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# **Audit of the Management of Small Boat Harbors and Boat Ramps**

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

Report No. 98-11  
March 1998



**THE AUDITOR**  
STATE OF HAWAII

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## The Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, 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 new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with 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. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.
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9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

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.



## THE AUDITOR STATE OF HAWAII

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# OVERVIEW

THE AUDITOR  
STATE OF HAWAII

## Audit of the Management of Small Boat Harbors and Boat Ramps

### Summary

For some time, various groups, including the Legislature, the Office of the Auditor, and the boating community have been critical of the management of small boat harbors and boat ramps in Hawaii. In response to this growing concern, the 1997 Legislature, through House Concurrent Resolution No. 153, H.D. 1, requested the Auditor to conduct an audit of the management of state run small boat harbors and boat ramps.

As centers of economic activity, small boat harbors are important assets to the State. Their proper maintenance and operation allow Hawaii residents to benefit from the state's natural resources by engaging in recreational boating, commercial and personal fishing, and small business operations.

Proper management of small boat harbors and boat ramps has been a long-standing problem for the Department of Land and Natural Resources. Our office has pointed out in past audits that the administration and operation of small boat harbors and boat ramps are deficient in several areas. Some of these problems include the lack of a comprehensive boating program for the State, unsafe conditions in the small boat harbors, inadequate security, and unreliable financial information on the revenues and expenditures. In this audit we found the management of small boat harbors and boat ramp continues to be plagued with problems. The Board of Land and Natural Resources, which is responsible for the overall administration of Hawaii's boating program, has not sufficiently improved and directed that program. Harbors are unsafe, in need of repair, and boaters fail to receive adequate services. In addition, we found the Department of Land and Natural Resources has not adequately managed the small boat harbors and boat ramps. The boating program lacks clear guidance, boating regulations are not enforced, and the true cost of operating individual boating facilities is unknown. Finally, we found that the department needs to correct strategic and operational deficiencies before attempting to evaluate alternative management practices such as privatizing the small boat harbors. For example, the role and function of small boat harbors must be clarified, and the department must be able to accurately account for expenditures and project budgeting needs.

### Recommendations and Response

We recommend that the Board of Land and Natural Resources establish a comprehensive statewide boating program to include the establishment of a

strategic plan, statewide standards for the minimum services to be provided at each of the boating facilities, and a multi-year program and financial plan addressing the need for repairs at the boating facilities. We also recommend the Department of Land and Natural Resources, in conjunction with the Division of Boating and Ocean Recreation, establish adequate management and financial controls that would include a policies and procedures manual, clear and concise administrative rules, clear procedures for issuing permits and conducting vessel inspections, and a financial accounting system that is able to track all expenditures and account for all moneys owed to the division. Finally, we recommend that the department delay the implementation of alternative forms of management until it has corrected the strategic and operational deficiencies identified in our current report.

The Department of Land and Natural Resources generally agrees with the findings and recommendations. The department states that the efforts to explore alternative forms of management such as privatization of facilities, community based management, or even the proposed Hawaii Maritime Authority, were externally driven. The department basically disagrees with our recommendation to delay the implementation of alternative forms of management until it has addressed its strategic and operational deficiencies. It notes that while operational deficiencies need to be corrected, it intends to recommend an alternative management scheme to the Board of Land and Natural Resources if such a scheme to correct these deficiencies can be identified. We disagree with the department. The overall direction of the program, or the desired end, needs to be addressed first before the State can determine the most effective and advantageous means, or form of management, for the boating program.

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STATE OF HAWAII

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## Foreword

This report was prepared in response to House Concurrent Resolution No. 153, H.D. 1, Regular Session 1997, which requested the State Auditor to conduct an audit of the management of all state run small boat harbors and boat ramps in Hawaii.

We wish to express our appreciation for the cooperation and assistance extended to us by various officials and staff of the Department of Land and Natural Resources' Division of Boating and Ocean Recreation and others whom we contacted during the course of the audit.

Marion M. Higa  
State Auditor



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# Chapter 1

## Introduction

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Small boat harbors, as centers of economic and recreational activity, are important assets to the State. Their proper maintenance and operation allow Hawaii residents to benefit from the state's natural resources by engaging in recreational boating, commercial and personal fishing, and small business operations. In addition, visitors and residents alike use small boat harbors and launch ramps to participate in yacht races, canoe regattas, and surfing or board sailing contests.

However, tourists and residents may not fully and efficiently utilize these facilities because the facilities have not been properly maintained and operated. Various groups, including the Legislature, the Office of the Auditor, and the boating community have been critical over the years of the management of small boat harbors and boat ramps.

Most recently, the 1997 Legislature noted that revenues, expenses, and their relationship to services should be clearly defined and accounted for. The Legislature also asserted that by lacking such information, it could not effectively evaluate the Board of Natural Resources' management of small boat harbors and boat ramps under its jurisdiction. Consequently, the Legislature passed House Concurrent Resolution No. 153, H.D. 1, requesting the Auditor to conduct an audit of the management of all state run small boat harbors and boat ramps. Our office was requested to:

1. Follow-up on our previous audit's (1993) recommendations with respect to the accounting for revenues, expenditures, and services provided;
2. Review all revenues and costs for propriety including the pro-rated share of indirect program costs attributed to each facility, such as the outstanding debt service; and
3. Assess possible alternatives to the current management structure and delivery of services and also make recommendations for revisions to the financial reporting system to make it more user friendly.

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## Background

Small boat harbors and boat ramp activities are part of the State's ocean recreation and coastal areas programs as established in Chapter 200, Hawaii Revised Statutes. The Legislature transferred the operation of small boat harbors and boat ramps from the Harbors Division of the Department of Transportation to the Department of Land and Natural Resources July 1, 1992. It reasoned that all recreational programs of the

State should be administered by one department and that the needs of the boating community would be better served by the Department of Land and Natural Resources. When the boating program was transferred to the land department, the marine patrol that provided security for the program was transferred to the Department of Public Safety. The Legislature intended to consolidate all police functions in the Department of Public Safety. However, in 1996, the Legislature, through Act 128, transferred 18 marine patrol officers from the Department of Public Safety to the land department's Division of Conservation and Resources Enforcement.

The Division of Boating and Ocean Recreation has seven organizational sub-units and is responsible for managing and administering 21 small boat harbors, 54 launching ramps, 13 offshore mooring areas, 10 designated ocean water areas, 108 designated ocean recreation management areas, and associated aids to navigation throughout the state. In addition, the division administers vessel registration, investigates boating accidents, conducts boating safety education, issues marine event permits, develops an ocean recreation management plan, and licenses commercial operators.

