

STATE OF HAWAII
Office of the Auditor

2008 ANNUAL REPORT

MARION M. HIGA
State Auditor

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STATE OF HAWAI'I
Office of the Auditor

The Honorable Members of the Legislature
The Honorable Linda Lingle, Governor

May 1, 2009



Ladies and Gentlemen:

I am pleased to present this Annual Report, which highlights the efforts of the Office of the Auditor in work year 2008. This report, and the audits and special studies that it summarizes, address many of the major issues facing state government.

There is no bigger issue than the economic crisis that unfolded last year and continues to engulf our state, our nation, and the rest of the world. This historic downturn necessitated an equally unprecedented response from the federal government, which is releasing hundreds of billions of dollars to the states and private industry to stimulate the economy.

With government and government money leading the way to recovery, the need for financial and program oversight is now more important than ever. As this report makes clear, we are ready for the challenges ahead.

Sincerely,

Marion M. Higa
State Auditor

Mission of the
Office of the Auditor

The Office strives to ensure government accountability for policies, programs, and use of public funds through postaudits of accounts, programs, and performance. This office reports its findings and recommendations to policy makers to provide timely, accurate, and objective information for decision making.

Stupid Questions, Simple Answers

Marion M. Higa, State Auditor

Last November, Doris J. Dungey died of ovarian cancer at Ohio State University Medical Center in Columbus. At the time of her death, few people knew of the 47-year-old former mortgage industry writer and trainer from Upper Marlboro, Maryland. However, her passing was reported by news organizations from across the country, including such august publications as the *Washington Post*, *Wall Street Journal*, and *The New York Times*, which called Dungey “an influential voice on the mortgage collapse.”

Dungey was a blogger more widely known by her pseudonym, Tanta, a childhood nickname. Back in 2006, with a jaundiced eye and a poison pen, Tanta began analyzing and critiquing the intricate world of the U.S. mortgage industry, calling out CEOs and their overly optimistic projections and castigating journalists and regulators, who seemed to believe such claims. Tanta/Dungey was one of the few who could decipher the financial writing on the wall, and she tried her best to warn of the eventual mortgage meltdown and the resulting financial crisis.

A one-time English teacher, Dungey wrote in a chatty, breezy style, regularly referencing pop-cultural sources such as Harry Potter to explain the increasingly arcane economic concepts and financial instruments that were inflating the real estate bubble economy. However, Dungey wasn't above adding to the crowded lexicon of high finance herself, inventing an economic indicator she called the Muddled Metaphor Index (MMI), which she said “arose from the insight that when normally articulate people start speaking in tongues, you know you have a crisis on your hands.”

Dungey was funny no doubt. But, more importantly, she knew what she was writing about, and she worked very hard to gain such an understanding. It was this uncommon grasp of the facts and the ability to communicate this knowledge that won her the admiration of both casual fans and financial experts. Her readers included Princeton University economist and Nobel laureate Paul Krugman, who referred to Dungey's MMI in his own blog, as well analysts at the Federal Reserve who footnoted one of her posts in a paper entitled, “Understanding the Securitization of Subprime Mortgage Credit.”

Dungey's passing and the current economic crisis that she foretold have made us think about how we in our office understand and communicate our findings and recommendations. While they weren't quite as complicated as the automated underwriting systems and mortgage origination channels that Dungey wrote about, our reports this past year are again notable for their wide variety of programs and issues. In 2008, we studied and reported on everything from a management and financial audit of the Moloka'i Irrigation System to a sunrise analysis of the industrial hygiene, safety, and health physics professions.

Were we able to recognize a muddled metaphor when we heard it during our research into these varied and complicated programs and issues? Were we guilty of passing along a few of them ourselves when we wrote our reports? We don't think so. However, after a little self-reflection, we have found that in a vast majority of instances, we use the word “infrastructure” to describe computers and procedures rather than roads and bridg-

es. We also tend to use “leverage” as a verb and adjective, forms that have become so popular of late. And don’t get us started about the over-use of acronyms, initializations, and abbreviations. We would like to remove as many of them as we can from our reports—ASAP.

Technically, there is nothing wrong with this word evolution. After all, that is the story of language; it meanders along with the rest of our text-messaging, acronym-loving, synergy-seeking society. But the question we have to continually ask ourselves is whether our use of fancy, new terms is outpacing our understanding of the ideas behind them. Buzzwords and catchphrases are certainly economical. But are they accurate, and do they contribute to a better understanding of the subject at hand?

This is not to say that we will stop using these terms altogether or invent our own economic and performance indicators or start quoting from Harry Potter to explain complicated concepts. The real lesson that we can all learn from Dungey goes beyond the creative or complex use of language. The key is to keep the original questions as straightforward and plain-spoken as possible. If one plus one doesn’t add up to two, no amount of wordsmithing and equivocating can explain away the equation or, more importantly, the result.

In her first post, a December 15, 2006, essay entitled,



Photo Credit: Calculated Risk

“Now, I’m just a Little Mortgage Weenie, not a Big Finance Dog, but bear with me while I ask some stupid questions....”

— Doris “Tanta” Dungey

“Tanta: Let Slip the Dogs of Hell,” Dungey took on none other than Citigroup. Two days earlier, the financial giant had released an “Industry Note” that reassured investors, journalists and regulators that the declining mortgage markets would improve and “rationalize” in 2007. Needless to say, Dungey disagreed. After a long and colorful introduction, she began her detailed and what turned out to be spot-on analysis of the company’s position and the industry’s challenges with: “Now, I’m just a Little Mortgage Weenie, not a Big Finance Dog, but bear with me while I ask some stupid questions....”

There are far too few people like Dungey, who are unafraid to ask those first few stupid questions. This isn’t only the case for financial analysts, regulators, journalists, and auditors like us. We all should start asking a few more questions, whether it be about negative amortization, adjustable-rate mortgages or that new cell phone plan that seems just too good to be true.

So as we look forward to 2009, we are going to do our best to keep the mumbled metaphors to a minimum. But don’t be alarmed if you see a few references in our reports to CIOs and CFOs, who need to leverage their IT infrastructures, align their strategic plans, and rationalize their balance sheets. We can assure you that behind the sometimes necessary jargon are a few stupid questions and many simple answers.

