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# 1993 Annual Report

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**State of Hawaii  
Office of the Auditor**



**Marion M. Higa  
State Auditor**

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## The Office of the Auditor

Hawaii's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.

To carry out its mission, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. *Sunset evaluations* evaluate professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with the schedule and criteria established by statute.
4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds and existing funds meet legislative criteria.
7. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.



## THE AUDITOR STATE OF HAWAII

Kekuanao'a Building  
465 South King Street, Room 500  
Honolulu, Hawaii 96813

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**OFFICE OF THE AUDITOR**  
465 S. King Street, Room 500  
Honolulu, Hawaii 96813-2917

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**MARION M. HIGA**  
State Auditor  
(808) 587-0800  
FAX: (808) 587-0830

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March 14, 1994

The Honorable Members of the Legislature  
The Honorable John Waihee, Governor  
Citizens of Hawaii

Ladies and Gentlemen:

In this second Annual Report issued by the Office of the Auditor, we report on the continuing professional development and productivity of the office. The report presents an overview of the office and its staff and highlights our accomplishments in calendar year 1993. It includes an essay explaining our philosophy and why we do what we do. We continue to explore ways that we can better serve the Legislature and the people of Hawaii. We would welcome suggestions on how we can better carry out our mission of assuring the accountability of government agencies for effectively carrying out state programs.

Sincerely,

A handwritten signature in cursive script that reads "Marion M. Higa".

Marion M. Higa  
State Auditor

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## **MISSION OF THE OFFICE OF THE AUDITOR**

*Through post-audits of the accounts, programs, and performance of state agencies, the office seeks to assure the accountability of government agencies for their implementation of policies, management of programs, and expenditure of public funds. The office reports its findings and recommendations to the Governor and the Legislature to give policy makers timely, accurate, and objective information for decision making.*

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## 1993—A YEAR OF CHANGE AND DEVELOPMENT

With the appointment of Marion Higa to the position of Auditor in 1992, the Legislature established stable leadership for the office for the first time in more than ten years. Changes in auditors and the adoption of more rigorous government auditing standards for our work had resulted in turnover in staff during those years. While the office management team, consisting of the auditor, the deputy auditor, and the two assistant auditors, have an average of more than 15 years of varied auditing experience, many of our staff are relatively new to the auditing field. Our first priority has been to develop them as members of the office team and their skills as

auditors. We feel well rewarded by the progress made by our staff.

Visible evidence of this progress is seen in the work our staff has produced. Our goals have been to produce more timely and useful reports to the Legislature. Our staff has met these goals. The reports met the deadlines set by the Legislature and we believe that they met with generally accepted government auditing standards in all respects. Our reports appear to be having a greater impact as a result. Appendix B follows up on actions taken on the recommendations made in reports we issued to the 1993 legislative session. The appendix shows that agencies have implemented many of our recommendations.

Our focus has been on implementing changes that would enable the office to operate more effectively and on developing staff who could implement the changes. We are proud of the growth of our staff and their dedication, integrity, and commitment to public service. We all believe that our work is important. We will continue to strive to meet our commitment to our mission.



*Auditor Marion Higa with Deputy Auditor Diana Chang and Assistant Auditors Dallas Weyand and Jim McMahan.*

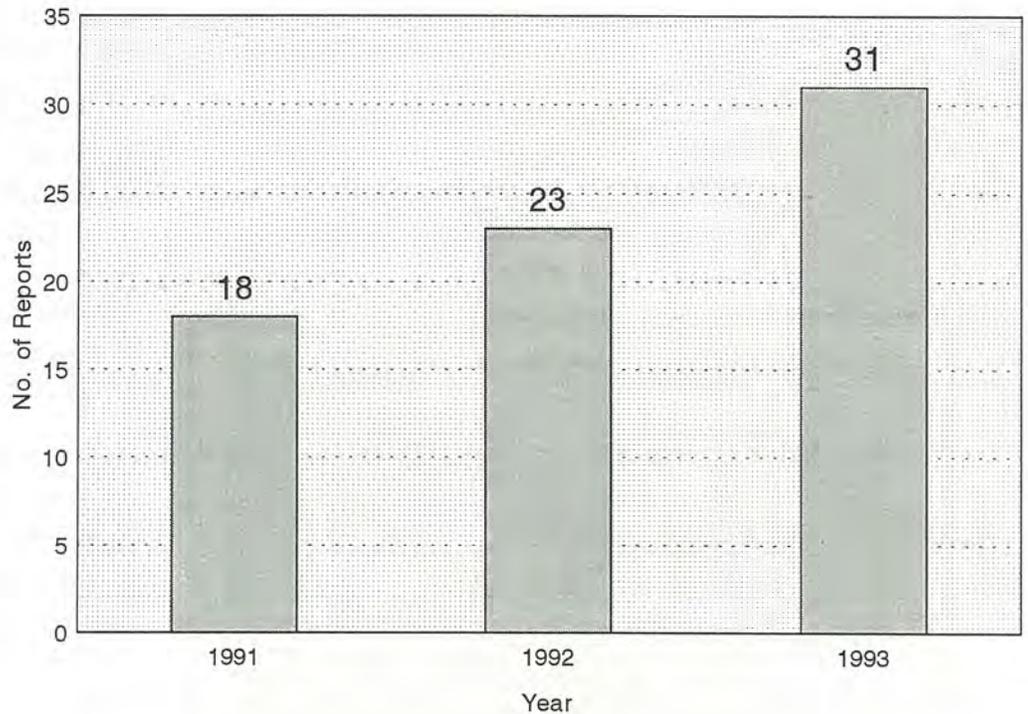
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## HIGHLIGHTS OF THE REPORTS

Our 1993 work program resulted in 31 reports on a variety of programs and agencies. This was an increase of 35 percent over what we produced in 1992 and 72 percent over what we produced in 1991. We issued 18 audits or special studies, 3 financial audits, 6 sunset

evaluations, 1 sunrise analysis, and 3 studies of proposals to mandate health insurance coverage. Exhibit 1 shows the increase in the number of reports produced. A summary of each of these reports is presented in Appendix A.

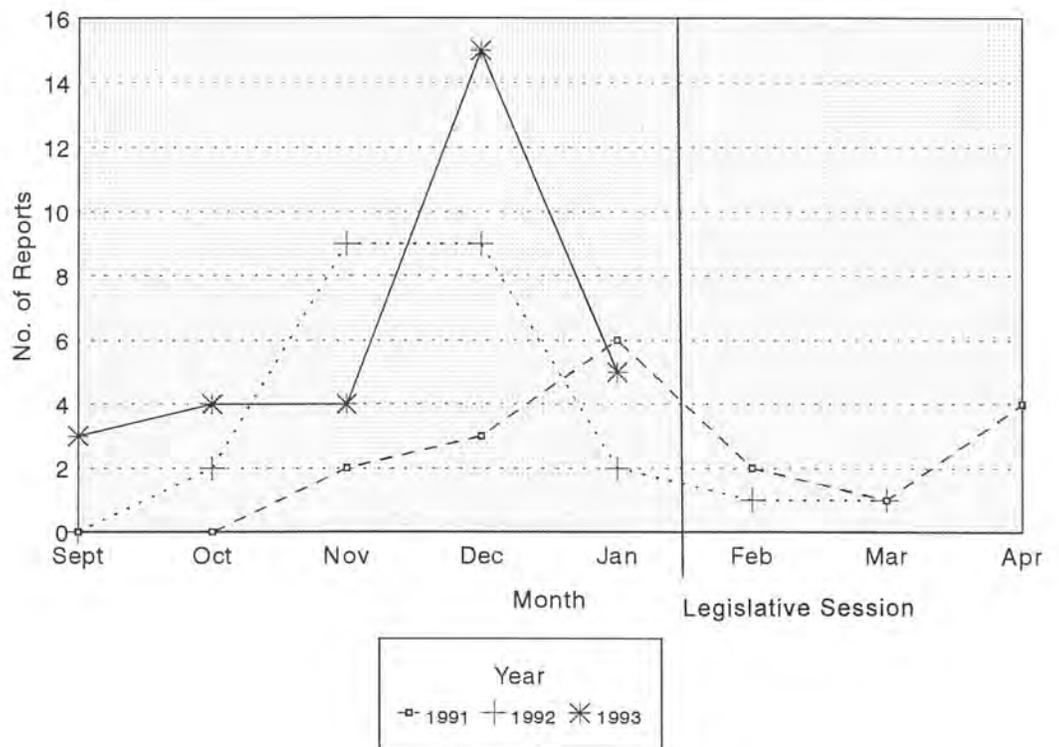
**Exhibit 1**  
**No. of Reports Issued**