**Boating Special Fund**

The division's cost of operating, managing, and maintaining small boat harbors and launching ramps is almost entirely supported by revenues from the Boating Special Fund. A spending ceiling of approximately \$9.6 million was appropriated in FY1996-97. An additional \$700,000 in federal funds through the Federal Boating Safety Act was received to support operating costs. Total operating costs in FY1996-97 amounted to about \$10.3 million with an ending cash balance of about \$1.9 million. Boating Special Fund revenues have increased steadily since FY1994-95, while expenses have remained relatively stable at slightly over \$10 million. In FY1994-95 expenses exceeded revenues by \$1.2 million. In the most recent fiscal year, expenses exceeded revenues by about \$167,000. (See Exhibit 1.1).

**Exhibit 1.1  
Boating Special Fund - FY1994-95 to FY1996-97**

|                                   | FY1994-95    | FY1995-96    | FY1996-97    |
|-----------------------------------|--------------|--------------|--------------|
| Beginning Cash Balance-<br>July 1 | \$4,810,768  | \$3,593,145  | \$2,290,116  |
| Revenues                          | \$9,373,474  | \$9,182,211  | \$10,137,876 |
| Expenses                          | \$10,591,097 | \$10,485,240 | \$10,304,709 |
| Transfers (net)                   | 0            | 0            | (\$200,000)  |
| Ending Cash Balance-<br>June 30   | \$3,593,145  | \$2,290,116  | \$1,923,283  |

Source: Department Accounting Records

The primary source of revenues to the Boating Special Fund (about 47 percent) comes from mooring and other harbor use fees, including 2 percent of gross revenues from commercial vessels using boating facilities, commercial thrillcraft, and parasailing operations. About 50 percent of the annual revenues come from sources that include the marine fuel tax, vessel registration fees, rental income from leases, and revocable permits for boating facility properties.

***Program and financial management issues are not new***

Prior audits of the small boat harbors and boat ramps program conducted by the State Auditor identified fundamental deficiencies in program management and accounting. Our 1993 study, *Study of the Financing of the Small Boat Harbors and Boat Ramps Program of the Department of Land and Natural Resources*, Report No. 93-4, found that facilities and services varied from harbor to harbor and that many facilities and services were inadequate. In addition, we noted a widespread dissatisfaction with the boating program. We also argued that a well-developed boating program plan that sets statewide standards for facilities and services, policies on how program costs are to be financed, and a timetable for achieving the standards would help to resolve many problems. We also found that the division of responsibilities for the program between the Department of Transportation and the Department of Land and Natural Resources caused problems in program operations. Finally, we found weaknesses in the program's accounting controls. We recommended that the land department develop a comprehensive statewide boating program, make the transfer of functions from the Department of Transportation a priority, and correct weaknesses in accounting controls.

In 1995, we conducted a follow-up audit of the program to verify and assess any progress made in addressing our 1993 findings and recommendations. Our 1995 report, *Follow-Up Report on a Study of the Financing of the Small Boat Harbors and Boat Ramps Program of the Department of Land and Natural Resources*, Report No. 95-11, found that overall the department had improved its internal accounting controls by segregating accounting functions, ensuring that its Treasury Deposit Receipts were deposited on a timely basis, and reconciling its internal collection records. However, the department still lacked a comprehensive boating program. Moreover, security measures at the small boat harbors needed improvement and the complete transfer of all boating functions from the Department of Transportation to the Department of Land and Natural Resources had not been completed.

**Objectives of the Audit**

1. Evaluate the effectiveness of the Department of Land and Natural Resources' management of state run small boat harbors and boat ramps.

2. Assess the adequacy of the department's financial accounting system for small boat harbors and boat ramps.
  3. Make recommendations as appropriate.
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## Scope and Methodology

To accomplish the objectives of the audit we reviewed pertinent laws, rules, regulations and literature on the Division of Boating and Ocean Recreation and the boating program it administers. We examined documents and files from the Division of Boating and Ocean Recreation's administrative office and fiscal office. We visited a total of 14 boating facilities on the islands of Oahu, Maui, Hawaii, and Kauai and reviewed records and files at each of those harbors. Our audit focused on program and fiscal operations from FY1994-95 through FY1996-97.

We examined the accounting records and expenditure reports of the Boating Special Fund. We also examined procedures for classifying expenditures and internal controls over the boating program's accounting procedures. We interviewed Department of Land and Natural Resources' boating program administrators and personnel, district branch managers, harbor agents, conservation and resources enforcement officers, and concerned boaters throughout the community.

Our work was conducted from May 1997 through December 1997 in accordance with generally accepted government auditing standards.

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# Chapter 2

## The Board of Land and Natural Resources Has Not Adequately Addressed Deficiencies in Hawaii's Boating Program

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In 1993, we identified significant deficiencies in the Department of Land and Natural Resources' management and operation of the State's small boat harbors. Some of these deficiencies were corrected by 1995 when we conducted a follow-up audit of the small boat harbors and boat ramps program. However, the department continued to lack a comprehensive boating program. Some harbor catwalks were unsafe and boaters and the public continued to risk physical injury. Security measures still needed improvement and the department was unable to track expenditures by facility or by type of expenditure.

In 1997, we found little change in the condition of the State's small boat harbors. Deficiencies continued to be unaddressed. Harbors were unsafe and in need of repair. Boaters failed to receive the services they deserve. The department could not track expenditures by facilities, thus departmental officials were not sure that the fees they charged were sufficient or reasonable. These conditions remained uncorrected and unresolved because the Board of Land and Natural Resources did not establish a comprehensive statewide boating program.

The department is considering alternative methods of administering the small boat harbors. However, correcting deficiencies in the boating program is the department's first order of business. This line of action will enable the department to sufficiently develop the structure and controls necessary to maintain its oversight responsibilities, regardless of the management method it chooses for harbor operations.

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### Summary of Findings

1. The Board of Land and Natural Resources has not sufficiently improved and directed the boating program. Harbors are unsafe and in need of repair, and boaters fail to receive adequate services.
2. The Department of Land and Natural Resources has not adequately managed the small boat harbors and boat ramps program. The boating program lacks clear guidance. Regulations are not enforced. The true cost of operating individual facilities is unknown.