Staff of the Office of the Auditor

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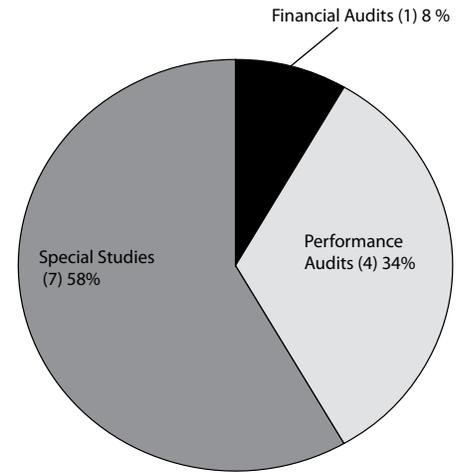
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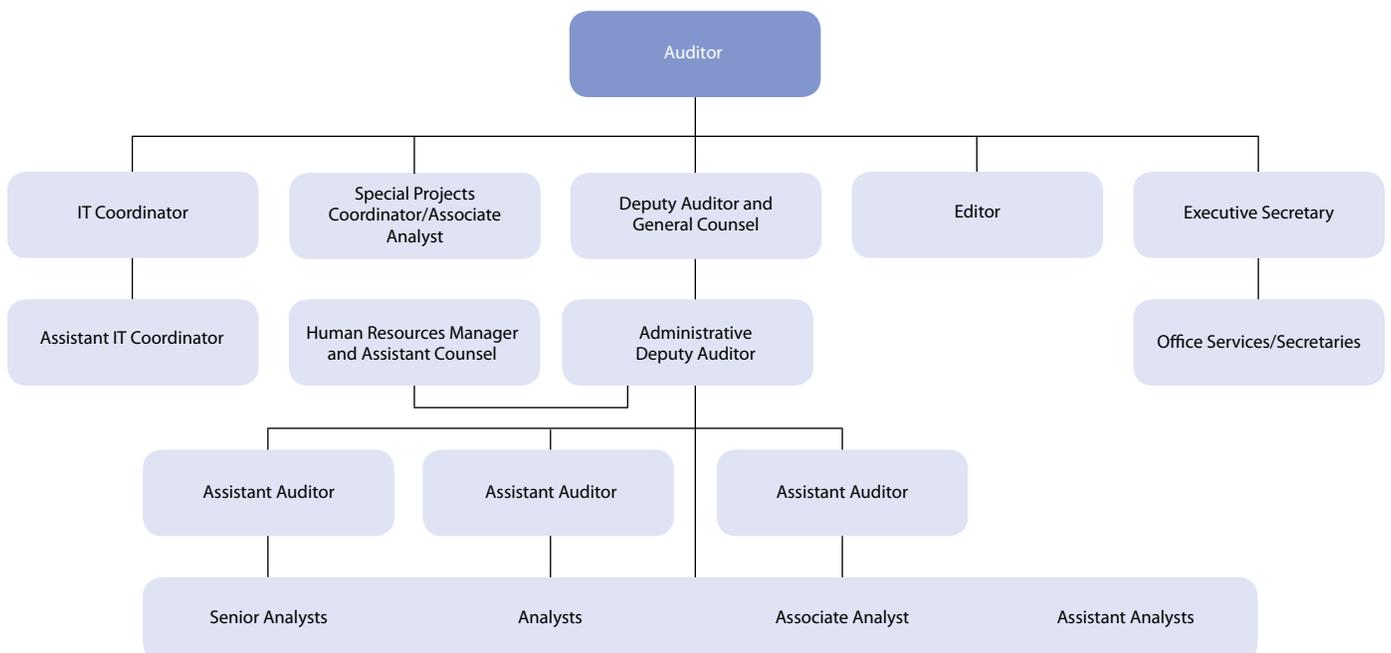
Types of Reports



The office also performed 69 quick reviews of proposed special and revolving funds.

The office also administered nine financial statement audits, including the Comprehensive Annual Financial Report.

Organization of the Office of the Auditor



2008 Summary of Reports

Sunrise Analysis: Destination Clubs

Report No. 08-01, January 2008

Destination clubs are the primary choice of affluent households, particularly those with families who prefer to vacation in luxurious homes instead of hotels. There are eight destination clubs with properties in Hawai'i and an estimated 15 Hawai'i residents are club members. About 20 clubs offer their members luxury accommodations in multi-million dollar properties around the world.

Destination club services may include travel, private jets and yachts, concierges, housekeeping, and private chefs. Members who wish to join must pay initial membership deposits that range from \$40,000 to \$3,000,000 as well as annual fees.

In January 2004, an advertisement for the destination club Exclusive Resorts triggered an investigation by the Regulated Industries Complaints Office of the Department of Commerce and Consumer Affairs (DCCA) to determine if Exclusive Resorts was operating as an unlicensed real estate broker under Chapter 514E, HRS. Later that year, a civil action was filed in the Hawai'i Third Circuit Court to prohibit and enjoin Exclusive Resorts from any commercial or time share activities in the Pauoa Bay Subdivision on the Big Island. A similar complaint was filed in U.S. District Court.

In July 2005, the Third Circuit Court declared that Chapter 514E, HRS, did not apply to Exclusive Resorts' plans to use its Pauoa property for club members. The judge ruled that the planned use was not a "time share ownership plan" because the members have no ownership interest in the accommodations. In August 2005, the U.S. District Court concurred with the state court that Hawai'i's time share law did not apply.

These decisions notwithstanding, DCCA maintained that destination clubs may be regulated under the state's time share law. In November 2006, Exclusive Resorts signed an Agreement of Voluntary Compliance with the department. The agreement lapsed as of May 2007. During the interim, several destination clubs formed the Destination Club Association to promote responsible

business practices. The department convened a working group composed of destination club and time-share industry representatives to develop new regulations. Senate Bill No. 697 was the resulting bill.

We believed that Senate Bill No. 697 should not have been enacted, because it did not meet sunrise criteria requiring evidence of abuse. The bill was an unnecessary regulatory measure that would have added little consumer protection. We also concluded that destination clubs should not be regulated under the State's Time Sharing Plan law since the provisions in the law are inappropriate for regulating their operations. The time share law was enacted to prevent rampant abuses early in the industry. These abuses are not characteristic of the operations of destination clubs. If the department chooses to enforce Chapter 514E, HRS, it would have to do so piecemeal, since major provisions would have to be waived or modified. Finally, no other states regulate destination clubs under their time share laws.

We recommended that the Legislature not enact Senate Bill No. 697, 2007 Regular Session, the DCCA close its investigation of Exclusive Resorts and issue a no action letter regarding its regulation under the Chapter 514E, HRS, the Time Sharing Plan law.

The department agreed that Senate Bill No. 697 was imperfect but believed that some type of regulation was needed to protect consumers, other than Chapter 514E, HRS. Nevertheless, the department presented no new evidence of consumer harm in the destination club industry or abuse similar to those found in the time share industry.

Management Audit of the Department of Education's Hawaiian Studies Program

Report No. 08-02, January 2008

We found that the role of the Hawaiian Studies Program, especially its kūpuna component, has not been clearly defined and is in need of reevaluation. Lacking accountability for the program's intended outcomes, the Department of Education was unable to show evidence of its effectiveness.