We also improved in the timeliness of the reports we issued. Our aim was to give legislators more time to review our findings and recommendations before the rush of session. Exhibit 2 shows the increasing timeliness of our

reports over the past three years. As seen in the exhibit, we were able to issue some of our reports in September for the first time. We had issued the majority of our reports by December and the remaining five reports were all issued prior to session.

**Exhibit 2  
Timeliness**



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We not only increased our productivity, our work dealt with matters of greater substance and impact on the public. We examined department or agency wide management of the Department of Hawaiian Home Lands, the Office of Hawaiian Affairs, the Hawaii Visitors Bureau, the Traffic Violations Bureau, and the Research Corporation of the University of Hawaii. We looked at the financial practices and internal controls of the Departments of Labor and Industrial Relations, Budget and Finance, and Human Services.

Our work was heavily oriented towards financial and consumer issues. We examined the use of budget stabilization or rainy day funds nationwide, insurance ratemaking procedures, civil rights protections, selected aspects of funds for capital improvement projects, the financing of small boat harbors, the classification and compensation of educational officers at the Department of Education, and the

implementation by the University of Hawaii and the Department of Education of the administrative flexibility granted to them on financial matters. We also reviewed 97 proposed special and revolving funds for the 1993 legislative session. We made sure all these reviews reached the legislative committees before the deadline for first laterals.

In several of our management audits, we found a lack of understanding by boards of their duties and responsibilities for setting policies and direction. We also found that many agencies lacked a strategic vision to guide their management actions. With the downturn in the state's economy and declining state revenues, it is critical that public agencies set direction and priorities and put their resources to the best possible use. To do this, they must develop a clearer perception of their mission, determine how they can best carry it out, and be willing to be held accountable for their performance.

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## ORGANIZATION AND STAFFING

The office is headed by the State Auditor who has overall responsibility for the policies and direction of the office. She is supported by a management team consisting of the deputy auditor and two assistant auditors—one with primary responsibility for financial audits and the other with primary responsibility for performance audits. The organizational structure of the office is shown on the following page.



*Executive Secretary Evelyn Kanja oversees our production and secretarial staff.*

Office management, professional analysts, and office services staff work together to produce the published reports.

A staff of 22 professional analysts, ranging from assistant to senior analysts, carry out the planning, research, and drafting of audit reports. They work individually or in teams. Our professional staff have a variety of educational backgrounds including public administration, accounting, human resources, education, urban planning, law, political science, library studies, and business administration. Where specialized expertise is needed, we contract with consultants for assistance.

Our secretarial staff, headed by an executive secretary, support the work of the office. They are responsible for publishing and distributing the reports. Despite the increasing number of reports, they have kept pace with the demands.



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## STAFF OF THE OFFICE OF THE AUDITOR

Marion M. Higa

State Auditor

Diana M. Chang

Deputy Auditor

Dallas G. Weyand II

Assistant Auditor  
Financial Audits

J. James McMahon

Assistant Auditor  
Performance Audits

### Analysts

Steven M. Araki

Serene S. Chew

Melanie A. Chinen

Ben G. Forsland

Susan Hall

Karen Ho

Craig A. Hopseker

Cindy Kam

Melvia C. Kawashima

Van Lee

Gansin K. S. Li

Pamela K. Matsukawa

Robert A. McClelland

Janice V. Morrison

Roxane N. P. Orian

Heather B. Sanchez

Tony Smalley

Jim Sterling

Janice Takano

Joseph W. Trias

Jess H. Walters

Michael T. Yamashita

### Office Services

Evelyn Kanja

Carol J. Andrade

Deborah M. A. Higa

Patricia Mukai

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## ESSAY: WHY WE DO WHAT WE DO

“Hello, this is the State Auditor’s Office calling.”

Sometimes when we phone a state agency, we can almost detect a missed heartbeat or a catch of breath. We don’t mean to strike fear into those we audit. Because we have been audited ourselves and scrutinized in the glare of the media, we can understand that most folks aren’t too pleased when we take an interest in their activities.

People have many different images of auditors. They may picture a numbers-cruncher with a green eyeshade, an IRS investigator looking for tax fraud, a compliance watchdog sniffing for legal violations, a federal

grants official demanding that we dot all the i’s and cross all the t’s—requiring piles of paperwork in the process.

With these negative images of auditors and our reports hitting state agencies around the end of each year—it’s no wonder that we’re often viewed as the Grinch Who Stole Christmas!

But we don’t see ourselves as grinches. We view auditing—and try to practice it—as a constructive, rather than a destructive, process. We also have thick skins and deeply held beliefs about what we do and why we do it. We’d like to share these beliefs with you.



*Analysts Craig Hopseker, Michael Yamashita, Tony Smalley, and Ben Forsland work on a team project.*

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### **We believe our work makes a difference**

Most fundamental is our belief that our work can help improve state government. We are committed to our mission. We believe that decision makers and the public need timely, objective, accurate information about what the State is doing and how it could do it better. We see our work as helping to hold government accountable in its stewardship of the public trust.

### **We believe in government**

We do not see government as an evil. We see it as a needed process of democratically setting guidelines for behavior, structuring complex activities, and allocating resources to achieve public goals. In evaluating government operations, we are not detractors or even the “loyal opposition.” We see our role as much more constructive. We try to recommend concrete solutions such as amending a law, organizing an agency, or introducing more effective and efficient procedures.

### **We believe in public service**

We believe in government but not for its own sake. Government exists to achieve a public good. Together with other state employees, we serve the public interest. This belief informs all of our work and helps us to focus on the more significant issues relating to how government might better serve the public.

### **We believe we must call it as we see it**

We believe that when the framers of the Hawaii Constitution directed us to audit the finances and performance of state agencies they meant just that. Created to be an independent agency of state government, we dig out and report on unpleasant truths that might otherwise not see the light of day. For example, the abuse of overtime in the State’s correctional facilities, the child support enforcement agency that cannot account for its funds, the public housing project that has fallen into life-threatening disrepair, and so on. Our responsibility is to tell our customers—state government and the public—what we find.

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**We believe that auditing is both science and art**

Some of our techniques are scientific, others are more personal and require the “art” of an experienced auditor with good judgment. Often, just identifying the important issues takes intuition and insight. A statistically sound survey of users of state boat harbors can tell us quickly and effectively where the customers are not being served. But walking out on piers and catwalks and talking to people about what’s going on often gives us greater insight into the causes and the impact of problems. Actually seeing conditions makes a difference. Exhibit 3 shows what we mean. Much of our work, then, is an “art.”