3. The Department of Land and Natural Resources needs to correct operational deficiencies before attempting to evaluate alternative management practices such as privatizing Hawaii's state run small boat harbors.

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## **The Condition of Small Boat Harbors and the Services Offered Continue to Be Inadequate**

The Board of Land and Natural Resources assumed responsibility for the statewide boating program in July 1992. In 1993, we found significant differences in the physical condition of boating facilities and in the type and level of services provided in the boat harbors. Some facilities were in good physical condition while others were in need of substantial improvements or repair. We found poorly maintained catwalks, inadequate parking, and a shortage of restrooms.

Those conditions have not been fully resolved. Since 1993, the Board of Land and Natural Resources has failed to aggressively develop a strategy for improving the boating program. Harbors continue to be poorly operated and maintained. They are in desperate need of repair. A wide variety in the level of services are provided for boaters. Small boat harbors and boat ramps are unsafe and harbors lack adequate security. These conditions exist because the Board of Land and Natural Resources has not adequately improved and directed the boating program.

*The Board of Land and Natural Resources has not sufficiently improved the program*

The State's small boat harbors continue to be poorly operated and maintained. Although the Board of Land and Natural Resources has improved the conditions of some facilities since our 1993 audit, repairs are still needed across the State. Services to boaters are inconsistent and inadequate. Dissatisfaction with the boating program is widespread. Harbors are unsafe. Security is inadequate.

### **Services are inconsistent and inadequate**

The Board of Land and Natural Resources has not established statewide standards for the services it offers at small boat harbors and boat ramps across the State. Consequently, the services are inconsistent and inadequate. We found wide variation in the type of services provided. Some of the harbors we visited, such as Heeiea Kea, Keehi, Honokohau, and Port Allen, either had no electricity or an insufficient water supply. Other harbors, such as Lahaina and Ala Wai, lacked adequate restroom, storage, and parking facilities. Exhibit 2.1 lists the various services provided at some of these small boat harbors.

**Exhibit 2.1  
Services and Facilities at Selected Small Boat Harbors in  
Hawaii**

| Small Boat Harbor | Services/Facilities Provided   | Liveaboards Allowed |
|-------------------|--|---------------------|
| Ala Wai           | water, electricity, restrooms, phone, cable t.v., storage lockers, boat ramp | yes                 |
| Keehi             | water, electricity, private restrooms, storage lockers, phone, boat ramp     | yes                 |
| Waianae           | water, electricity, restrooms, storage lockers, boat ramp                    | no                  |
| Heeia Kea         | water, restrooms, some storage lockers, boat ramp                            | no                  |
| Honokohau         | water, limited electricity, restrooms, fuel facility, boat ramp              | no                  |
| Kawaihae          | water, restrooms, boat ramp  | no                  |
| Nawiliwili        | water, electricity, restrooms, boat ramp, storage lockers                    | no                  |
| Port Allen        | water, limited electricity, restrooms, boat ramp                             | no                  |
| Lahaina           | water, electricity, restrooms, limited storage lockers, fuel facility        | no                  |
| Maalaea           | water, limited electricity, restrooms, limited storage lockers, boat ramp    | no                  |

The States Organization for Boating Access suggests that services and/or amenities be made available at boating facilities according to the amount of use at the particular facility. The amounts of use at boating facilities can range from low to high. Some of the services suggested, dependent on the level of use, include water, electricity, restrooms, storage lockers, phone, and cable television.

Department officials assert that service standards have not been developed because of differences in the needs of boat harbors across the State. They contend that small boat harbors will differ depending on the needs of each

harbor. We assert that services will remain inadequate until the board ensures that statewide standards identify the minimum services that are to be provided at each facility.

### **Boaters continue to complain**

Many of the boaters and harbor users we spoke to are not satisfied with the current boating program. They feel that the services are not sufficient. Their concerns include the lack of secured parking, the deterioration of facilities, and the management of the Boating Special Fund. They question the relationship between the services they receive and the fees that they must pay for those services. In addition, they complain that many of their questions and concerns are unanswered.

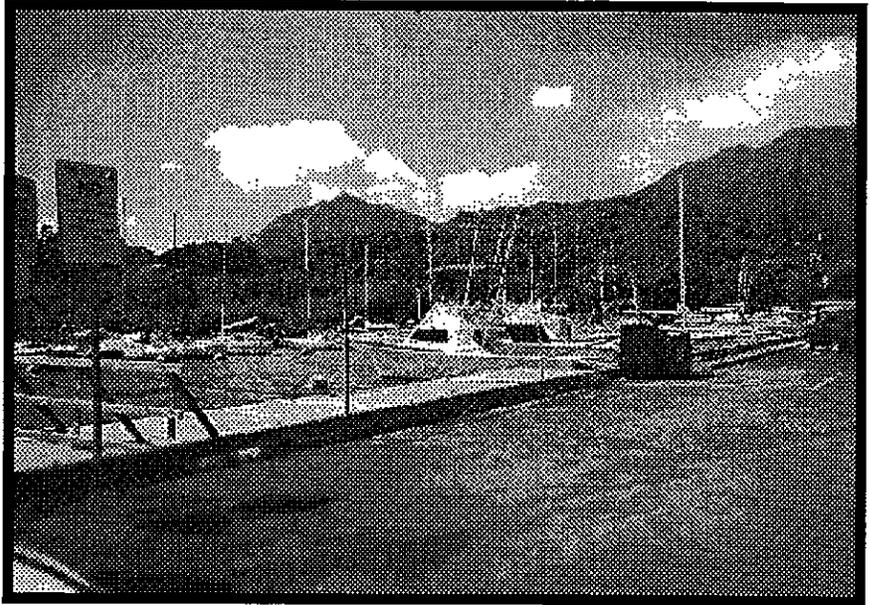
### **Some harbors are unsafe or need repair**

Many boat harbors need repair. For example, Maalaea Boat Harbor needs safety railings around the piers and repairs to the electrical outlets. Keehi and Waianae Boat Harbors each have fallen catwalks and deteriorating piers. Sections of piers and catwalks at Kailua-Kona, Heeia Kea, and Keehi Boat Harbors have been closed because they are unsafe. Ala Wai Harbor needs new floating docks. At Maalaea Harbor electrical and telephone wires dangle dangerously above the water and lights do not work on many of the piers.

Division of Boating and Ocean Recreation officials concur that several piers and boat ramps are in desperate need of repair or replacement. However, they contend that the department lacks the funds to make these repairs.