In addition, vague guidelines and weak oversight over the schools that receive the bulk of the Hawaiian Studies funds have allowed resources intended to employ kūpuna to be diverted to purposes with little or no connection to a Hawaiian education. Longstanding stakeholder dissatisfaction with the program—particularly its centerpiece, the kūpuna component—can be traced to a lack of leadership and guidance by the Board of Education and the Department of Education, which should have provided direction and focus for the program. The board and department leadership had accepted unworkable plans and failed to establish a process to determine the effectiveness of kūpuna, leaving the program without direction and in decline for more than a decade. The program also struggled to adapt to changing priorities and strategic directions affecting the entire public school system, such as the federal No Child Left Behind initiative and the State's Reinventing Education Act of 2004.

On the operational level, a lack of guidance and oversight permitted schools to receive funding without accounting for predetermined deliverables and even divert funding for unauthorized purposes. We had found expenditures for office supplies, computers, and furniture made with program funds that did not meet spending guidelines. While most of the funding for the Hawaiian Studies Program is intended to provide for the services of kūpuna in elementary schools, more than 20 schools no longer employ kūpuna, but use the funds allocated for kūpuna payroll for other purposes with no guidance on achieving comparable outcomes.

Our survey of individuals on the department's kūpuna

payroll listing indicated that significant numbers of kūpuna have concerns about working conditions that differ from guidelines, training, or ongoing support. Given that \$2.8 million provided to schools over the prior three years were not used to hire kūpuna, and instead primarily spent on operating expenditure, supplies, and capital items, we found that there was a need to review the allocation of these resources and ensure that the kūpuna receive sufficient support to be effective. Finally, we found that schools purchase textbooks that have been criticized by Hawaiian stakeholders for culturally inappropriate content, contravening a board policy in the process.

We recommended that the Board of Education reevaluate the State's compliance effort with the constitutional mandate and the Hawaiian Studies Program's role in that effort. The reevaluation should have addressed purpose, expected outcomes, and any needed modifications for the kūpuna component; sufficiency of community resources; and the role of School Community Councils in guiding cultural involvement at schools. We also recommended that the Department of Education require and empower the Hawaiian Studies Program administrator to provide better guidance and oversight, including holding schools accountable for the proper use of Hawaiian Studies Program allocations.

Finally, we recommended that the Hawaiian Studies Program administrator clarify fund allocation guidelines for schools to designate kūpuna services or programs with equivalent objectives as priority uses for the funds, identify expected outcomes, and provide the oversight necessary to ensure that funds are used as intended.

Financial and Management Audit of the Moloka'i Irrigation System

Report No. 08-03, February 2008

The Moloka'i Irrigation System provides approximately 1.4 billion gallons of water annually to its users. Construction was started in 1957 to bring water from the eastern end of Moloka'i to the central farming areas as part of a federal and state commitment to native Hawaiian homesteaders.



The system consists of collection dams and deep wells; a transmission tunnel, pipes, and flume; a reservoir; and distribution pipes to customers. Among the customers is the Moloka'i Ranch, via a rental agreement.

We found that while it inherited a broken system, the Department of Agriculture had done little to learn about

system problems or to create a plan to address them.

The department received historical data on the Moloka'i Irrigation System from the Department of Land and Natural Resources, and yet it was not clear whether department personnel understood the significance of its history. Numerous studies recommended management and operational improvements. For example, problems reported in a 1987 study still exist today, unaddressed.

The department has been unable to reconcile its responsibilities as stewards to the irrigation system and obligations to the Hawaiian homesteaders. While it recognized the homesteaders' two-thirds water preference accorded by Section 168-4, HRS, this was not reflected in any planning. Non-homestead farmers consumed approximately 80 percent of the system's available water. Effectively, the two seemingly complementary responsibilities have become competitors with the needs of the homesteaders subsumed to the interests of larger agricultural business. The department's flawed management endan-

gered agriculture in Moloka'i.

A lack of procedures over maintenance and a lack of appropriate tools and equipment contributed to the further decline of an already broken system. For example, system flow would increase if at least some of the air relief valves were replaced. At the time of our field work, 16 of 17 valves were inoperable. Exacerbating the problem was the large workload shared among a small staff. We found miscommunication and lack of communication between levels of management, with district offices making requests that divisional management was not aware of. And while the audit request asked us to determine costs for upkeep, it was necessary to first bring the system to efficient operational order before that could be addressed.

Department leadership also failed to do long-term planning for the system. The department's strategic plan should provide overarching goals for the divisions, while the divisional action plan should outline the steps to achieve those goals. However, this was not apparent in the plans we reviewed. Goals were vague with no specific implementation plans or performance metrics. Multiple





studies had been commissioned with little return on their investment and their recommendations allowed to languish. The users' advisory board was underutilized.

Further, weaknesses in the department's fiscal management left the Moloka'i Irrigation System to struggle financially. The department did not make use of internal financial reporting as a management tool. Records of activity (cash collections, expenditures) specific to the system maintained by the fiscal office and the division were not reconciled. Accounts receivable collection was a significant problem, with more than 90 percent of receivables outstanding for more than 60 days. The division also manages four other irrigation systems, and the records for all five systems were maintained in aggregate, leaving divisional management to make decisions based on the whole, as opposed to addressing the individual needs of the different systems. We tried our hand at breaking out Moloka'i Irrigation System revenues and expenditures and concluded that in FY2006-07, it generated \$498,000 in cash receipts and expended \$428,000. The receipts included \$136,000 from the pipeline services rental agreement.



The department was unable to provide detailed information on its financial statements without outside assistance. This lack of knowledge

leaves the department susceptible to greater problems, because staff would be unable to identify key accounting issues and bring them to management's attention. Additionally, the department relied heavily on annual general fund appropriations for the Irrigation System Revolving Fund, contrary to the intent of a revolving fund.

We recommended that the department prioritize critical system needs to bring the system to proper working condition and present the rationale to the Legislature. Additionally the material and equipment needs must be addressed. In short, to begin planning for greater efficiencies the department must first fix the broken system. At the same time, the department needs to begin addressing its long-term plans for the Moloka'i Irrigation System, which is approaching the end of its original design life. The people of Moloka'i are highly dependent on this system and the department needs to ensure that disruption of service does not occur.

The department responded to a draft of the report. The department pointed out some technical inconsistencies, which were corrected in the final version of the report. Otherwise, we stand by our report. Other department comments included corrective actions in process or initiated after the completion of our audit fieldwork. The department agreed with the recommendations, which offers hope for improvement of the Moloka'i Irrigation System.

Sunrise Analysis: Debt-Management Service Providers

Report No. 08-04, February 2008

Debt-management service providers seek to help consumers in financial trouble resolve their debts without resorting to bankruptcy. Generally, there are two types of providers: credit counselors, who operate as non-profits, provide consumers with budget counseling and assistance; and debt settlers, operating for a profit, which help consumers manage debts by facilitating agreements with creditors.