**Exhibit 3**



*A catwalk constructed by a boater at Maalaea Harbor.*

**We believe that debate is healthy**

Even before we issue our audit report, debate has often begun over its “rightness.” Agencies often take issue with our findings and recommendations. The media then jump into the fray—who is “right,” the Auditor or the agency?

We do not shrink from controversy. Instead, we believe that debate is healthy. Our findings are well substantiated but our recommendations represent our best judgment about the improvements that should be made. We know that not all of our recommendations will be accepted. Reasonable people can disagree, particularly when it comes to matters of judgment. We hope to be catalysts for change. Debate is useful since it becomes part of the process of improvement. We see emerging from this process a greater understanding of the demands facing agencies, how they respond to demands, and whether their actions are appropriate.

**We believe our credibility is our greatest asset**

For our work to have any impact, decision makers must trust it to be reliable and credible. Since

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accurate and objective information is often hard to come by, the credibility of our work is paramount. We take our work seriously. We conduct our work in accordance with generally accepted government auditing standards as set forth by the U.S. General Accounting Office. This means that we must make sure that the staff assigned are qualified to do the tasks required, that the office and its staff are independent, that we use due professional care in conducting our audits, and that we have an appropriate internal quality control system in place.

Every three years auditors from other states conduct a peer review of our system of internal quality control to determine if we meet with government auditing standards. This process ensures that we obtain sufficient, competent, and relevant evidence for our judgments and conclusions.

These, then, are the beliefs that shape our work, and some of the reasons why we do what we do. We encourage our readers to share with us their ideas on how we can better carry out our mission.

**SUMMARY OF REPORTS—1993 WORK PROGRAM****PERFORMANCE AUDITS AND SPECIAL STUDIES****Final Report on Administrative Flexibility Granted to the University of Hawaii and the Department of Education, Report No. 93-14.**

The University of Hawaii (UH) and the Department of Education (DOE) have been given flexibility in fiscal matters under Act 321, SLH 1986. Neither the UH nor the DOE, however, can show that increased administrative flexibility has improved their educational services. Currently, the UH performs its fiscal functions in a timely manner, but the DOE continues to lack performance data for these operations. The DOE should develop a system to monitor its fiscal functions. Both educational agencies need to make vendor payments on a timely basis and to install systems to properly monitor their accounts payable. UH and DOE also need a clearer focus and direction for their efforts in educational assessment. We recommended that the statute on administrative flexibility be extended indefinitely since both agencies have been relatively successful in implementing it in their fiscal operations.

**Examination of Selected Aspects of Capital Projects Funds, Report No. 93-20.**

In conjunction with the CPA firm of KPMG Peat Marwick, we examined selected aspects of capital projects funds of the State of Hawaii. We found that the executive's budget requests and the Legislature's appropriations for capital improvement projects (CIPs) do not result in a realistic spending program. The Legislature should require the executive branch to submit a realistic budget for a three-year CIP program, establish a statutory definition for the term "encumbrance," and not allow appropriations needed for federal funding to be non-lapsing. In addition, the Department of Accounting and General Services should make sure that encumbrance practices of expending agencies are justified; the Department of Budget and Finance should ensure that surplus appropriations are transferred to the project adjustment fund.

**Study of Civil Rights Protection for State or State-Funded Services, Report No. 93-18.**

Section 368-1.5, HRS, protects only persons with disabilities from discrimination in state and state-funded services. Responsibility for enforcing this rests with the Hawaii Civil Rights Commission. We found that state and state-funded services had discriminated against persons based also on their race, sex, national origin, and religion. Existing laws do not assure protection in all state-funded services and efforts at internal recourse vary widely. We recommended the Legislature expand Section 368-1.5, to include race, sex, national origin, and religion as protected classes. To manage the added workload, the Commission should explore the use of alternative dispute resolution. We also recommended that state agencies and state-funded services should adopt written policies and procedures to help resolve discrimination complaints.

Management and Financial Audit of the **Department of Hawaiian Home Lands**,  
Report No. 93-22.

We found that the Department of Hawaiian Home Lands (DHHL) is far from fulfilling its mission of returning native Hawaiians to the land and lacks a current strategic plan to achieve it. DHHL is weakened by the lack of written policies and plans to direct its programs. We recommended that the commission clarify its authority, establish a committee structure to address important policy issues, and ensure that the department's programs receive systematic review and evaluation. The DHHL director should develop a comprehensive strategic plan and give priority to instituting a management system for recordkeeping. We also recommended that the department enforce its loan collection policy and refrain from guaranteeing additional loans until the balance falls within the statutory limits.

A Review of the **Educational Officer Classification and Compensation Program**,  
Report No. 94-1.

Educational officers (EOs) are principals, vice principals, and professional employees of the Department of Education (DOE). The Classification/Compensation Appeals Board is the appellate body that was created to hear appeals from EOs about their classification and compensation. Currently, the board hears appeals from both EOs and the DOE. We found that the board should ensure its independence from DOE and amend the administrative rules to hear only appeals from EOs. The DOE should develop and maintain the EO classification and compensation plan. It should consider creating separate plans for EOs in 10-month instructional positions and EOs in 12-month administrative support type services. The DOE should also consider establishing a managerial class and administrative support type positions comparable to similar classes in state government and at the university.

Study of **Emergency and Budget Stabilization Funds**, Report No. 93-13.

In 1993, the Legislature requested a study of emergency and budget stabilization funds or "rainy day funds." In studying the funds of 44 states, we found no ideal model but that a rainy day fund is one of many budget stabilization tools that the Legislature could consider. If the Legislature chooses to establish a rainy day fund, we recommended that the purpose of the fund be clearly stated and requirements be established to protect the purpose. The Legislature should also consider other budget stabilization tools such as contingent spending.

Study of **Family Preservation Services and the Families Together Initiative**, Report No. 94-2.

The Legislature asked us to evaluate the State's prior family preservation, home-based services and the new families together initiative (FTI). We found that the effectiveness of the former family preservation, home-based services could not be assessed because the services offered and data collected varied. Our interim review of the new FTI program found that it had just begun in July 1993. We recommended that the Department of Human Services, the FTI's executive board, and an interagency coordinating team address some concerns that have been raised about cultural sensitivity and flexibility in services. In addition, it should assess the need, availability, and accessibility of wrap around or support services. We further recommended that the Legislature mandate that the general

fund be refunded as federal reimbursements are received under Title IV-E and not expand FTI services beyond their current levels pending our final report to the 1995 Legislature.

#### Management and Financial Audit of the **Hawaii Visitors Bureau**, Report No.93-25.

Despite a contract for over \$20 million from the State Department of Business, Economic Development, and Tourism (DBEDT) in FY1992-93, neither the Hawaii Visitors Bureau (HVB) nor DBEDT are fulfilling their respective responsibilities for the State's tourism program. To strengthen HVB, its Board of Directors should improve its internal organization, maintain better oversight over the HVB, and develop a strategic plan for improving the bureau. The functions of HVB's out-of-state regional offices and the authority of its neighbor island chapters should be clarified and the resources of HVB's market research department should be used more effectively.

We recommended that DBEDT not use HVB resources and other promotional offices for its own initiatives. DBEDT should improve its contract management by developing written guidelines to monitor and manage contracts with the bureau and sign them on a timely basis. Further, it should enforce contract reporting requirements. The contract clause prohibiting HVB employees from testifying before the Legislature should be removed.