In a 1996 departmental memorandum, the then division head noted to the land board that "The small boat harbors in Hawaii have reached the end of their useful life as a result of continued use and exposure...continued maintenance is no longer cost effective." The department estimates needing approximately \$65 million to bring the boating facilities to full development. One division official stated that "We are in a crisis situation and only the most critical repairs will be addressed."

Some harbor agents report that they are unable to perform necessary repairs and maintenance because they do not have the proper equipment. Harbor agents sometimes must rely on the Department of Transportation's Harbors Division to assist with repairs to the boat harbors. In FY1995-96, the department paid over \$350,000 to the Department of Transportation's Harbors Division for services rendered throughout the year.



*Heeia Kea Small Boat Harbor - closed off section of pier that is falling apart.*



*Waianae Small Boat Harbor - missing catwalk that fell into the ocean.*

Until approximately two years ago, the department did not have a plan or system to address needed repairs and maintenance. Some efforts are now being made to develop plans for repairs and maintenance in the small boat harbors. The department is now requiring small boat harbors to identify and prioritize repair and maintenance projects.

A well-planned and enacted maintenance program ensures that boating facilities are sufficiently safe and can be used as intended. If improperly maintained, boating facilities will not fulfill their purpose, boaters who use them are at risk of injury, and public funds may be lost.

Developing a well-planned repairs and maintenance strategy should be a board priority. Failure to properly maintain the boat harbors exposes boaters and visitors to unnecessary risk of injury and may expose the State to monetary damages. Without an adequate repair and maintenance program, the board leaves itself open to injury and liability claims against the State.

### **Boat harbors lack adequate security**

Harbor agents and boaters agree that the boat harbors lack adequate security. Agents still lack the ability to enforce regulations. They cannot write citations and must rely on department officers or police officers to arrest or cite violators of boating rules or county ordinances. They must contend with theft, violence, vandalism, and drug use.

The department's Division of Conservation and Resources Enforcement is responsible for providing security at the boat harbors. However, harbor staff complain that the division officers cannot provide adequate security because the officers are not present at the harbors. Division officials defend their officers by stating that their officers have many other responsibilities in addition to enforcing the rules and regulations of the small boat harbors.

The board needs to ensure that small boat harbors have adequate security. It should also consider giving harbor agents limited citation writing authority.

***The Board of Land and Natural Resources has not adequately directed the boating program***

The Board of Land and Natural Resources has been responsible for the boating program since 1992. However, the board has yet to develop a comprehensive boating program that ensures boaters and harbor visitors of full and safe use of boating facilities. A comprehensive boating program includes:

- a clear description of the Division of Boating and Ocean Recreation's responsibilities for small boat harbors and boat ramps;

- the levels and types of services to be provided;
- clear operational standards; and
- clearly defined measures of effectiveness.

Without a comprehensive boating program, the Division of Boating and Ocean Recreation lacks a strategy for the proper maintenance and improvement of services and a plan to properly provide the public with ocean-based recreational activities. It has no timetable for improving boating facilities, no clear operational standards, and no set of appropriate measures to monitor program effectiveness.

Existing documents do not provide sufficient direction to the division. The State's Ocean Recreation Management Plan (ORMP) does not adequately address issues facing the boating program. The plan was developed in 1988, is outdated, and has not been recently revised. It was developed primarily to reduce conflict among motorized watercraft and other ocean recreation users. However, it does not sufficiently ensure that an adequate number of berths and mooring spaces are available to the small boat harbor users. The plan also fails to identify needed services, such as restrooms and parking.

Other important documents also fail to adequately describe the role and function of small boat harbors and boat ramps. The *Multi-Year Program and Financial Plan and Executive Budget* and the *Program Memoranda* describe the program in terms of the number of berths provided, other moorings, launching ramps, and the number of shorewater permits issued and improvements. However, documents do not establish operational standards for the small boat harbors and boat ramps, minimum services to be provided at each of the boating facilities, and a timetable/schedule for repairs and improvements to these boating facilities.

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## **Management and Financial Controls Are Inadequate**

The Division of Boating and Ocean Recreation lacks adequate controls to properly administer the boating program. Operational practices are deficient and the accounting system does not give the division the information it needs to make sound financial decisions. Consequently, the division cannot ensure that boaters are in compliance with rules and regulations nor determine the cost of operating its boating facilities due to information and operating deficiencies. In addition, harbor staff suffer from poor morale.

### ***Harbor staff and the boating community lack guidance***

Adequate management controls help to ensure that goals and objectives are understood and appropriate measures of effectiveness monitor the department's progress towards them. Lacking adequate management

controls, the division cannot be sure that harbor personnel direct their best efforts toward improving services, and cannot determine when the standards for such services are achieved. Some of these management controls include clear policies and procedures, simple and concise rules, and timely enforcement of boating regulations.

### **The division lacks policies and procedures**

Policies and procedures are important management tools to guide staff in their duties and to ensure that limited resources are safeguarded against waste, loss, and misuse. They also reflect basic organizational objectives and provide a framework for achieving those objectives. The boating program lacks these tools. Consequently, harbor staff cannot provide a consistent level or standard of services. The personnel lack direction and guidance because they do not have formal policies and procedures to which they can turn.

### **Rules are excessive, confusing, and contradictory**

Administrative rules set forth in Title 13, subtitle 11, Hawaii Administrative Rules, currently provide some guidance to personnel and to the boating community. However, their usefulness is limited because they are excessive, confusing, and contradictory. They are too long and are difficult to understand. Although the department claimed in our 1995 audit that it was in the process of developing simplified rules, we found no evidence that simplified rules have been formalized and communicated to staff and the boating community.

Contradictions in the rules make enforcement difficult for harbor agents. For example, Section 13-231-5 states that when a permit to moor at a boat harbor expires, the boater automatically forfeits the right to the berth or slip. However, Section 13-231-45 states that if a boater fails an inspection (which allows the boater to moor the boat in the harbor), the boater is given a period of 30 days which can be further extended up to 90 days to correct the deficiencies and pass the inspection even if the permit has expired. Harbor agents are confused as to whether or not the boater has lost the right to the slip.

Chapter 231, subchapter 3, HAR, that relates to commercial activities in the harbor, is also unclear. This section requires any vessel conducting commercial activities in a small boat harbor to obtain a special commercial permit. The permit stipulations are different from those for a regular recreational use permit. The commercial permittee pays a higher mooring charge/fee and must forward 2 percent of the gross revenues to the boating and ocean recreation division. Harbor staff report that this section does not apply to commercial fishing permittees who also conduct business in the harbors.