The latter are banned in Hawai'i under Chapter 446, HRS. The regulation of both professions has been promoted since 2005 by the National Conference of Commissioners on Uniform State Laws (NCCUSL) via its Uniform Debt-Management Services Act.

House Bill No. 184 was modeled after NCCUSL's uniform act. The bill proposed to repeal Chapter 446, HRS, and regulate both credit counselors and debt settlers by requiring that they register with the Department of Commerce and Consumer Affairs (DCCA). To register, an applicant must, among other things, pay an application fee; obtain a security bond; maintain a trust account that can be inspected on demand; and disclose a variety of information regarding business and employees' names. Applicants must also provide audited financial statements; copies of all consumer agreements and disclosures; criminal background checks; and evidence of insurance, accreditation, and not-for-profit and tax-exempt status if applicable. Penalties and recourse are also provided by the bill.

We found that the public's welfare was at risk due to the nature of the services provided to consumers. The kind of abuses in the consumer debt management industry include agencies that: engage in misleading and deceptive practices; charge excessive fees; steer consumers into debt consolidation plans only, instead of offering debt and budget counseling; abuse their non-profit status; and fail to abide by telemarketing laws. Since 2000, 14 in-state and 12 out-of-state consumers have filed complaints with the DCCA Office of Consumer Protection against two debt-management services providers in Hawai'i. While the Better Business Bureau of Hawai'i had received one official complaint involving a billing/

collection issue over a three-year period, it has received 1,323 inquiries about credit and debt counseling services and 250 inquiries about credit-debt consolidation services over the same period.

Chapter 446, HRS, was not robust enough in today's climate to protect consumers in Hawai'i from credit counselors. Among the 48 states that regulate debt-management service providers to varying degrees, there are 22 states like Hawai'i with stand-alone laws that do not require active state regulation of credit counselors. Debt-management service providers are also regulated by a number of national organizations, but membership is all voluntary.

Although the cost of the regulatory program is high and could make the entry of debt settlers operating for a profit less viable, we recommended that both non-profit and for-profit entities be regulated as proposed in House Bill No. 184, provided that changes recommended by the NCCUSL are taken into account and adopted prior to enactment. We concluded that the nature of debt-management services provided by credit counselors and debt settlers, whether operating as a non-profit or for-profit entities, poses potentially serious risks to the welfare of consumers who are already in financial trouble.

Study of the Social and Financial Impacts of Mandatory Health Insurance Coverage for Use of Intelligent Medical Vigilance Services in Acute Care Hospitals

Report No. 08-05, March 2008

According to the inventors, an intelligent medical vigilance system observes, analyzes, and, only in the event of a clinically significant negative condition, notifies and reports the event to the hospital care staff via an existing nurse call system.

Intelligent medical vigilance refers to a system or device with two components: a bedside unit connected to a pad or coverlet with embedded Passive Sensory Array (PSA™) technology. Within the bedside unit are a signal processor and an alarm processor that measure data and evaluate whether a clinically significant event is occurring. The array of sensors within the coverlet is sheathed in soft padding and is not directly in contact with the skin of the patient. The sensors monitor a patient's heart rate, respiration rate, and bed movement.

In 2004, Hoana Medical, Inc.—founded in late 2001 as a spin-off from Oceanit Laboratories, a Hawai'i-based engineering, science, and research company—developed and patented the PSA™ technology. Hoana's PSA™ technology accurately, transparently, and continuously measures basic physiology (heart rate and breath rate) passively, without the use of electrodes, leads, or cuffs, 24 hours a day, seven days a week. The PSA™ technology is embedded in the mattress coverlet of Hoana's LG1™ Intelligent Medical Vigilance System™.

In February 2006, Hoana received "US [Food and Drug Administration] 501(k) clearance to begin marketing its flagship product, the LG1™ Intelligent Medical Vigilance System™." The LG1™ system is a wireless device designed to monitor a patient's heart rate, breath rate, and bed movement using a coverlet on a mattress pad, which is electronically hooked up to a display screen (bedside unit) in the patient's room and at the nursing station. Hoana's target market for the LifeBed™ (formerly called the LG1™) is the medical-surgical unit of an estimated 6,000 acute care hospitals in the United States. Besides the Queen's Medical Center, eight medical centers across the mainland have installed the LG1™

or Lifebed™ for use in medical-surgical wards.

Senate Bill No. 409, Senate Draft 1, defined intelligent medical vigilance as "the use of an automated, wireless, early alert system that is authorized by the Federal Food and Drug Administration and provides accurate and continuous observation of heart and respiratory rates and patient mobility." We found that the only early alert system with intelligent medical vigilance technology that meets the definition of the bill referred to a specific, trademarked, commercial product, rather than a specific health care service as required for analysis according to Section 23-51, HRS. We also found that the lack of adequate information in the proposed bill as required by Section 23-51, HRS, made an assessment difficult. Therefore, an assessment of the social and financial impacts of requiring health insurers to offer coverage for the use of intelligent medical vigilance services was not feasible.

Sunset Evaluation: Mental Health Counselors

Report No. 08-06, March 2008

Mental health counselors are trained to treat emotional and behavioral disorders, to prevent problems, and to promote mental health in individuals, families and groups. They work in a wide array of settings including independent practice, where they use a variety of therapeutic techniques to address problems such as depression, substance abuse, suicidal impulses, stress, and grief.

The mental health counseling profession is growing rapidly and its practitioners are relatively youthful. The percentage of counselors under the age of 35 grew from 11.5 percent in 1995 to 16.3 percent in 2002. Currently, about 100,000 people are working as mental health counselors. The U.S. Bureau of Labor Statistics expects the employment numbers to grow by 30 percent between 2006 and 2016, or much faster than the average of all occupations.

In three prior sunrise reports on counselors, we concluded that based on the criteria for regulation, the proposal to regulate mental health counselors was not warranted. However, in 2004, the Legislature established a licensing program for mental health counselors without further analysis by our office. The Legislature noted that the mental health delivery system needed substantial improvement and believed that licensing would make economic sense. At the time, Hawai'i had a shortage of licensed mental health professionals. Legislators believed that licensing would increase their availability, reduce costs, and achieve parity with other professionals licensed in related fields. Progress towards achieving these goals would have an overall benefit to the consumers—an outcome intended by Section 26H-5, HRS.

Licensing began on July 1, 2005. The Department of Commerce and Consumer Affairs (DCCA) reported a total of 177 licensed mental health counselors—119 on O'ahu, 47 on the neighbor islands, and 11 on the mainland. The Professional and Vocational Licensing Division (PVL) of DCCA reported no problems in implementing the law. The National Board for Certified Counselors was contracted to administer the examination.