#### Audit of the **Hazardous Waste Management Program** of the Department of Health, Report No. 94-3.

We found the executive branch has not given Hawaii's waste management programs, as governed by the federal Resource Conservation and Recovery Act (RCRA), the support needed to ensure adequate protection from the dangers of improperly disposed of waste and leaking underground storage tanks. The executive branch and the director of health should give high priority to gaining authorized status from the U.S. Environmental Protection Agency and submit a budget that would ensure continuity of funding for the programs. We also recommended that Department of Health (DOH) should fill vacant positions and develop policy and procedure manuals. DOH should improve enforcement of its hazardous waste program, inform the Legislature of what is being achieved in solid waste reduction, and develop and submit to the Legislature an action plan for better enforcement. The special fund for underground storage tanks should be permitted to sunset, and DOH should include a threshold for reporting infectious waste spills to the department.

#### Study of **Insurance Ratemaking Procedures** Under Article 14, Chapter 431, Hawaii Revised Statutes, Report No. 93-19.

We contracted with the Casualty Actuarial Practice of KPMG Peat Marwick to conduct a study of casualty insurance ratemaking under Article 14, Chapter 431, HRS. KPMG Peat Marwick found that Article 14, Chapter 431, HRS, is a reasonable form of rate regulation and the standards and procedures used in reviewing insurance rate increase requests were fair and thorough. To reduce insurance costs to consumers, we recommended that the Legislature consider changing Hawaii's casualty insurance ratemaking laws to let the marketplace establish rates through open competition.

Final Report on **Job Sharing** in Hawaii State Government, Report No. 93-11.

Act 244 of 1989 established a job-sharing pilot project for permanent, full-time employees in the executive branch, the Department of Education, the University of Hawaii, the Judiciary, the Legislative Reference Bureau, the Office of the Auditor, and the Office of the Ombudsman. We found interest in the job-sharing project to be minimal, but support for job-sharing is widespread. We recommended that the Legislature consider passing legislation that would authorize all agencies of state government to implement job-sharing at their discretion.

Study of the Enforcement of Hawaii's "**Little Davis-Bacon**" Act, Report No. 93-15.

We found that the Department of Labor and Industrial Relations (DLIR) and governmental contracting agencies are enforcing Chapter 104, Hawaii's "Little Davis-Bacon" Act but vary in their methods and levels of enforcement. To improve enforcement, DLIR should reorganize its structure and amend the administrative rules to enforce penalty provisions for first violations. DLIR should also develop a memorandum of agreement with the governmental contracting agencies to clearly delineate the roles and responsibilities of each party. We also recommended that the Legislature amend Chapter 104 to provide for an administrative hearing process within DLIR's Enforcement Division.

Management and Financial Audits of the **Office of Hawaiian Affairs**, Report No. 93-28.

To properly administer the Office of Hawaiian Affairs (OHA) with its current assets of over \$160 million, we found that its Board of Trustees needs a better understanding of its role as a fiduciary. OHA should institute a training program for trustees. In addition, the board's current organization is not conducive to effective management. OHA needs to strengthen administrative and management controls over programs, improve internal controls over its financial practices, and complete its manuals. It should update its master and functional plans and improve internal communications. Further, we found that OHA's trust funds are being incorrectly designated as special funds. They should be recognized as trust funds that are not subject to appropriation by the Legislature.

Audit of the **Research Corporation of the University of Hawaii**, Report No. 93-10.

We found that the Research Corporation of the University of Hawaii (RCUH) has operated with little accountability and oversight. Federal funding to the university has been jeopardized by its weak financial management. We recommended that RCUH be restructured to make it clearly subordinate to the University. RCUH also lacked clear management controls for its contracts with state agencies. We recommended that RCUH should develop clear policies, criteria, and guidelines for accepting projects from state agencies and also institute controls to prevent state agencies from circumventing state laws in their contracts with RCUH.

Study of the Financing of the **Small Boat Harbors and Boat Ramps Program** of the Department of Land Natural Resources, Report No. 93-24.

In conjunction with the CPA firm of Nishihama and Kishida, we studied the revenues and services of state-run small boat harbors and boat ramps. We found that to improve security the Legislature should transfer the marine patrol from the Department of Public Safety to the Department of Land and Natural Resources (DLNR) or allow DLNR to hire its own security personnel. We also recommended that DLNR develop a comprehensive statewide boating program that sets standards for facilities and services, defines policies for setting fees to finance the costs, and establishes goals to bring facilities and services up to standard. The plan should also address security needs, administrative rules, and a comprehensive financial and budgeting system. DLNR should make the transfer of functions from the Department of Transportation a priority and correct problems with its internal accounting controls.

Audit of the **STD/AIDS Prevention Program** in the Department of Health, Report No. 93-29.

We found that the STD/AIDS Prevention Branch in the Department of Health (DOH) was meeting its stated goals to prevent and control the spread of sexually transmitted diseases, but it needed more consistent leadership and direction. We recommended that DOH hire a permanent chief for the branch who could develop a strategic plan, coordinate branch activities, ensure that the branch is clearly and properly organized, and complete the policies and procedures manual. DOH should also ensure that contracts for purchases of service are executed and payments made in a timely manner. It should analyze the reasons for its poor contract management and make corrections.

Management Audit of the **Traffic Violations Bureau**, Report No. 93-21.

The Traffic Violations Bureau (TVB), within Hawaii's Judiciary, needs to improve management operations. The manager of the bureau has limited decision-making authority, the traffic violations computer system is old and inadequate, and the processing of parking citations is backlogged. We recommended that the responsibilities and authority of the TVB manager should be clarified and immediate attention be paid to improving the traffic violations computer system and certain of its financial management practices. We also recommended that the Judiciary should submit a separate budget request for the bureau to the Legislature.

Review of **Trust and Revolving Funds** of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources, Report No. 94-4

Act 280, Session Laws of Hawaii 1993, amended Chapter 23, HRS to require the State Auditor to review all existing revolving and trust funds every five years. This year we reviewed 57 revolving and trust funds and trust accounts based on criteria established by the Legislature and developed by our office. For each fund or account, we presented a five-year financial summary, the purpose of the fund, and conclusions about its use.

## FINANCIAL AUDITS

### Financial Audit of the **Department of Budget and Finance**, Report No. 93-17

We contracted with the CPA firm of Deloitte & Touche for a financial audit of the Department of Budget and Finance (B&F). Except that the revenues received by the Information and Communication Services Division were not transferred from special revenue funds to the general fund, the department's financial statements present fairly its financial position as of June 30, 1993. B&F operations for the year ended in conformity with generally accepted accounting principles. B&F has also complied with applicable laws and regulations in all material respects.

B&F should continue the request for proposal process when selecting underwriting firms and develop and document procedures to evaluate the performance of underwriting firms. It should seek an opinion from the Attorney General on the legality of depositing more than 60 percent of available funds with one institution. Also, B&F should transfer the revenues from the special fund accounts of ICSD to the State's general fund. We also recommended that the department review its collateralization practices and requirements, enforce them consistently, and periodically check the accuracy of collateral data.