They assert that the department has determined that the rules do not apply to commercial fish permittees. However, commercial fisherman can conduct business for profit in the harbors as do other commercial permit holders. Yet, commercial fishermen do not pay the higher mooring rate and do not have to give two percent of the gross revenues to the boating division. This contradiction can result in lost revenue for the division.

The boating division officials report that the rules are currently being revised and are with the Attorney General's Office for review.

### **Boat inspections and other regulations are not adequately enforced**

In our review of mooring permit files from 12 harbors, we found that some vessels had expired inspections. In some instances, the inspection form was not clear as to whether the vessel had actually passed the inspection.

In addition, we found that the types of boat inspections that affected the renewal period were without basis. Current boating rules require boats to pass an *annual* boat inspection. However, if the boat is inspected and approved by an approved marine surveyor, the boat does not need to be inspected for a *two-year period*. Harbor agents report that there is no real difference between the two types of inspections. Neither one is more stringent than the other. The two year period before renewal inspection is without basis.

We also found mooring permits that were no longer current. Boaters whose permits are not current are illegally moored in the harbor. In some cases, vessels had been illegally moored for up to three months.

### ***The division has not adequately classified expenditures***

Proper financial controls such as sound accounting principles enable administrators to account for all expenditures. Such principles include the accurate classification of expenditures. When these procedures are used consistently, management can determine the cost of operating an organizational unit, such as a small boat harbor.

The division has misclassified program expenditures. Thus, it is unable to determine the total expenditures of each state run small boat harbor and boat ramp. The inability to accurately determine facility costs has prevented the department from providing clear expenditure information to the Legislature and to the boating community.

The division misclassifies expenditures that can be directly attributed to a particular boating facility as administration costs. Examples of misclassified costs include maintenance support provided by the

Department of Transportation, security service provided by the Division of Conservation and Resources Enforcement, and purchases of machinery and equipment.

### **Debt service payments have not been attributed to facilities**

Sound accounting principles also include the full attribution of debt service costs to specific facilities. Debt service costs are principal and interest payments on outstanding bonds whose revenue financed capital improvement projects. The division incurred over \$600,000 in debt service charges in FY1996-97 (See Exhibit 2.2.). However, the division has been unable to attribute these costs to their specific facilities.

Division personnel report that although appropriations for construction projects are targeted for specific facilities, they have difficulty determining what portion of the interest paid on a general obligation bond should be applied to which facility. Over the years general obligation bonds are refinanced to take advantage of cheaper interest rates. When this happens several bonds representing multiple projects are consolidated and refinanced.

Although the department has unsuccessfully attempted to determine debt service costs for each boating facility, the division's current administrator has ordered an in-house audit to determine if the debt service paid on general obligation bonds is actually for projects related to small boat harbors. This effort should be pursued.

### ***Revenue and cost data are inaccurate***

The effective administration and operation of small boat harbors and boat ramps requires a knowledge of facility revenues and facility costs. This knowledge allows the division to determine what resources it needs, how to generate the funds to operate each facility, and which repairs can be made, given those resources.

We reviewed the department's revenue and cost data for FY1995-96. Revenue and cost data for selected small boat harbors is shown in Exhibit 2.3. However, these are not true revenues and costs. The amounts do not include debt service obligations and other overhead costs that could not be clearly allocated to each of the facilities. The department's figures are not accurate as evidenced by the negative revenue figure for Keauhou Harbor and the \$0 balance for Kawaihae Harbor, the latter of which had revenues of over \$24,000 in the prior fiscal year.

**Exhibit 2.2**  
**Boating Special Fund - Debt Service Charges for FY1996-97**

| Boating Special Fund Bond Issue | Interest            | Principal           | Debt Service Total  |
|---------------------------------|---------------------|---------------------|---------------------|
| Mar. 1, 1997                    | \$43,209.14         | \$0.00              | \$43,209.14         |
| Sept. 1, 1995                   | 20,412.67           | 0.00                | 20,412.67           |
| Jan. 1, 1995                    | 16,992.49           | 0.00                | 16,992.49           |
| Nov. 1, 1993                    | 50,928.11           | 158,673.62          | 209,601.73          |
| Jul. 1, 1993                    | 7,797.79            | 58,520.01           | 66,317.80           |
| Feb. 1, 1993                    | 5,906.73            | 0.00                | 5,906.73            |
| Jan. 1, 1993                    | 22,233.07           | 0.00                | 22,233.07           |
| Oct. 1, 1992                    | 41,671.37           | 0.00                | 41,671.37           |
| Mar. 1, 1992                    | 47,280.75           | 0.00                | 47,280.75           |
| Mar. 1, 1992                    | 6,665.67            | 0.00                | 6,665.67            |
| Nov. 1, 1991                    | 9,406.51            | 44,940.22           | 54,346.73           |
| Nov. 1, 1991                    | 25,713.34           | 0.00                | 25,713.34           |
| Feb. 1, 1991                    | 40,157.27           | 0.00                | 40,157.27           |
| Jun. 1, 1989                    | 5,271.32            | 0.00                | 5,271.32            |
| Feb. 1, 1978                    | 823.68              | 0.00                | 823.68              |
| <b>Total</b>                    | <b>\$344,469.91</b> | <b>\$262,133.85</b> | <b>\$606,603.76</b> |

**Exhibit 2.3**

**Revenues and Expenditures of a Sample of Boat Harbors and Administration for FY1995-96**

| Operating Unit        | Revenues<br>FY1995-96 | Expenditures***<br>FY1995-96 |
|-----------------------|-----------------------|------------------------------|
| 1. Ala Wai Harbor     | \$1,517,905           | \$675,015                    |
| 2. Keehi Harbor       | \$589,189             | \$513,894                    |
| 3. Waianae Harbor     | \$84,877              | \$223,785                    |
| 4. Heeia Kea          | \$150,856             | \$125,464                    |
| 5. Honokohau Harbor   | \$1,148,406           | \$474,720                    |
| 6. Kawaihae Harbor    | 0*                    | \$71,137                     |
| 7. Keauhou Harbor     | \$ (1,175.72)**       | \$99,456                     |
| 8. Maalaea Harbor     | \$119,623             | \$249,989                    |
| 9. Lahaina Harbor     | \$189,932             | \$133,064                    |
| 10. Nawiliwili Harbor | \$92,238              | \$87,446                     |
| 11. Port Allen Harbor | \$78,340              | \$121,423                    |
| 12. Administration    | \$1,640,626           | \$3,495,141                  |

Source: DLNR 6/30/97 FAMIS Reports.