Licensing of mental health counselors has stimulated

growth in training programs and enrollment. For example, as of 2007, a total of 510 graduate counseling programs have been accredited by the Council for Accreditation in Counseling and Related Programs—an independent agency recognized by the Council for Higher Education Accreditation. In the prior two years alone, the number of programs increased by 15 percent with 66 programs being added and accredited. In Hawai'i, a rising number of students are enrolled in graduate programs in community counseling at the University of Hawai'i at Mānoa, the University of Hawai'i at Hilo and Chaminade University.

We found that from the broader perspective of Section 26H-5, HRS, licensure appears to be achieving several public interest objectives sought by the Legislature. Once licensing is made permanent, more and more programs will recognize mental health counselors as qualified providers. Federal programs will also qualify them for direct reimbursement. This will expand the types of services available to clients, improve their access, and reduce their costs. Therefore, we conclude that the licensing program under Chapter 453D, HRS, should be reenacted.

We recommended that Section 26H-4(b), HRS, be amended to remove the repeal date of December 31, 2008 for the licensing of mental health counselors, and that Chapter 431M, HRS, on Mental Illness, Alcohol and Drug Treatment Insurance Benefits, be amended to add licensed mental health counselors to the list of practitioners.

Note: On June 27, 2008, the governor signed Act 206, which repealed the sunset provisions and added licensed mental health counselors to the list of mental health practitioners receiving covered benefits.

Sunrise Report: Condominium Commission

Report No. 08-07, March 2008

Hawai'i's Condominium Property Act consists of two laws: the old law found in Chapter 514A, HRS, for projects in existence before July 1, 2006; and the new law codified in Chapter 514B, HRS, for projects built after July 1, 2006.

The real estate branch of the Department of Commerce and Consumer Affairs (DCCA) and the Real Estate Commission are responsible for the administrative and regulatory functions of the condominium laws in both chapters. Entities governed by the condominium laws include unit owners, associations of apartment owners, boards of directors, developers, managing agents and resident managers. There are several ways for these entities to resolve disputes involving the interpretation or enforcement of the laws or a condominium's governing documents—declaration, bylaws, and house rules. These include: filing complaints with DCCA's Regulated Industries Complaints Office, mediation, arbitration, administrative hearings under the Condominium Dispute Resolution Pilot Program popularly called condo court, and circuit court action.

In 2004, the Legislature established the condo court pilot program under Chapter 514B, HRS, which is organized and administered by DCCA's Office of Administrative Hearings (OAH). The OAH reported that there was not a significant demand for hearings through the condo court program. Until its scheduled sunset on July 1, 2009, it remains to be seen whether the demand continues to be insignificant or can benefit condominium owners as a less costly and more informal mechanism to resolve condominium disputes.

The current regulatory structure provides for three permanent, fulltime condominium specialists, who assist the condominium associations with registration requirements, as well as provide education, advice, and referrals to condominium owners, associations and boards of directors, to resolve disputes.

We found that the Real Estate Commission had been proactive in its efforts to promote education and research in the field of condominium management, registration and real estate for the benefit of the public, and implement the regulatory framework for those required to be registered under Chapters 514A and 514B, HRS. We found no complaints about the work of the commission's condominium review committee and the condominium specialists. We uncovered no evidence of harm or potential risk to condominium owners that would result absent the creation of a condominium commission. The existing regulatory structure is adequate and there are many avenues of relief available for dispute resolution.

We found that Senate Bill No. 1837 did not meet the criteria for the establishment of a condominium commission to oversee the implementation of the Condominium Property Act codified in Chapter 514B, HRS, and to enforce policies relating to condominiums in the state. We were presented no documented evidence of harm or risk to consumers resulting from the sweeping changes to the condominium law.

As proposed, the bill contained no provisions that address the condominium commission's jurisdiction, powers, duties and functions. The bill also provided no funding mechanism, and the Real Estate Branch and the Real Estate Commission would still need to perform the administrative and regulatory functions for entities governed under Chapter 514A, HRS, since the bill only covers entities governed under the new condominium law.

We recommended that Senate Bill No. 1837, 2007 Regular Session not be enacted.

Financial Review of the Hawai'i Health Systems Corporation

Report No. 08-08, April 2008

The Office of the Auditor and the certified public accounting firm of Accuity LLP conducted a financial review of the Hawai'i Health Systems Corporation, a public body corporate and politic and an instrumentality and agency of the State of Hawai'i, for the fiscal year July 1, 2005 to June 30, 2006.

The review included inquiry and analytical procedures, as well as examining the reports, records, and other relevant documents to assess the corporation's compliance with state procurement laws and to determine whether the corporation's financial statements are presented in conformity with applicable accounting principles. We also performed procedures focused on the corporation's procurement policies, compliance with the state procurement laws, lease financing arrangements, information systems, the patient billing cycle, safeguarding of capital assets, and management of conflicts of interest.

The firm was unable to render a review opinion on the corporation's financial statements since corporation management refused to sign a representation letter acknowledging its responsibility for the fair presentation of its own financial statements. Despite this being a standard review procedure, the corporation repeatedly refused to sign the representation letter unless it was first allowed to review information that is unrelated to the representations being made. The corporation also did not provide adequate responses to several analytical inquiries that were material to its financial statements, further preventing the firm from completing its review procedures. These problems resulted in significant delays in the completion of the engagement, and prevented the firm from opining on the corporation's financial statements and including those statements in this report.

With respect to the corporation's internal control over financial reporting and operations, we found three material weaknesses. First, we found that the corporation's procurement and asset management policies and practices do not comply with applicable state laws. The corporation's original exemption from the Hawai'i Pub-

lic Procurement Code was repealed prior to FY2005-06, the period under review; however, the corporation did not revise its internal policies to comply with state laws. For example, the corporation continued to use \$100,000 as its threshold for small purchases, while state laws applicable at the time set this threshold at \$25,000. Further, the corporation claimed its procurement code exemption was reinstated by the Legislature subsequent to the period under review; however, a review of the related legislation supported no such claim and current laws specifically state that the corporation shall be subject to the procurement code.

The corporation also unilaterally determined it has always been exempt from Chapter 103F, Hawai'i Revised Statutes (HRS), Purchases of Health and Human Services. However, the related documents provided by the corporation do not support such claims. As a result, we found several specific violations of the state laws governing procurement and asset management.

The second material weakness is that the corporation's inattention to information technology (IT) management exposed its sensitive information to unnecessary risk. The corporation outsourced a majority of its core IT activities to third-party vendors and placed significant reliance on these vendors to ensure that the corporation's systems and applications were secure and operating properly without the corporation having an adequate system to monitor vendor activity. The third material weakness was that not all of the corporation's facilities have, or adhere to, established billings, collections, and receivables policies. An example of a negative result of this was the corporation's loss of approximately \$204,000 it was due from Medicare and Medicaid because the related claims at various corporation facilities

had not been submitted within the required 365-day timeframe.