### Financial Audit of the **Department of Human Services**, Report No. 94-5

Together with the certified public accounting firm of KPMG Peat Marwick (KPMG), we conducted a financial audit of the Department of Human Services (DHS) for the fiscal year ended June 30, 1993. The magnitude of the deficiencies we found reflects an overall failure of stewardship by DHS management. KPMG had to declare an exception to the fair presentation of the financial statements because it was unable to determine if expenditures were being properly recorded. KPMG found material weaknesses in the department's financial controls. A significant finding was that DHS repeatedly and deliberately circumvented state laws and fiscal controls to cover recurring cash shortages. DHS charged at least \$23 million to the wrong appropriations in FY1992-93. To correct the number of deficiencies we found will demand a concerted effort at the very top levels of the DHS and state government. The governor responded that he has directed the director of finance, the state comptroller, and the director of human services to form a task force to address the problems noted.

### Financial Audit of the **Department of Labor and Industrial Relations**, Report No. 93-16.

In conjunction with the CPA firm of Coopers & Lybrand, we conducted a financial audit of the Department of Labor and Industrial Relations (DLIR) for the fiscal year June 30, 1993. The department's financial statements present fairly its financial position as of June 30, 1993. DLIR ended its operations for the year in conformity with generally accepted accounting principles. The department has also complied with applicable laws and regulations in all material respects.

We recommended that the Legislature consider amending Section 392-62, HRS, to transfer excess funds from the Special Fund for Disability Benefits to the general fund and consider repealing the Special Premium Supplementation Fund. DLIR should request the Department of Commerce and Consumer Affairs to process and deposit all disability compensation assessment payments daily.

DLIR should also develop a policy for reviewing and approving all estimates for wire transfers from the unemployment compensation trust fund held by the federal treasury. Further, it should continue the policy of preparing a Treasury Deposit Receipt to record each deposit into the state treasury. The DLIR Research and Statistics Office should reevaluate its methodology used to project quarterly unemployment compensation benefit payments to former state employees. Finally, the department should randomly audit insurance companies and authorized self-insured employers to ensure that benefit adjustments are actually paid.

## **MANDATED HEALTH INSURANCE**

Study of Proposed Mandatory Health Insurance for **Contraceptive Services**, Report No. 93-27

Study of Proposed Mandatory Health Insurance for **Pap Tests**, Report No. 93-26

Study of Proposed Mandatory Health Insurance for **Temporo-Mandibular Joint Disorders**, Report No. 93-23.

We issued three reports assessing the social and financial impacts of proposals to mandate health insurance coverage. The proposals were to insure contraceptive services, Pap tests, and temporomandibular joint disorders (TMDs). All three studies were limited because of insufficient data. In addition, no bill was designated for either Pap tests and TMDs for us to analyze. The measure proposing coverage for contraceptive services lacked specificity. We recommended against mandating any of the three proposed insurance coverages. We found little evidence that inadequate coverage on contraceptive services have resulted in lack of services or in financial hardship. Mandated coverage of Pap tests is not necessary because they are already covered for the majority of Hawaii's population. The TMD field is still in its infancy and consensus on diagnosis and treatment is still lacking. Because a federal health care package is pending, mandated insurance coverage should not be enacted at this time.

## **SUNSET EVALUATIONS**

**Dental Hygienists**, Report No. 93-9

We recommended that the regulation of dental hygienists be continued for another ten years. The Legislature should amend the provisions regarding the supervision of private-practice dental hygienists, the licensing of out-of-state licensees, the certification for performing intra-oral infiltration local anesthesia, and the disclosure of place of employment. Dental hygienists also need greater representation on the Board of Dental Examiners. We also recommended that the board eliminate the requirement for a state written examination and improve program operations.

**Nurses**, Report No. 93-8

Because the practice of nursing could significantly affect the public's welfare, we recommended that the Legislature reenact Chapter 457, HRS. In reenacting the law, the provision that allows disciplinary proceedings for gross immorality should be repealed because it is vague and lacks

relevance. We also recommended that the Board of Nursing amend its licensing rules and meet with the Regulated Industries Complaints Office (RICO) regarding settlement agreements.

#### **Nurses Aides, Report No. 93-4**

To reduce the potential for harm and to meet federal regulations, the Legislature should reenact the statute with amendments to define the occupation of nurse aides and to require the director of commerce and consumer affairs to set minimum standards, issue certificates, and maintain the nurse aide registry. The director should also issue rules governing the nurse aide certification program. Finally, we recommended that DCCA develop a working agreement with the Department of Health and the Department of Human Services to delineate each agency's role and responsibility.

#### **Nursing Home Administrators, Report No. 93-7**

To meet Medicaid funding requirements, the regulation of nursing home administrators should be continued with improvements. We recommended that the statute be amended to define a nursing home, require public members on the board, clarify experience requirements, strengthen grounds for disciplinary action, and allow letters of recommendation from any licensed nursing home administrator. The administrative rules should be revised to remove the state laws examination requirement, set the length of internship training programs, and delete requirements for fitness, suitability, and photographs. DCCA should improve licensing operations by requiring notarized credentials, better documentation of applicant qualifications, and accurate minutes of board meetings. An updated memorandum of understanding between the Board of Examiners of Nursing Home Administrators and other state agencies would facilitate the sharing of information about the performance of nursing home administrators. Also, only completed applications should be brought before the board for action.

#### **Pharmacists and Pharmacy, Report No. 93-6**

We recommended the continued regulation of pharmacists and pharmacies to ensure the public's welfare. However, the Legislature should reduce the practical experience requirement and delete the requirement for a state jurisprudence examination. We also recommended that the Board of Pharmacy not further regulate nonresident pharmacies, impose unnecessary requirements on pharmacist assistants, and assume certain regulatory responsibilities of the Department of Health. The Board's manual and licensing forms also need revision and the requirement for a personal photograph when applying for licensure is unwarranted.

#### **Travel Agencies, Report No. 93-5**

Since unreliable travel agencies can cause consumers to suffer financial losses and undelivered services, we recommended continued regulation. DCCA should monitor compliance by travel agencies with the trust account provision or consider proposing legislation requiring them to submit an annual statement of trust account balances and activities. DCCA should also improve its

administrative rules and ensure that travel agencies inform group travelers of the consumer bill of rights. Finally, we recommended that the department obtain statutory authority to use the balance in the travel agency education fund to pay outstanding claims of the travel agency recovery fund and to transfer any remaining balance to the compliance resolution fund.

## **SUNRISE ANALYSIS**

### **A Proposal to Regulate Crane Operators, Report No. 93-12**

Cranes and derricks are used in manufacturing, construction, and other industries to move heavy materials. Because existing protections are sufficient, we recommended that the proposal to regulate crane operators not be enacted.

