EQC is removed from the governor's office, there would be no reason for the continued exemption of the EQC staff from the state civil service system. As to the remaining staff members of OEQC, we recommend that, with the assistance of the state department of personnel services:

1. OEQC develop a meaningful classification plan based on an analysis of the jobs required to carry out the objectives of the office.

OEQC will continue its current practice of using the advisory services of DPS in the classification of positions.

2. OEQC prepare accurate and adequate job descriptions for each position, delineating the duties and responsibilities and qualifications for each position.

All position descriptions will be reviewed annually at the time performance evaluations are conducted.

Page 7 - 7

1. OEQC clearly delineate areas of responsibility for staff personnel, based on job descriptions. These should be respected to the extent possible. Staff members should be informed if overlapping job assignments become necessary, OEQC should also provide for coordination of work of the staff members.

OEQC has clearly delineated areas of responsibility for each of its operating units by means of functional statements which were part of an organizational plan approved by the Governor on July 10, 1978. Coordination of work of staff members as provided by the OEQC Director and intermediate supervisors is considered to be adequate.

Page 7 - 8

2. OEQC develop a system for the regular evaluation of employee performance. To assist the employee in improving performance, the system should include discussions on management's performance expectations and provide constructive feedback on each employee's strengths and weaknesses.

Performance evaluation of each employee is being performed by the appropriate supervisor annually on the anniversary of the employee's entry on duty. All evaluations are reviewed with the employee by the Director.

Page 8 - 2

Recommendation. We recommend that all purchase order forms be kept under lock and key. We also recommend that the forms be prenumbered.

OEQC agrees with this recommendation.

Page 8 - 3

Recommendation. We recommend that OEQC formulate and enforce an internal policy prohibiting the practice of confirming purchases, except in cases of emergencies.

It is current OEQC policy that all purchase orders must be signed by the Director who will confirm purchases only under exceptional circumstances.

Page 8 - 4

Recommendation. We recommend that OEQC comply with the comptroller's memorandum by fully documenting the receipt of goods. This means the individual receiving goods must sign and date the purchase order and initial and date the stamp imprinted on the vendor's invoice.

Delivery receipts are being signed and dated by the individual receiving the goods. Receipts are attached to the corresponding purchase orders and invoices which are then submitted for payment.

Page 8 - 6

1. Require detailed information regarding charges on all invoices submitted by consultants who are under contract so that the office can make a proper determination of the propriety and reasonableness of charges. It should also require details from consultants on the work performed and the progress made during the period for which they are billing the office.

OEQC agrees with this recommendation. All outstanding contracts require periodic progress reports. Also see response to recommendation 6-20, 3.

2. Review all charges shown on invoices for propriety and accuracy before routing them to the governor's office for further review and approval.

This is the current practice of OEQC.

Page 8 - 7

1. Correct its inventory report by including all property which is under its custody and control.

OEQC will review its inventory report and make corrections and additions as appropriate.

Page 8 - 8

2. Exercise more care in controlling its equipment and report all missing equipment to the state comptroller.

Appropriate care will be exercised in the control of accountable property and missing equipment, if any, will be reported as required.

3. Tag all equipment with state identification decals as required by the state comptroller.

State identification decals will be applied as required to any equipment not so tagged.

Page 8 - 9

1. Requiring prior authorization for all long distance calls by an appropriate member of the office and by informing the secretary of such approval before the call is placed.

This recommendation will be implemented.

2. Adopting and enforcing a strict policy that all long distance calls be recorded immediately upon completion and that the centrex operator be immediately notified in the case of mainland calls.

This policy is in effect and in 1978 over 97% of such calls were recorded. Continued strict enforcement is expected to eliminate all unrecorded calls.

ATTACHMENT 3

GEORGE R. ARIYOSHI
GOVERNOR



DONALD A. BREMNER
Chairman
KEN T. TAKAHASHI
Executive Secretary
TELEPHONE NO.
(808) 548-6915

STATE OF HAWAII
ENVIRONMENTAL QUALITY COMMISSION
OFFICE OF THE GOVERNOR

550 HALEKAUWILA ST.
ROOM 301
HONOLULU, HAWAII 96813

March 8, 1979

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OFFICE OF THE AUDITOR
STATE OF HAWAII

Mr. Clinton T. Tanimura
Legislative Auditor
465 South King Street Rm. 500
Honolulu, Hawaii 96813

RE: GENERAL AUDIT OF THE OFFICE OF ENVIRONMENTAL QUALITY CONTROL

Dear Mr. Tanimura:

I appreciate the opportunity to comment on the above-referenced report as Chairman of the Environmental Quality Commission. These comments are based on my knowledge of the Commission's policies, experience and direction for the past five years.

As a general comment, I believe you and your office should be complimented for an extensive and incisive evaluation. I find relatively little in the report that varies with the Commission's awareness and direction.

1. Organizational Placement of the EQC

Your major recommendation affecting the Commission would place us under the Department of Land and Natural Resources or Department of Health "for administrative purposes". I foresee no difficulty in implementing this suggestion as long as the move does not subordinate the Commission to the control of the department head. It appears that this recommendation therefore should be reconciled with Sec. 26-35, HRS, paragraph 1, which provides that such department head would represent the Commission before the legislature and within the administration. Such subordination would perhaps defeat the intent of your recommendation, which is to provide greater independence for the Commission.