During our review, we also encountered several other reportable matters. First, as previously mentioned, a general lack of management cooperation resulted in the delayed completion of the engagement and inability for us to opine on the corporation's financial statements. Second, the corporation's June 30, 2006 financial statements excluded \$4 million in bond fund appropriations. Third, the corporation's compensation structure is not comparable to other state agencies. For example, compensation packages for the corporation's top executives include housing allowances, retention bonuses, severance packages (up to 200 percent of base salary plus housing allowance), and salaries that are two to three times that of other state department heads.

We made several recommendations regarding the corporation's operations. Among these, we recommended that the corporation revise its current procurement policies and practices to comply with applicable state laws; commit adequate resource to its information technology practices; and establish and enforce consistent customer billing procedures. We also made a number of recommendations to Hawai'i Health Systems Corporation's management and corporate board of directors.

In its response to our draft report, the Hawai'i Health Systems Corporation was extremely critical of our overall engagement approach, and claimed our process and findings did not meet applicable attestation standards. The corporation also disputed nearly all of our individual findings.

Our contracted firm, Accuity LLP, spent considerable

time inspecting documents; conducting interviews; and reviewing the corporation's processes over procurement and asset management, customer billing, information technology, and conflicts of interest. We believe the report presented an accurate and balanced analysis of the corporation.

Performance Audit on the State Administration's Actions Exempting Certain Harbor Improvements To Facilitate Large Capacity Ferry Vessels From the Requirements of the Hawai'i Environmental Impact Statements Law: Phase I

Report No. 08-09, April 2008

We conducted this first phase of a performance audit in response to Act 2, Second Special Session Laws of Hawai'i 2007. Act 2 requested the Auditor to conduct a performance audit on the state administration's actions in exempting certain harbor improvements to facilitate large capacity ferry vessels from the requirements of conducting an environmental assessment or environmental impact statement under the Hawai'i Environmental Impact Statements (EIS) law, Chapter 343, Hawai'i Revised Statutes (HRS).

The audit request included a review of the State's actions in not considering potential secondary environmental impacts of the harbor improvements prior to granting the exemption from these requirements. Our audit work was delayed by access issues, including access to public information and allegedly private, attorney-client, and executive privileged information. The attorney general took an active role in reviewing requested documents and interceding in our audit interviews. Moreover, Hawaii Superferry, Inc. declined to participate in our audit unless we amended our standard audit procedures. Because of these delays, the results of Phase II of our audit were presented in a later report.

We found that faced with a pressing deadline and opposition from Hawai'i Superferry, Inc., the state Department of Transportation abandoned efforts to prepare an environmental review for harbor improvements needed to accommodate the ferry service.

We also found that the flawed EIS law and rules enabled the department to invoke its exemption determination list and ignore calls for and bypass the environmental review. The Office of Environmental Quality Control (OEQC) implements the Environ-

mental Impact Statements law, Chapter 343, HRS, and its director is responsible for advising the governor on environmental issues as well as providing advice and assistance to private industry and government agencies. The Environmental Council serves as a liaison between the OEQC director and the general public on issues concerning ecology and environmental quality. The council is the rule-making body for the EIS law and its rules are adopted as Chapters 11-200 and 201, Hawai'i Administrative Rules (HAR). Both OEQC and the Environmental Council are administratively attached to the Department of Health.

Details surrounding the DOT's efforts to validate the origin of a purported June 30, 2005 deadline that drove the entire process were murky. We found that it is likely that the department relied on Hawai'i Superferry, Inc.'s representation that the date was a federal deadline instead of Superferry's shipbuilding deadline.

Our recommendations were designed to address the flawed EIS law and rules. We recommended that the Legislature consider making appropriate changes in the law to empower an entity with authority to enforce the Environmental Impact Statements law and rules and

require agencies to provide OEQC with individual agency exemption determinations in a timely fashion.

We recommended the Environmental Council amend the EIS rules to require agencies to document and file records of their findings that have been determined to be exempt; review, update, and submit their exemption lists every five years;

and consult with the OEQC director and outside agencies and individuals prior to reaching a decision of an exemption determination.

We recommended the OEQC establish guidelines and processes to ensure that all of the steps required to protect the environment have been properly addressed before an agency declares an exemption determination, that the Environmental Council is notified when the director of the OEQC receives a request for an opinion or consultation from an agency, and that exemption determination documentation is maintained and available for public review.



Finally, we recommended that the DOT Harbors Division modify its record-keeping process to facilitate public review of exemption determinations.

In its response to our draft report, the Department of Transportation did not dispute either our findings or recommendations and generally supported our recommendations. After

a careful review and consideration of the department's comments, we made minor changes and clarifications to our report, none of which affected our findings and conclusions.

The department's response also included comments from the Department of the Attorney General. The attorney general raised concerns about the breadth and scope of our audit activities and requests and the impact it had on his staff. Had we been allowed to follow our normal audit process, the Department of the Attorney General would have had limited involvement and we would not have encountered delays.

Sunrise Analysis of the Industrial Hygiene, Safety, and Health Physics Professions

Report No. 08-10, November 2008

Industrial hygienists, health physicists, and safety professionals specialize in recognizing, evaluating, and controlling workplace hazards. They fall into the broad category of occupational health and safety professionals.

While these occupations have much in common, they generally focus on different functions and are credentialed by different organizations. Their responsibilities vary depending on the workplace, industry, and types of hazards affecting employees. Some of the workplace hazards addressed by these professionals include mold abatement, chemical hazards, radiation hazards, asbestos and lead, physical hazards such as noise and extremes of temperature, and biological hazards such as blood-borne pathogens and ergonomic hazards. Each of the certifying agencies has specific academic, work experience, and examination requirements for achieving and maintaining certification.

Senate Bill No. 2075 sought to limit the use of seven specific titles for purposes of identification, advertising, or representation to those who have achieved and maintained a current certification designation. These titles are: industrial hygienist, certified industrial hygienist, certified health physicist, registered radiation protection technologist, certified safety professional, construction health and safety technician, and occupational health and safety technologists. Hawai'i has a total of 204 certified practitioners authorized to use the titles as described under Senate Bill No. 2075. This includes: 47 certified industrial hygienists, five certified health physicists, four registered radiation protection technologists, 48 certified safety professionals, 86 construction health and safety technicians, and 14 occupational health and safety technologists.

The proposal would not prevent unqualified persons from doing safety work – it would only prevent them from calling themselves certified if they had not received certification. With just over 200 practitioners holding the certifications and titles listed in the bill, misuse of titles is not an issue in Hawai'i.

Senate Bill No. 2075 had little substance and its purpose is unclear. It does not add to public protections and may even have an adverse and confusing effect. No additional penalties or avenues of enforcement were provided in the bill. The general public was already protected by state agencies such as the Department of Labor and Industrial Relations, the Department of Health, and the Office of Consumer Protection and other state agencies. For example, the Hawai'i Occupational Safety and Health Division of the Department of Labor and Industrial Relations has procedures in place to protect workers from occupational hazards under Section 396-8, HRS. The Indoor and Radiological Health Branch of the Department of Health licenses qualified health and medical physicists to protect the public from environmental and medical hazards under Section 321-11, HRS.