**Follow-Up on Past Reports  
(Report Nos. 92-13 through 93-3)**

Recommendations	Actions Taken
<p><b>Review of the Insurance Rate Increase Request by AIG Hawaii, Inc., Report No. 92-13</b></p>	
<p>The Insurance Division should develop a policy and procedures manual for reviewing rate request filings and document that procedures have been followed.</p> <p>The Department of Commerce and Consumer Affairs (DCCA) should document its review of rate filings through the use of a checklist or other formal document. The consulting actuary should be required to provide written documentation of the actuary's review of rate filings.</p>	<p>The department says it has various checklists that are initialed and dated by reviewers. The consulting actuaries document their formal review of rate filings.</p>
<p><b>Loss of Budgetary Control: A Summary Report of the Review of Special and Revolving Funds, Report No. 92-14</b></p>	
<p>The Legislature should consider: (1) repealing certain special and revolving funds as we had recommended; (2) removing the University of Hawaii's authority to establish special and revolving funds administratively; (3) setting sunset dates for all special and revolving funds; (4) defining them as funds used only when these means of financing are essential to the successful operation of a program and when there is a clear link between the program and its sources of revenue; (5) requiring that proposals to establish new funds show evidence of need, describe the purpose and the scope of the program, present financial information on fees to be charged, sources of projected revenue, and costs, and explain why the program cannot be implemented successfully through general fund appropriation.</p>	<p>Act 280, SLH 1993, repealed or modified various special and revolving funds. Act 23 deleted the comptroller's authority to establish special funds on behalf of UH.</p>

Recommendations	Actions Taken
<p><b>Sunset Evaluation Report: Bail Bond Agents, Report No. 92-16</b></p> <p>Repeal Sections 804-61 and 804-62(b), HRS, on the licensing of bail bond agents. Amend the law to make violating the 10 percent bail bond fee provision an unfair or deceptive act or practice and to make it clear that 10 percent may be charged one time only. Sections 804-61 and 804-62, should be removed from the Sunset Law.</p>	<p>Act 181, SLH 1993, repealed Section 804-61, specified a one-time fee of 5 to 15 percent (with higher fees permitted in certain circumstances), and removed Sections 801-61 and 801-62 from the Sunset Law.</p>
<p><b>Sunset Evaluation Update: Massage, Report No. 92-17</b></p> <p>Reenact Chapter 452, HRS.</p> <p>The Board of Massage Therapy should not increase the training hours required for licensure. It should continue to use apprenticeship as a pathway to licensure, delete outdated rules for out-call massage services, and better document its executive sessions.</p> <p>The Professional and Vocational Licensing Division of DCCA should require applicants' transcripts to be sent directly from the massage school or hand delivered with a seal against tampering. The division should review applicant files against a checklist of licensing requirements.</p>	<p>Chapter 452 was reenacted.</p> <p>The board says apprenticeship and hours of training are being discussed. It is deleting the out-call rules and documenting executive sessions.</p> <p>The department disagrees with us about transcripts. It says that applicant files are reviewed against a checklist.</p>
<p><b>Sunset Evaluation Update: Podiatrists, Report No. 92-18</b></p> <p>Reenact Chapter 463E, HRS, and amend to clarify examination requirements and delete the requirement for continuing education. Amend the medical practice act to add a podiatrist to the Board of Medical Examiners. Update the board's rules.</p> <p>The licensing division should check the data base of the Federation of Podiatric Medical Boards (FPMB) for the disciplinary history of applicants. It should require applicants to submit test scores directly from the national board.</p>	<p>Chapter 463E was reenacted. Exam provisions were amended. The board plans to revise the rules.</p> <p>The licensing division says that it will pursue rule amendments before requiring a check of the FPMB data base. It has rarely granted exceptions to direct submittal of test scores.</p>

Recommendations	Actions Taken
<b>Sunset Evaluation Report: Time Sharing, Report No. 92-19</b>	
<p>Reenact Chapter 514E, HRS, and amend to authorize time share owners to discharge plan managers, require management to adopt an annual operating budget, and to require an annual financial audit of the plan.</p> <p>DCCA should clarify its disclosure rules for time share promotions, repeal the rules on conduct and on registration of the employees and independent contractors of acquisition and sales agents.</p> <p>DCCA should propose legislation to clarify the relationship between the time share law and the condominium law and explore alternatives to the plan manager's bond. The time share office should implement its revised booth location form. The department should include the time share program in its annual report to the Legislature.</p>	<p>Chapter 514E was reenacted and amended as recommended except for discharge of plan managers.</p> <p>DCCA says it is conducting needed research prior to amending the disclosure rules. It disagrees that the other rules should be repealed.</p> <p>DCCA is gathering information to formulate legislation. It is surveying how plan managers are complying with the bonding requirements, and has implemented a revised booth location form. It disagrees about the annual report.</p>
<b>Sunset Evaluation Report: Physical Therapy, Report No. 92-20</b>	
<p>Reenact Chapter 461J, HRS, with amendments.</p> <p>The Board of Physical Therapy should propose legislation to exempt allied health practitioners who work under the supervision of licensed health care providers. It should shift from norm-referenced examination scoring to criterion-based scoring.</p> <p>DCCA should ensure that examination procedures are reviewed with test supervisors and proctors, and examinations are periodically monitored.</p>	<p>Chapter 461J was reenacted and amended generally as recommended.</p> <p>The board says certain issues need to be addressed before proposing legislation. It is pursuing rule amendments to adopt criterion-based scoring.</p> <p>The department says that it ensures that test supervisors follow exam procedures and periodically monitors examinations.</p>
<b>Financial Audit of the Department of the Attorney General, Report No. 92-21</b>	
<p>The Child Support Enforcement Agency (CSEA) should maintain a check register of its child support checking accounts. Bank reconciliations should be prepared on a monthly basis.</p> <p>The CSEA should resolve all payments maintained in the suspense account and report child support checking accounts to DAGS. The department should deposit federal incentive payments to the general</p>	<p>The department says that since April 1993 the CSEA has maintained a book balance. Bank reconciliation is now done monthly. It will invite bids for reconciliation of the original bank account established in 1986.</p> <p>CSEA has taken steps to resolve all child support payments in the suspense account. It will be in compliance with reporting requirements by November 1993. The General Appropriations Act of 1993</p>

Recommendations	Actions Taken
<p>fund, payments to counties should be authorized through the general fund appropriations process, and the cash balance held in the trust fund account should be transferred to the general fund.</p> <p>The department should deposit excess interest earnings into the state general fund; submit required forms to update inventory records on a timely basis; fully implement the recommendation to establish formal procedures and timetables for auctioning or otherwise disposing of forfeited non-cash assets; and periodically reconcile the Criminal Justice Division's records of forfeited cash.</p>	<p>transferred incentive moneys to ATG 500, the Child Support Enforcement Services Program.</p> <p>Excess interest will be used to offset the cost of the account reconciliation or returned to the general fund. An inventory list of equipment has been transmitted to DAGS, timetables for auctioning have been implemented, and asset forfeiture records are now reconciled.</p>
<p><b>Management Audit of the Child Support Enforcement Agency, Report No. 92-22</b></p>	
<p>The CSEA should recruit a high level certified public accountant to be its controller.</p> <p>CSEA should continue its efforts to reconcile client accounts and should review the security of its records.</p> <p>CSEA should establish management controls over its case processing, give its reorganization and reclassification priority attention, and consider developing informational videos for parents.</p>	<p>The department will soon be recruiting a controller.</p> <p>The department will issue an invitation for bid to reconcile its client accounts. Better security controls will be installed with its new EDP system.</p> <p>It says it has improved its management system. It will submit a preliminary plan for reorganization and reclassification. A video is undergoing final editing.</p>
<p><b>Sunrise Analysis of a Proposal to Regulate Professional Counselors, Report No. 92-23</b></p>	
<p>Do not enact Senate Bill No. 3281.</p>	<p>The bill was not enacted.</p>
<p><b>Sunset Evaluation Update: Osteopathy, Report No. 92-24</b></p>	
<p>Reenact Chapter 460, HRS, with amendments to transfer regulation of osteopathic physicians to the Board of Medical Examiners and clarify certain provisions.</p> <p>The Board of Osteopathic Examiners should amend its rules on licensure to conform with the statute, delete rules on specialty certification and the certificate of competency, and keep minutes of and comply with the Sunshine Law in its executive sessions.</p>	<p>Chapter 460, HRS, was reenacted with recommended amendments except for transferring the program.</p> <p>The board will submit a bill in 1994 concerning licensure. It does not agree about competency certificates. It will examine specialty certification and says it has complied with the Sunshine Law.</p>