\*The department cannot account for the \$0 revenues for Kawaihae Harbor. In the prior fiscal year Kawaihae Harbor received revenues of about \$24,129.

\*\*The department cannot account for the negative revenue balance for Keauhou Harbor.

\*\*\*Expenditures reported were from account S-96-359: Ocean-based recreation for the FY1995-96. The expenditures for the small boat harbors do not include debt service payments made for projects at the boating facilities. These costs are included under "administrative" expenditures. Debt service on general obligation bonds for FY1995-96 totaled approximately \$800,000.

Lacking a clear understanding of the revenues and costs of providing services by facility, the department cannot determine if the fees charged at each facility are sufficient and reasonable.

**The program lacks a detailed budget**

A detailed budget created at the beginning of each fiscal biennium would enable the division to plan for improvements needed at each facility. Accurate financial information such as the cost to run each boating facility is a critical component of this budget. Without such information, the division will continue to inadequately operate and maintain small boat harbors and boat ramps.

Division officials report that they are implementing a new system to enable them to track and account for expenses down to the facility level. However, some division personnel report that the new computer system

will still not be able to completely and accurately determine individual facility costs. They acknowledge that the division may only be able to calculate a pro-rated share of the debt service on general obligation bonds for each facility.

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## **The Department's Efforts to Assess Alternative Forms of Management Are Premature**

The department has been considering alternative forms of management including privatizing small boat harbors or using a form of community based management. But other issues must be addressed first. The department's efforts to examine and possibly implement these alternative forms are premature in the absence of a solid management structure and sound management controls. The department must first standardize its services, improve the condition of its facilities, ensure adequate security, and properly identify costs before it can consider such alternatives. In addition, the department must clarify a number of policies. These include but are not limited to:

- how personnel rights are to be protected if civil service positions are eliminated;
- the rights of the general public to use boating facilities managed through privatization or community based management groups;
- the proper relationship between revenues and fees;
- the services that must be provided to those who use the facilities;
- the degree of program and financial oversight and authority the department must assume; and
- who assumes the costs of future improvements to harbor facilities.

### ***The department is considering privatization***

The department has considered privatizing the operation of some small boat harbors. This option would relieve the State's responsibility of managing the day to day operations of the selected small boat harbors. Proponents of the idea contend that it will improve facilities, expand access to the waters, and increase jobs. Opponents contend that it will likely result in increased mooring charges and other fees, the provision of unneeded services, and a loss of state revenues. Some boaters may not be able to afford to keep their boats in Hawaii.

According to department officials, a draft request for proposal (RFP) has been prepared to solicit the services of a management company to take over the operations and management of selected small boat harbors through a lease agreement. The proposed RFP would privatize Ala Wai

and Keehi Boat Harbors as a "demonstration" with the subsequent privatizing of other small boat harbors statewide. However, before the department can proceed with efforts to privatize the operations of small boat harbors, it needs to consider the following issues.

### **Recent "Konno Decision" may affect privatization**

The department's current efforts to privatize may eliminate civil service positions, and the legality of eliminating civil service positions to privatize services may be challenged. In that light, the recent "Konno Decision" issued by the Hawaii State Supreme Court in February 1997 may have an impact on the department's efforts to privatize. The Supreme Court found that the contract between Hawaii County and Waste Management of Hawaii, Inc. was void because it violated public policy.

### **Privatization would not absolve the State of responsibilities**

Privatization does not absolve the State of the overall responsibility of administering ocean-based recreation in Hawaii. These responsibilities would include the vessel registration program, the issuance of commercial permits, and enforcement of the laws, rules, and regulation of the boating program. Also, ensuring that services are adequate, rights are protected, fees are reasonable, and facilities are safe will continue to be a departmental responsibility. Finally, the division may need to operate and maintain boat ramps because private management companies are unlikely to operate non-revenue generating facilities such as boat ramps.

### **Contract management controls must be established**

The department's management and operational deficiencies would be further exacerbated by failing to establish proper contract management controls. The privatization of the operation of small boat harbors still requires the department to monitor contract compliance and evaluate the services provided by the private management company. The department would have to ensure that all contract requirements are met and that boat harbors are run efficiently. The department is not currently ready to assume this responsibility.

### ***Community based management needs more thought***

The department has also considered allowing a community based management group the right to manage and operate certain small boat harbors. This concept is innovative but the idea needs development before it can be a viable alternative. The department has not sufficiently researched the feasibility of community based management for boat harbors. It is not clear as to what functions a community based management group would have, who would comprise the group, and how the group would manage the harbors. It is not clear whether the group would be a policy making or an advisory body.

One of the primary reasons for promoting community based management is to relieve the State of any liability for these facilities. However, it is unrealistic for a non profit community based management group with probably few assets to qualify for liability insurance coverage. A community based management group would also have difficulties obtaining private loans for harbor improvements because of limited assets for collateral.

In addition, the decision making powers of the community based management group need to be clarified. The department should specify whether the group has the authority to set fees, establish budgets, approve expenditures, hire and fire personnel, contract for repair and maintenance, and establish rules and regulations. The department should specify the degree to which the group would be liable and accountable for its decisions.

Another issue to address is that of a potential conflict of interest. The managing group may not represent the interests of all boaters as well as the general public.

#### **Act 160 established community based management task force**

Act 160 of the 1997 legislative session created a task force to evaluate the feasibility of establishing a community based management pilot program for one or more state small boat harbors. The task force is administratively attached to the Department of Land and Natural Resources and is comprised of seven individuals with experience as users of small boat harbors. A report on its findings and recommendations was submitted to the 1998 Legislature. The report recommended that the Ala Wai and Honokohau Boat Harbors be considered as two facilities to initiate the pilot program. The task force envisioned creating a "community based management model based upon the school CBM framework in partnership with the State and with the authority to propose waivers of policy, regulations, and collective bargaining agreements."

#### ***Strategic deficiencies must be addressed first***

The Department of Land and Natural Resources must first address the administrative and operational deficiencies identified in this and our prior audit reports before it proceeds with its efforts to implement forms of alternative management for small boat harbors in Hawaii. As a part of this effort, the board needs to ensure that the role and function of small boat harbors is clarified and that the division is able to accurately account for expenditures and project budgetary needs.