We believed that Senate Bill No. 2075 should not have been enacted because it does not meet the sunrise criteria requiring evidence of harm to consumers under Section 26H-2, HRS. The bill as proposed was largely a title protection measure and was not necessary to protect the consumer. The primary purpose for the proposal was to advance the interests of the professionals with the designated titles. There was no evidence that practitioners who misrepresent themselves as certified industrial hygienists or any of the other titles proposed for protection in Senate Bill No. 2075 have caused harm to the public.

We recommended that Senate Bill No. 2075 not be enacted. The Departments of Health and Labor and Industrial Relations opted not to provide a response.

Performance Audit on the State Administration's Actions Exempting Certain Harbor Improvements to Facilitate Large Capacity Ferry Vessels from the Requirements of the Hawai'i Environmental Impact Statements Law: Phase II

Report No. 08-11, December 2008

We found that with the impending arrival of Hawai'i Superferry, Inc., the Department of Transportation (DOT) in 2004 and 2005 reversed a long-standing policy of not providing additional pier-side equipment for harbor users. State officials ignored the recommendations of their technical staff, setting off a chain of events that culminated in the selection of inadequate harbor improvement systems.

Moreover, the DOT's passive approach to the issue of addressing secondary or cumulative effects was the result of a combination of flawed and unclear EIS laws and rules.

Saddled with a deadline imposed by Hawai'i Superferry and supported by administration officials, DOT technical staff implemented the only harbor improvement system that could meet their time horizon, a combination of barges and ramps, which was not their preferred choice. The state-funded \$38.5 million harbor improvement system has proved to be problematic, best exemplified by Kahului Harbor's barge, which is continually battered by high winds and waves. Not only have the barge and pier incurred more than \$3 million in damages (the liability of which has yet to be deter-

mined), the barge also requires the services of a tug boat to secure it to the pier during ferry operations. Like the barge and pier damage, responsibility for this significant extra expense had yet to be determined.

Last summer, Hawai'i Superferry officials announced that they will be outfitting their second ship with an onboard ramp, a feature that eliminates the need for the \$10 million barge-and-ramp system at Kawaihae Harbor and the \$2.5 million ramp at Nāwiliwili Harbor, both built to accommodate Hawai'i Superferry and no other users. If company officials choose to retrofit their first ship, the Alakai, with a loading ramp, the State's entire \$38.5 million barge-and-ramp system would quickly become unnecessary. Because the barges were designed specifically for Hawai'i Superferry use, they

cannot be repurposed in their present configuration by other harbor users. In addition, since they were built in China and are therefore prohibited from transporting cargo within U.S. waters, the barges may have little use for potential buyers. This situation would have been avoided if state officials had required Hawai'i Superferry to carry an onboard ramp in the first place.

We also found that the legislation on behalf of Hawai'i Superferry compromised the State's environmental laws and set a worrisome precedent for





future government accommodation that puts the interests of a single business before the State's environmental, fiduciary, and public safety responsibilities.

Our recommendations were designed to address the flawed or unclear EIS law and rules. The Office of Environmental Quality Control (OEQC) in the Department of Health should establish guidelines, including a checklist for agencies to ensure that all of the steps required by the rules have been properly addressed and documented before according an exemption.

The Environmental Council should establish a process to provide guidance to agencies in determining whether an action is projected to have a significant environmental impact which would make an exemption inapplicable; amend the EIS rules to ensure the OEQC provides training to state and county agencies; clarify the agency consultation process regarding proposed exempted actions; and establish clear definitions of cumulative and secondary impacts in regards to water carrier operations and the scope of their coverage.

Finally, we recommended the DOT Harbors Division investigate options for a new barge mooring and fender system for the Kahului pier, determine responsibility for barge maintenance, and resolve financial liability issues over damage and unplanned expenses such as tug

services.

The DOT response sidestepped many of the issues and challenged some wording. But most of the language came from documents from the department. The department disagreed that on-board loading ramps would render the State's \$38.5 million barge-and-ramp system unnecessary. Yet, the ferries' shipbuilder as well as ferry officials have declared that on-board ramps would avoid the use of the problematic barges.

Note: On March 16, 2009, the Hawai'i State Supreme Court ruled that Act 2, the law which allowed Hawai'i Superferry Inc. to operate while preparing an environmental review, was unconstitutional. Hawai'i Superferry Inc. suspended operations three days later.



Special Project

Hawai‘i Broadband Task Force Final Report

December 2008

The 2007 Legislature found that affordable Internet access is an essential element of a long-term strategy to invest in the State’s workers, residents, and children.

Therefore, the Legislature passed Act 2, which established a broadband task force to further the availability, capability, and use of broadband services in Hawai‘i. The Task Force’s vision statement, based on Act 2, states:

Hawai‘i understands that advanced broadband services are an essential infrastructure for an innovative economy and a knowledge society in the twenty-first century. As a result of proactive policy initiatives, Hawai‘i residents and businesses throughout the State have access to advanced broadband services of the caliber and at the pricing available in the leading developed nations of the world.

The task force found that the U.S. as a whole is dramatically lagging the leaders in the developed world in our broadband capabilities and pricing, and is falling farther behind each year. While Hawai‘i is doing well on some measures relative to some other parts of the U.S., the State also falls to the bottom in many national broadband studies. The task force recommends that the State consolidate all relevant regulatory and permitting responsibilities in a new, one-stop, broadband advancement authority that promotes Hawai‘i’s policy objectives and provides advocacy at all levels of government.

Hawai‘i’s “lifeline” for broadband to the rest of the world is expensive submarine fiber. While Hawai‘i was once the crossroads for trans-Pacific telecommunications, all of the new fiber systems built across the Pacific since 2001 have bypassed the islands. The task force recommends that Hawai‘i aggressively promote the landing of new trans-Pacific submarine fiber in Hawai‘i, including a shared access cable station that reduces barriers to fiber landing in Hawai‘i.

The task force believes supplying advanced broadband

at affordable prices is just one side of the equation. The task force recommends that government lead by example in demonstrating the value of broadband to our citizenry, deploying broadband services to the public, and ensuring that we do not leave behind the economically disadvantaged members of our communities who may be inhibited from full participation in the 21st century.