Recommendations	Actions Taken
<p>The licensing division should require applicants to submit original test score reports directly from testing organizations.</p>	<p>The department will pursue rule amendments concerning test score results.</p>
<p><b>Sunset Evaluation Update: Medicine and Surgery, Report No. 92-25</b></p>	
<p>Reenact Chapter 453, HRS, with amendments to give physician assistants and emergency medical personnel representation on the Board of Medical Examiners.</p> <p>The board should propose amendments for implementing the United States Medical Licensing Examination (USMLE).</p> <p>The board should address issues relating to the supervision of physician assistants, equivalency examinations for emergency medical personnel, relationships with the Regulated Industries Complaints Office, and informed consent to breast cancer treatment.</p> <p>DCCA should review the adequacy of its administration of examinations.</p>	<p>The law reenacting Chapter 453 established a physician assistant advisory committee.</p> <p>Act 164, SLH 1993 addresses the USMLE and the board says it is revising the pertinent rules.</p> <p>The board reports that it is addressing these issues.</p> <p>The department says it has worked to ensure adequacy.</p>
<p><b>Financial Audit of the Department of Public Safety, Report No. 92-26</b></p>	
<p>The department should review its policies and procedures for establishing employee work schedules and institute controls over the approval and use of overtime. It should ensure that timesheets are accurately filled out, required attendance records are properly prepared and kept, and leave taken recorded on DPS Form 7. Computations of accumulated leave should be checked for accuracy.</p> <p>Reconciliations of inmate trust account balances should be performed regularly by an independent person and reviewed by management. Custody and recordkeeping of cash receipts should be segregated. The Halawa facility should: (1) maintain inventory records; (2) compare them to periodic inventory counts; and (3) investigate and resolve any differences noted.</p>	<p>The department says that it will develop policies and procedures on employee shift schedules. It has initiated a pilot program for an accurate time-verification system. Supervisors will be responsible for assigning and controlling overtime, verifying data, and ensuring documentation. Training on DPS Form 7 has begun.</p> <p>The department says reconciliation is done monthly by an independent person but separation of duties may not always be practical. Halawa is maintaining weekly inventory, comparing records to inventory counts, and investigating and resolving differences.</p>

Recommendations	Actions Taken
<p>The department should expedite the development of its policies and procedures manual, distribute it to staff and, if necessary, conduct training on its contents.</p>	<p>The department has implemented a Purchasing Policy and Procedure Manual and begun training.</p>
<p><b>A Review of a Formula for Security Staffing at the Department of Public Safety, Report No. 92-27</b></p>	
<p>The department should fix responsibility for security staffing at a senior management level. Senior management should assure the reliability of data used in calculating the shift relief factors. It should ensure the accuracy of data recorded on the DPS 7 forms. The department should install a system for managing security staffing. Before approving a revised shift relief factor, the Legislature should require the department to submit a more reliable and valid base.</p> <p>The department should establish appropriate controls over lost time and overtime.</p>	<p>The department says that responsibility for security staffing and data reliability will be assigned to a new Chief of Security position. A system for managing security staffing was developed using our model and the department expects data that can be validated.</p> <p>The department says it has retained a CPA firm to assist in identifying what is needed.</p>
<p><b>A Review of the Transfer of the Marine Patrol and Potential Transfer of the Division of Conservation and Resources Enforcement, Report No. 92-28</b></p>	
<p>Enact legislation clarifying the mission of the marine patrol and its role in enforcing boating safety and conservation resources. Consider legislation transferring the marine patrol from the Department of Public Safety (PSD) to the Department of Land and Natural Resources (DLNR). If the marine patrol remains with public safety, the Legislature should require both PSD and DLNR to develop formal training programs, coordinate enforcement programs, agree on priorities, provide cross training, and share information on their activities. The Division of Conservation and Resources Enforcement (DOCARE) should remain within DLNR.</p>	<p>No legislation was enacted to transfer the marine patrol or establish requirements for the two departments. DOCARE remains with DLNR as recommended.</p>
<p><b>A Review of Hawaii's Procurement Law, Report No. 92-29</b></p>	
<p>Hawaii should revise its procurement law based in part on the American Bar Association's <i>Model Procurement Code for State and Local Governments</i> and the recommendations in our report. The new law should establish within DAGS an independent procurement policy office, a procurement advisory committee, and other changes.</p>	<p>Act 8 of the First Special Session of 1993 established a new procurement code based partly on the ABA model and many of our recommendations.</p>

Recommendations	Actions Taken
<p>Price lists should be expanded to cover additional commonly used items and commodities. DAGS' Purchasing and Supply Division and the Department of Budget and Finance should consult other state agencies when developing or negotiating requirements contracts or price lists.</p>	<p>DAGS says that nine new price lists have been issued or are about to be. Its Purchasing and Supply Division routinely consults with user agencies.</p>
<p><b>Financial Audit of the Department of Health, Report No. 92-30</b></p>	
<p>The department should ensure that contracts for services are executed on time.</p> <p>Contracts executed by the Drug and Alcohol Abuse Division should contain clear payment terms and the department should comply with the terms. The department should develop written contract monitoring standards and guidelines on how monitoring should be documented.</p> <p>Receipts should be deposited in the state treasury and recorded in the state's accounting records daily. The department should transfer the cash balances of these accounts to the general fund. The Developmental Disabilities Division should reconcile its checking account monthly. The department should comply with DAGS' requirements and report all equipment acquisitions to DAGS on a timely basis.</p>	<p>The department says it is working on timeliness.</p> <p>Current contracts of the division contain payment terms based on reimbursement for actual expenditures. The department will implement contract monitoring standards in phases.</p> <p>The department is trying to deposit receipts promptly and comply with DAGS' requirements. It is taking steps to transfer cash balances to the general fund. The division now regularly reconciles bank statements.</p>
<p><b>A Study of Curriculum, Budgeting, and Repair and Maintenance for Hawaii's Public Schools, Report No. 92-31</b></p>	
<p>The Board of Education (BOE) should develop new policies to clarify the statewide core curriculum and the appropriate roles and responsibilities of state, district, and school personnel. It should clearly fix responsibility for curriculum management and monitor the implementation of these responsibilities.</p> <p>The Department of Education (DOE) should manage the curriculum by improving and aligning its written, taught, and tested curricula. It should develop adequate curriculum guides for science, mathematics, social studies, and language arts; develop a staff-development program; and assess the written and taught curricula for linkages between these and the testing program.</p>	<p>BOE disagrees, saying that no new policies are needed.</p> <p>DOE says it has curriculum documents to provide direction, has a staff development program, and analyzes student performance on the Stanford Achievement Test to modify curriculum and strengthen instruction. All new curricula include assessment. A task force is designing a state framework for assessment and accountability.</p>