The department will also need to establish clear contract management controls and train staff to effectively monitor contracts and evaluate contractors. Once this has been done, the department will be in a better position to assess the feasibility of an alternative form of management.

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## Conclusion

Establishing a comprehensive statewide boating program is a top priority. This move will enable the department to address the overall goals and objectives of the boating program, establish statewide standards for services to be provided at the boating facilities, and develop a program and financial plan which addresses the operations, repairs, and maintenance at the boating facilities. In addition, proper management and financial controls to ensure the safe and efficient operation of state run small boat harbors and boat ramps need to be established. Until these issues are addressed, the State should delay its efforts to either privatize small boat harbors or implement any form of community based management.

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## Recommendations

1. The Board of Land and Natural Resources and its director should establish a comprehensive statewide boating program. To ensure the efficient and effective administration and operation of state run small boat harbors and boat ramps, the board and its director should:
  - a. Establish a strategic plan addressing the overall goals, objectives, and measures of effectiveness for the boating program;
  - b. Establish statewide standards for the minimum services to be provided at each of the boating facilities; and
  - c. Develop a multi-year program and financial plan addressing the need for repairs at the boating facilities.
2. The Board of Land and Natural Resources, in conjunction with the Division of Boating and Ocean Recreation, should establish adequate management and financial controls to ensure the safe and efficient operation of state run small boat harbors and boat ramps. These controls should at a minimum include:
  - a. A policies and procedures manual that establishes minimum standards for boating facilities, clear and concise administrative rules, and clear procedures issuing permits and conducting vessel inspections.
  - b. A financial accounting system able to track expenditures by facility, account for all moneys owed to the division, and provide timely and useful expenditure information to the Legislature, the division, harbor staff, and the general public.

3. The Board of Land and Natural Resources should delay the implementation of alternative forms of management until it has established a comprehensive statewide boating program, formulated clear policies regarding those practices, established sound contract management controls, and adequately trained staff to monitor and evaluate contract performance.

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## Response of the Affected Agency

### Comments on Agency Response

We transmitted a draft of this report to the Department of Land and Natural Resources on March 4, 1998. A copy of the transmittal letter to the department is included as Attachment 1. The department's response is included as Attachment 2.

The department generally concurs with our findings and recommendations. It states that the report significantly helps to validate specific areas in need of attention. The department believes that the efforts to explore alternative forms of management for the small boat harbors were externally driven. Although we recommend against the implementation of any alternative management form until the department has corrected operational deficiencies, the department notes that it intends to recommend an alternate management scheme to the Board of Land and Natural Resources if such a scheme can be identified. The department states that if it had been able to accomplish what was originally envisioned for the boating program, there would likely be no need to explore alternative forms of management. It states that "we would be looking for ways to make a well-run program more efficient rather than how to improve present performance to meet minimum expectations." We disagree. The overall direction of the program, or the desired end, should be addressed first before the State can determine the most effective and advantageous means, or alternative management scheme, for the boating program.

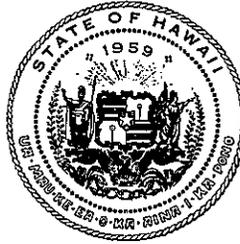
The department agrees with our recommendation to establish a strategic plan, establish statewide standards for minimum services, and develop a multi-year program and financial plan. It will continue to work with the National Association of State Boating Law Administrators to establish minimum standards and to develop a comprehensive program. In addition, the department notes that it is installing a new accounts receivable module to its accounting system and is working on system upgrades to improve the utility and applicability of FAMIS system reports.

Finally, the department notes that it was looking forward to more definitive information in our report on the amount of outstanding debt service attributed to each facility. It believes that accurate debt service obligations are the most critical item to develop a true accounting of expenditures for a particular facility. The department attributes the absence of such information to lack of time on our part. While we agree with the department on the need for this information if facility-specific budgeting and spending is to occur, we disagree that it was our function to

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attribute such costs when the executive branch had not done so. We cannot create records that do not exist. It is for the executive branch to commit the resources and make the administrative decisions on allocating debt service costs to facilities first. Then we can test those allocations.

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



MARION M. HIGA  
State Auditor

(808) 587-0800  
FAX: (808) 587-0830

March 4, 1998

*COPY*

The Honorable Michael D. Wilson, Chair  
Board of Land and Natural Resources  
Department of Land and Natural Resources  
Kalanimoku Building  
1151 Punchbowl Street  
Honolulu, Hawaii 96813

Dear Mr. Wilson:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Audit of the Management of Small Boat Harbors and Boat Ramps*. We ask that you telephone us by Friday, March 6, 1998, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Friday, March 13, 1998.

The Governor and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa  
State Auditor

Enclosures

BENJAMIN J. CAYETANO  
GOVERNOR OF HAWAII



MICHAEL D. WILSON  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
  
DEPUTY DIRECTOR  
GILBERT S. COLOMA-AGARAN

**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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AQUACULTURE DEVELOPMENT PROGRAM  
AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
CONSERVATION AND ENVIRONMENTAL AFFAIRS  
CONSERVATION AND RESOURCES ENFORCEMENT  
CONVEYANCES  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
LAND MANAGEMENT  
STATE PARKS  
WATER AND LAND DEVELOPMENT

**March 13, 1998**

**BOR:HG:DEP**

**Ms. Marion M. Higa  
State Auditor  
State of Hawaii  
Office of the Auditor  
465 South King Street  
Honolulu, Hawaii 96813-2917**

RECEIVED  
MAR 16 11 35 AM '98  
OFC. OF THE AUDITOR  
STATE OF HAWAII

**Dear Ms. Higa:**

**Subject: Comments on the Draft Report "Audit of the of the Management of Small Boat Harbors and Boat Ramps"**

Thank you for the opportunity to comment on your draft report "Audit of the of the Management of Small Boat Harbors and Boat Ramps". This report covers Fiscal Years 1995, 1996 and 1997, and the field work by your auditors was conducted from May through December, 1997. This is significant, because in the midst of this audit, I replaced three key people on my Boating and Ocean Recreation Division team to help address the same management issues identified in this and previous reports by your office.

I must clarify that the efforts to explore forms of alternative management, such as privatization of facilities, community-based management, or even the proposed Hawaii Maritime Authority, were externally driven. These external forces were attempting to address the same fiscal, administrative, operational and maintenance deficiencies noted in your audit reports of 1993, 1995, and now in 1998.