2. Budget and Accounting

Whether by separate funding or by more extensive administrative involvement, I believe we would agree that the Commission should have the responsibility for supervising its own budget and accounting.

3. Exemption Lists

The discussion provided in the report on this subject and appearing on p. 4-14 appears too limited in scope to provide a truly objective picture

March 8, 1979

of the exemption process. The discussion, I believe, would benefit from comments on the process by governmental agencies which have to deal with Chapter 343 requirements on a daily and routine basis. The discussion as it stands appears to be confined to academic theory.

The exemption process is designed for, and works as, a "safety" or "relief" valve. It allows for a myriad of routine governmental activities and services to be performed and delivered efficiently where it has been judged that such activities will reasonably have no adverse impact on the environment. Otherwise routine governmental activities would be delayed or come to a halt while the particular agency was busy assessing their every move.

By the mere preparation of these lists, the agency involved conducts as "assessment" of sorts to evaluate the degree of possible environmental impacts of their routine activities. In reviewing the proposed lists, the Commission, its staff, and other interested parties further assess the possible impacts of the activities in question. The Commission then judges whether or not the degree of impact is so negligible for the activity that it can be regarded as generally exempt or whether each application of such activity should indeed be subjected to an individual assessment by the agency only.

In this sense, the exemption process is heavily fortified by checks and balances because of the direct involvement of the Commission and the "group" type of assessment it affords.

This "multi-screen" process works well in insuring that only activities which will have no significant adverse effect on the environment are placed on approved exemption lists.

The Commission's experience to date corroborates this finding, because we have received no complaints regarding the undertaking of an activity appearing on an approved exemption list that has produced significant environmental effects. In our entire operational history, only one action occurring due to an exemption has been brought to the Commission for review. That action was not one that had been approved by the Commission, but was determined exempt by the individual agency involved.

This experience does not seem to justify the categorization of this process as a "grave inadequacy" of the system by the Environmental Center.

4. Negative Declarations

For approximately the same reason, I cannot ascribe to the theory that the assessment process leading to many negative declarations in practice is a "major failure" of the system.

The "negative declaration" is also a "judgement call" on the part of agencies which, after assessing a proposed action, determine that the degree of potential environmental impact posed by the action in question does not merit an environmental impact statement. Mere statistical numbers mean

Mr. Clinton Tanimura

Page 3

March 8, 1979

nothing when judging whether environmental impact statements should have been required instead of negative declarations. The ramifications and extent of impact of each activity has to be judged on the nature and scope of that activity alone.

The Commission's experience indicates that relatively few formal complaints have been submitted regarding negative declarations. The Commission has reviewed six during its history. Some were brought to the attention of the Commission by staff, by the Environmental Center, and by Commission members. The Commission formally requested preparation of "statements" in four of these six cases. Three other negative declaration reviews are pending at this time. For perspective, hundreds of negative declarations have been made during the life of Chapter 343.

In my belief that further research and evaluation is necessary in the areas of the exemption and negative declaration processes in order to provide a true picture of the efficacy of these operations.

Thank you again for the opportunity to comment on this audit.

Very truly yours,

Ken Takahashi for

Donald A. Bremner
Chairman

ATTACHMENT 4

GEORGE R. ARIYOSHI
GOVERNOR OF HAWAII



SUSUMU ONO, CHAIRMAN
BOARD OF LAND & NATURAL RESOURCES

EDGAR A. HAMASU
DEPUTY TO THE CHAIRMAN

DIVISIONS:
CONSERVATION AND
RESOURCES ENFORCEMENT
CONVEYANCES
FISH AND GAME
FORESTRY
LAND MANAGEMENT
STATE PARKS
WATER AND LAND DEVELOPMENT

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

P. O. BOX 621
HONOLULU, HAWAII 96809

March 12, 1979

REF. NO.: APO-210

Honorable Clinton T. Tanimura
Legislative Auditor
465 South King St., Rm. 500
Honolulu, HI 96813

RECEIVED
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OFC. OF THE AUDITOR
STATE OF HAWAII

Dear Mr. Tanimura:

Thank you for sending us a preliminary report of the OEQC audit. As requested, we have reviewed Chapter 5.

The report very ably describes the difference in functions between the Environmental Quality Commission (EQC) and the Office of Environmental Quality Control (OEQC). We believe the proposed separation of the two will remove a great deal of confusion regarding the two roles. We hope that relieving OEQC of routine administration will free it for leadership and coordinative tasks.

The report recommends that the commission be placed in a line agency such as the Department of Land and Natural Resources (DLNR) or the Department of Health (DOH). We have no objection to this.

You may wish to review a report of the Commission on Organization of Government made in February 1977 to the 9th Legislature. The establishment of a Department of Environmental Affairs and Natural Resources was recommended "built upon the present DLNR organization---." The report also provides that "programs, now in Health and the Office of Environmental Control at the Governor's Office, would be shifted to this Department---."