Recommendations	Actions Taken
<p>For the 1993-1995 biennium, the Legislature should consider allowing schools to carry over any unexpended funds from the first to the second fiscal year and to the following fiscal biennium. The Legislature should not appropriate according to the proposed new lumpsum program structure for the 1993-95 biennium. It should authorize a lumpsum budgeting pilot project for SCBM schools with reporting and evaluation requirements.</p> <p>The DOE should clarify how it will develop personnel flexibility, identify what specific additional flexibility will be given to schools under its proposed lumpsum budget, and identify what budgeting end products will result at the school level.</p> <p>The Legislature should delete the requirement that provisions of Chapters 26 (Executive Departments) and 37 (Budget), HRS, affecting public schools, be reenacted or amended if they are to apply to public schools on or beyond July 1, 1993.</p> <p>To improve the school repair and maintenance program, the Department of Accounting and General Services (DAGS) and DOE should revise their memorandum of agreement, implement a training program for school administrators, develop standards for school inspections, and provide training to inspectors on how to apply these standards.</p> <p>DAGS should determine what resources are needed to ensure a level of service for Oahu schools equitable to the service on the neighbor islands, and make DAGS Central Services Division (CSD) responsible for all informally bid programmed major repairs, in addition to all nonbid repairs. Later, DAGS may wish to review the feasibility of assigning responsibility for all programmed major repairs to CSD.</p> <p>DOE should allow schools to work directly with DAGS, encourage the employment and promotion of custodians who have "handy-person" skills, involve custodians in school repair and maintenance, report to the 1995 Session on the benefits of providing \$8,000 to each school for minor repairs, and study</p>	<p>Act 364 of 1993 authorizes the DOE to retain up to 5 percent of any appropriation at the close of a fiscal year, which shall not lapse until the end of the first fiscal year of the next biennium. No pilot project was enacted; Act 289 of 1993 appropriated funds to DOE programs in five large categories.</p> <p>DOE says schools have personnel flexibility, and the purposes of lumpsum budgeting are equitable distribution of funds to all schools, maximum budget flexibility of schools consistent with law, broadened community participation, and budgets tailored to each school's needs.</p> <p>Act 364 of 1993 implemented this recommendation.</p> <p>DOE and DAGS say they are working together to revise the memorandum of agreement, implement a training program, and develop facility standards.</p> <p>DAGS says it has made an assessment of need. Making CSD completely responsible for all informally bid programmed major repairs, in addition to all nonbid repairs, requires further study.</p> <p>DOE says the revised memorandum of agreement allows schools to work directly with DAGS. Every effort is made to employ and promote "handy-person" type custodians. It is collecting data and will report to the 1995 Session on the benefits of the school level minor repair and maintenance program</p>

Recommendations	Actions Taken
<p>the feasibility of transferring repair and maintenance duties from principals and vice-principals to a facilities and business manager serving one school or a group of schools.</p> <p>The Legislature should consider providing increased and consistent funding for major programmed repairs, and raising bid thresholds for public works projects to over \$8,000 for informal bids and \$25,000 or more for formal bids.</p>	<p>funding. It has implemented a pilot program which assigns a business manager to schools.</p> <p>Act 289 of 1993 authorized 12 building maintenance positions from temporary to permanent. Act 121 of 1993 authorizes informal bids for projects between \$10,000 to \$15,000 and up to \$25,000 if a call for informal bids is published at least once in a newspaper.</p>
<p><b>A Study of the Department of Health's Administration of Contracts for Purchases of Service for Persons With Developmental Disabilities, Report No. 92-32</b></p>	
<p>The Legislature should consider requiring the Department of Health to develop a payment system for purchases of service for persons with developmental disabilities based on reasonable, equitable, and appropriate costs.</p> <p>The director of health should ensure that the Developmental Disabilities Division and the Family Health Services Division execute all contracts on time and make prompt payment. The director of health should develop uniform policies and procedures for contract monitoring.</p> <p>The department's Personal Health Services Administration should work with the Developmental Disabilities Division, the Family Health Services Division, and the State Planning Council on Developmental Disabilities to identify the target population and to clarify the consolidated purchase of services program.</p>	<p>No legislation enacted.</p> <p>The department says it is taking steps for timely contracts, including contract boilerplates and a revised tracking system. An interdepartmental committee will adopt uniform policies and procedures for monitoring.</p> <p>The department says it uses nationally accepted estimates of given population, and the division formed a committee to set standards for the program.</p>
<p><b>A Study of the Memorandum of Agreement for Coordinating Mental Health Services to Children, Report No. 93-1</b></p>	
<p>The Department of Education (DOE) and the Department of Health (DOH) should develop a mechanism such as an interagency task force to implement, monitor, and update the memorandum of agreement. Before pursuing the memorandum of agreement, the departments should clearly define their respective responsibilities.</p>	<p>The DOE and DOH say that revision of the memorandum of agreement awaits resolution of certain litigation, but they are working together.</p>

Recommendations	Actions Taken
<p>The Legislature should consider requiring the departments to submit specific information on their expenditures for mental health services for public school students, including the source of funds, the services provided, and the number and type of students served. Similar information should be requested for their budget requests. The Legislature should also consider working with the departments to clarify the department's missions, priorities, and responsibilities for mental health services for children.</p>	<p>House Resolution 265, S.D. 1 of 1993 requests the departments to submit a new memorandum of agreement to the Legislature by August 31, 1993, and work together to develop a common vision for mental health services for children and youth.</p>
<p><b>Study of the Fiscal Relationship Between Hawaii's Legislative and Executive Branches, Report No. 93-2</b></p>	
<p>The Legislature should establish a joint committee to propose amendments to Chapter 37, HRS, and to simplify and make more useful and understandable the State's budgeting system. It should consider making the supplementary materials it uses part of the official budget submission.</p> <p>The Legislature should expand its fiscal staff, gain independent access to detailed information on revenues and expenditures, and adopt tools such as fiscal notes. It should consider enacting legislation, or exercising its authority to limit executive flexibility to make transfers and to restrict appropriations.</p>	<p>No amendments enacted.</p> <p>The Special Provisions in the General Appropriations Act of 1993 requires the executive branch to report on transfers, planned computer projects, workload and program change requests, and operating cost summaries.</p>
<p><b>An Update on the Department of Education's Financial Management System and School Information System, Report No. 93-3</b></p>	
<p>The DOE should better integrate its Budget System and Financial Management System (FMS) and reconcile FMS, the Budget System, and FAMIS.</p> <p>DOE should develop budget preparation capability at the school level and build in accountability for school level budgeting. It should explore how FMS can support and facilitate School Community Based Management and provide accountability promised under lumpsum budgeting. It should continue to work with the Information and Communication Services Division (ICSD) to improve system availability and response time.</p>	<p>DOE says it has implemented organizational changes to merge the FMS Special Projects Group and the Budget System development staff into a single Financial Systems group within the Information Services Branch. It is addressing reconciliation between the Budget System and FMS.</p> <p>The DOE says FMS currently enables schools to prepare their detailed budget; the Budget System and FMS are adapted for lumpsum budgeting and accountability. DOE is seeking ICSD approval of software upgrades, and is continuing efforts to improve system availability and response time.</p>

<b>Recommendations</b>	<b>Actions Taken</b>
<p>The Legislature should seriously consider the department's request for funding its School Information System (SIS) when the department provides the information needed for effectively reviewing the request.</p>	

APPENDIX C

Office of the Auditor  
Appropriations and Expenditures  
for the fiscal year ended June 30, 1993

**APPROPRIATIONS**

Act 1, SLH 1992 (operations)	\$ 1,854,000
Act 1, SLH 1992 (special studies)	<u>150,000</u>
	2,004,000

**EXPENDITURES**

Staff salaries	\$ 1,302,143
Contractual services	284,518
Other expenses	<u>212,015</u>
	1,798,676

Excess of appropriations over expenditures	<u><u>\$ 205,324</u></u>
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**EXCESS OF APPROPRIATIONS OVER EXPENDITURES**

Act 1, SLH 1992 (operations)	\$ 55,324
Act 1, SLH 1992 (special studies)	<u>150,000</u>
	<u><u>\$ 205,324</u></u>