As to your specific recommendations, my following comments are keyed to your recommendations by number and letter as listed in your report:

**Recommendation (summarized):**

- 1. The Board of Land and Natural Resources ("Board") should develop a comprehensive statewide boating program. The Board should:**

- a. Establish a strategic plan addressing the overall goals, objectives, and measures of effectiveness;
- b. Establish statewide standards for the minimum services to be provided at each of the boating facilities; and
- c. Develop a multi-year program and financial plan addressing the need for repairs at the boating facilities.

Comment:

1. The term "comprehensive statewide boating program" was first used in the 1976 Legislative Auditor's report and subsequent legislation (Act 221, Session Laws of Hawaii (SLH) 1976) that actually resulted in establishing the boating program. The program was created by organizing all functional elements affecting boating activities within a separate administrative unit of the Harbors Division of the Department of Transportation. These functional elements consist of (1) administration (including dedicated funding through the boating special fund); (2) enforcement; (3) vessel registration and casualty reporting; (4) boating safety education; (5) aids to navigation; and (6) boating public access facilities (boat harbors and ramps). The same provision was carried forward in Act 272, SLH 1991, which transferred the boating program to this Department in 1992, in order to keep these functional elements intact as a comprehensive program.

Your 1998 report identifies some of these functional elements of the program, and focuses primarily on deficiencies noted within the public access facilities element. Meanwhile, the Federal Boating Safety Grant program (administered by the U. S. Coast Guard) focuses on all listed elements as a basis of qualification for funding under the grant program. In an effort to "benchmark" or find the "best in class" of comprehensive programs throughout the United States, we will continue to work with the National Association of State Boating Law Administrators ("NASBLA"), which advises the Coast Guard on minimum standards for grant approval, so that we truly have a "comprehensive" program.

- a. I fully support this basic need for an effective strategic plan. The gearing up to properly develop this internal capability requires adequate funding and significant adjustments organizationally, as well as the development of sets not resident within the boating program (e.g., engineers, planners, budget analyst and legal support). Despite funding restrictions and downsizing efforts shortly after program transfer, such as hiring restrictions,

early retirements and position eliminations, the Department remains actively engaged in properly developing this capability. This is best reflected in senior management changes and recent strides in developing a strategy to finally gain fiscal integrity at the division level.

- b. Statewide minimum standards for facilities and support services are a basis for new fee structures predicated on fees for services rendered and the type of facilities provided in response to customer demand. Local user demand has and will continue to create variations in fees and the level of services provided.
- c. As your audit indicates, this effort is underway. Much still has to be done to develop and sustain a dynamic plan to reflect continually changing maintenance needs, which are often driven by natural forces, such as high surf, storms and hurricanes resulting in structural damage and unplanned dredging requirements to open blocked navigation channels and harbor basins and launching ramps.

**Recommendation (summarized):**

- 2. The Board, in conjunction with the Division of Boating and Ocean Recreation (DOBOR) should establish adequate management and financial controls to ensure safe, efficient operation of small boat harbors and ramps, including:
  - a. A policies and procedures manual establishing minimum facilities standards, clear and concise administrative rules, and procedures for permit issuance and vessel inspections.
  - b. A financial accounting system able to track expenditures by facility, account for all moneys owed, and provide timely and useful expenditure information.

**Comment:**

- 1. As the audit was being conducted, the statewide installation of our Boating Accounts Receivable/FOXPRO ("BARF") portion of our accounting system was being implemented, and our field personnel were being trained in its use. All planned field installations are now complete, and fully integrated and functional as a statewide network. On-going efforts to get the State's system of expenditures and encumbrances, "FAMIS", to work in conjunction with BARF should provide

**Marion M. Higa**

**March 13, 1998**

**Page 4**

**financial and management tools not previously available. The current manpower resources of DOBOR are being used in this effort.**

- a. The need to produce a policies and procedures manual is acknowledged, and this product will be produced in conjunction with the development of the capabilities described in our comments on item 1.a above. The effort to produce clear and concise administrative rules is an on-going task, often frustrated by legal determinations and requirements, court rulings, and the need to address changing local variations and needs brought out in public hearings and petitions for change. We are working to this end; however, making the desired outcome a reality remains illusive within the funding and personnel resources presently available.**
- b. Completion of the recommended accounting system is nearing fruition. Initial outputs from recently completed system upgrades and implementation of the BARF system have proved very useful. The fine-tuning of cost center and other accounting codes should improve the utility and applicability of FAMIS system reports. The collection of data for a full Fiscal Year should provide improved output for our customers and the program throughout Fiscal Year 1999.**

**Recommendation (summarized):**

**3. The Board should delay the implementation of alternative forms of management until it has established a comprehensive statewide boating program, formulated clear policies regarding those practices, established sound contract management controls, and adequately trained staff to monitor and evaluate contract performance.**

**Comment:**

**This appears to be a "Which came first, the chicken or the egg?" type of issue. If we had been able to accomplish what you recommend (and what was originally envisioned when the boating program was transferred to this Department), then there would likely be no need to explore alternative forms of management. Instead, we would be looking for ways to make a well-run program more efficient, rather than how to improve present performance to meet minimum expectations. Although we appreciate your recommendation on this issue, if we find that an alternative management scheme can correct the noted deficiencies, we intend to recommend that the Board consider implementing that particular**

**Marion M. Higa**  
**March 13, 1998**  
**Page 5**

**management strategy.**

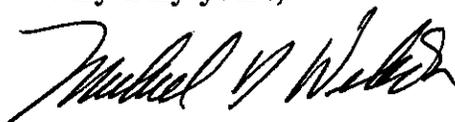
**As a general comment, we realize that the time constraints imposed for completion of this audit report precluded the in-depth examination you desired to conduct. We were looking forward to more definitive information on the amount of outstanding debt service attributed to each facility, which was impossible to determine in the time allowed. As you are aware, we have no control over which project expenditures are funded by a particular bond series, or which bond series is scheduled for redemption and re-financing. We consider accurate debt service obligations to be the most critical item necessary to develop a true accounting of expenditures for a particular facility.**

**We also realize that the generalized nature of your statement of findings apply only to very specific areas and facilities, and are not universally applicable across the board although these statements could be construed so by those less familiar with the full breadth of program activities and facilities.**

**This report significantly helps me and the division administrator to validate specific areas in need of attention, and for that we are appreciative.**

**Should you have any questions, please do not hesitate to contact Mr. Howard Gehring, Acting State Boating Administrator, at 587-1966.**

**Very truly yours,**



**MICHAEL D. WILSON**