Very truly yours,

SUSUMU ONO, Chairman
Board of Land and Natural Resources

Audit Report No. 79-2

February 1979

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2. State—City Relationships in Highway Maintenance, and Traffic Control Functions, 28 pp.
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- 1969 1. Transcript of Seminar in Planning-Programming-Budgeting for the State of Hawaii, 256 pp.
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3. Second Annual Status Report on the Implementation of Act 203, Session Laws of Hawaii 1967 (Relating to State—County Relationships), 13 pp. (out of print)
4. An Overview of the Governor's 1969—70 Capital Improvements Budget, 61 pp. (out of print)
5. A Supplementary Report on the Audit of the Hawaii Visitors Bureau, 2 pp. (out of print)
- 1970 1. A Study of the Compensation of Coaches of Inter-scholastic Athletics of the State Department of Education, 31 pp.
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2. A Study of the Library System of the Department of Education, 59 pp.
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2. Issue Analysis, Compensation for Adult Foster Care Services, 10 pp.
3. Hawaii Constitutional Convention Studies, 1978, Article VI: Taxation and Finance, 87 pp.
- 1979 1. A Review of Alternative Approaches to Hospital Cost Containment, v.p.
2. A Study of Guidelines for State Grants, Subsidies, and Purchase of Services, 31 pp.

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2. Management Audit of Kula Sanatorium, 136 pp.
- 1968 1. Financial Audit of the Department of Health for the Fiscal Year Ended June 30, 1967, v.p. (out of print)
2. Financial Audit of the Department of Planning and Economic Development for the Fiscal Year Ended June 30, 1967, v.p. (out of print)
3. Financial Audit of the Department of Regulatory Agencies for the Fiscal Year Ended June 30, 1967, v.p. (out of print)
4. Financial Audit of the Department of Hawaiian Home Lands for the Fiscal Year Ended June 30, 1967, 54 pp.
5. Financial Audit of the Oahu Transportation Study for the Period July 1, 1962 to August 31, 1967, 68 pp.
6. Financial Audit of the Hawaii Visitors Bureau for the Period July 1, 1966 to January 31, 1968, 69 pp. (out of print)
7. State Capital Improvements Planning Process, 55 pp. (out of print)
8. Financial Audit of the Hilo Hospital for the Fiscal Year Ended June 30, 1967, 43 pp. (out of print)
9. Financial Audit of the Hawaii Visitors Bureau for the Period July 1, 1967 to June 30, 1968, 42 pp.
- 1969 1. Financial Audit of the General Fund, State of Hawaii, for the Fiscal Year Ended June 30, 1968, v.p. (out of print)
2. Financial Audit of the Judicial Branch, State of Hawaii, for the Fiscal Year Ended June 30, 1968, v.p. (out of print)
3. Financial Audit of the State Department of Budget and Finance for the Fiscal Year Ended June 30, 1968, v.p. (out of print)
4. General Audit of the Department of Personnel Services, State of Hawaii, 129 pp. (out of print)
A Summary of the General Audit of the Department of Personnel Services, 53 pp.
5. Financial Audit of the Samuel Mahelona Memorial Hospital for the Fiscal Year Ended June 30, 1968, 34 pp.
6. Financial Audit of the Honokaa Hospital for the Fiscal Year Ended June 30, 1968, 41 pp.
7. Financial Audit of the Kohala Hospital for the Fiscal Year Ended June 30, 1968, 34 pp.
8. Financial Audit of the Kona Hospital for the Fiscal Year Ended June 30, 1968, 44 pp.
9. Financial Audit of the Kauai Veterans Memorial Hospital for the Fiscal Year Ended June 30, 1968, 30 pp.
An Overview of the Audits of the Act 97 Hospitals, 18 pp.
- 1970 1. Management Audit of the Department of Water, County of Kauai, 65 pp.
2. Audit of the Kamehameha Day Celebration Commission, 47 pp.
3. Audit of the Medical Assistance Program of the State of Hawaii, 392 pp.
- 1971 1. Financial Audit of the State School Lunch Services Program, Department of Education, for the Fiscal Year Ended June 30, 1970, v.p. (out of print)
2. Audit of the County/State Hospital Program, 124 pp. (out of print)
3. Audit of the State Vendor Payment Process, 63 pp.
4. Audit of the Hawaii Educational Television System, 153 pp.
- 1972 1. Audit of the Office of the Public Defender, 39 pp.
2. Financial Audit of the Department of Agriculture for the Fiscal Year Ended June 30, 1971, v.p.
3. Financial Audit of the Department of Labor and Industrial Relations for the Fiscal Year Ended June 30, 1971, v.p.
4. Audit of Utility Facility Relocation in Street Widening Projects, 73 pp.
5. Audit of the School Construction Program of the State of Hawaii, 297 pp.
- 1973 1. Management Audit of the Department of Education, 410 pp. (out of print)
2. Audit of the University of Hawaii's Faculty Workload, 61 pp. (out of print)
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2. Management Audit of the Student Transportation Service Program, 144 pp.
- 1979 1. Financial Audit of the Department of Land and Natural Resources, 78 pp.

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HONOLULU, HAWAII 96813