The full report is posted on our website at <http://www.state.hi.us/auditor/Reports/2008/HawaiiBroadband-TaskForceFinalReport.pdf>

Affected Agency Response to
Previous Recommendations

Financial Audit of the Hawai‘i Youth Correctional Facility

Report No. 07-01

Recommendations

Affected Agency Response

We recommend that the facility develop and implement a formal system of monitoring overtime and sick leave usage among all employees. This system should designate a management level employee to review timesheets in conjunction with leave records on a monthly basis for situations indicative of overtime and sick leave abuse. The system should define these situations, which could include periods of extensive overtime followed by sick leave. Once employees have displayed any of these patterns they should be placed in a program of more thorough review. This would also allow the facility to identify and alleviate excessively stressful situations for its employees. We further recommend that the facility work with the Office of Youth Services to fill YCO vacancies as soon as possible. We also recommend that a management level employee be designated to assess whether overtime is in fact necessary in situations when a YCO calls in sick. Lastly, we recommend that the facility determine whether YCOs' leave records can be made available to section supervisors during their shifts to determine if adequate sick leave is available to an officer who calls in sick.

We recommend that the facility implement monitoring controls over the collection of salary overpayments, including maintaining detailed records of salary overpayments incurred and collected. We also recommend that a management level employee be designated to perform the following:

We acknowledge the Auditor's recommendation and we have implemented a system of monitoring the overtime and sick leave situation at HYCF. The Deputy Youth Facility Administrator (DYFA) is reviewing the timesheets, sick leave and overtime sheets to determine if employees are abusing their benefits.

The DYFA is responsible for identifying patterns of sick leave and discussing them with the Office of Youth Services Executive Director (ED). The ED will discuss these patterns with the union in order to implement section 37.17b of the BU 10 agreement.

The vacancy situation has been addressed and as of December 1, 2008, there are no vacancies in the youth corrections officer position and youth corrections supervisor position. When a position becomes vacant, it is filled as soon as practicable, usually within six weeks.

Leave records will not be made available to section supervisors because they would not assist in controlling sick leave.

Salary overpayments are documented and the employee is given a copy of the document and a repayment schedule is created and agreed to by all parties. The Business Services Supervisor (BSS) is monitoring the overpayment situations and is responsible for maintaining copies of all pertinent documents. Original documents are retained by the Department of Human Services, Fiscal Management Office, Pre-Audit staff.

- Review the detailed records of salary overpayments incurred and collected to monitor the extent and status of the overpayments.
- Review the collections processed by the payroll section to ensure accuracy and timeliness.
- Review the “State of Hawai‘i Payroll Assignment register” for facility employees with overpayment balances from prior years to monitor the extent of the balances and to ensure they are collected.

We recommend that:

- A review over the internal controls over wards’ funds be conducted to address the lack of segregation of duties. Consideration should be given to utilizing personnel from the Office of Youth Services to assist in the review of monthly bank reconciliations. In addition, the review should be documented with the reviewer’s initials.
- Check signers be presented with all supporting documents when signing checks, with the necessary review documented by the reviewer’s initials.
- Wards should be provided with a copy of a monthly statement of their account in accordance with Hawai‘i Youth Correctional Facility Policy #1.02.53, Section 4.4. Also, this process should be documented by obtaining wards’ initials or signatures. Lastly, monitoring controls over the distribution of monthly trust account statements should be implemented, including designating a management level employee to oversee the distribution of monthly trust account statements to wards by their social workers.

We recommend that the Office of Youth Services review all relevant sections of the Hawai‘i Public Procurement Code relating to contracts to ensure compliance and to make certain that the “Individual Agreement Log” is properly approved.

The BSS is monitoring all overpayment situations and is reviewing all collections related to the overpayment.

The BSS is reviewing the payroll register to determine that salary overpayments are being collected.

The DYFA is reviewing this report with the BSS to ensure that all overpayments from the previous year are collected in the current year.

It is neither practical nor efficient to utilize personnel from the Office of Youth Services to assist in the review of the monthly bank reconciliations. However, we do agree that segregation of duties is a must and therefore new procedures were implemented that have the Account Clerk IV performing the bank reconciliations and the BSS performing the reviews and approving the task.

We have changed our procedures to comply with this recommendation. The BSS reviews the documents and initials as evidence of such a review.

Wards are provided copies of their monthly statements of account and they are aware of the balance in their accounts. When the ward states that he/she did not receive a copy of their statement, the BSS will determine if the ward signed the statement to indicate he/she was provided a copy. If no signature is present, then the BSS will produce another copy, have the ward sign the statement, and give the copy to the ward.

The BSS requires that the wards sign the statement to indicate that they received a copy.

The Office of Youth Services Administrative Services has revised the form in an effort to streamline the contracting process and be in compliance with the Hawai‘i Public Procurement Code.

Sunrise Analysis: Mixed Martial Arts

Report No. 07-02

Recommendations	Affected Agency Response
<p>1. We recommend that House Bill No. 3223, House Draft 1 of the 2006 legislative session be enacted with the following amendments. The amended bill should:</p> <ul style="list-style-type: none"> a. Establish a regulatory program for mixed martial arts under the director of Commerce and Consumer Affairs. b. Clarify that, in addition to an annual license, promoters need to obtain a permit for each event to be staged. c. Require promoters to comply with the following to obtain a permit: <ul style="list-style-type: none"> Furnish evidence that they will have security in sufficient numbers to exercise crowd control and to protect spectators at mixed martial arts events. Provide evidence that they will be in compliance with local fire codes. Require promoters to maintain sanitary conditions at events. d. Require contestants to obtain a criminal records history from the Hawai'i Criminal Data Justice Center and authorize the center to release the resulting information to the regulating authority. e. Remove the requirement for promoters to pay additional fees on percentages of gross receipts. f. Remove the requirement for promoters to 	<p>On July 11, 2007, Act 279 was enacted into law without the governor's signature. The new law amended the Hawai'i Revised Statutes, adding an addendum to its chapter regulating boxing contests. The addition, Chapter 440E, establishes a regulatory program for mixed martial arts, which falls under the purview of the director of the Department of Commerce and Consumer Affairs. The chapter addresses our report recommendations and will become effective on July 1, 2009.</p>

- obtain a bond to be licensed.
- g. Require contestants to furnish a medical report done within six months of the scheduled event along with their fight records to demonstrate their fitness to compete, and the results of HIV and hepatitis testing.
 - h. Prohibit the use of stimulants and banned substances before and during a contest.
 - i. Remove licensing for matchmakers, judges, and timekeepers.
 - j. Require the development of a proper registry or data bank on mixed martial arts contestants.
 - k. Make provisions for amateur contests.
 - l. Establish an effective date of July 1, 2008 for the law.
2. We recommend that, upon the enactment of the bill, the director of commerce and consumer affairs move expeditiously to appoint an advisory committee for mixed martial arts to help develop rules so that the new law can be implemented properly.

Upon enactment of the bill, the director of the Department of Commerce and Consumer Affairs is required to appoint an advisory committee to assist with the implementation of the new law and its rules.

Management Audit of Student Housing Services at the University of Hawai‘i at Mānoa Part I

Report No. 07-03

Recommendations	Affected Agency Response
<p>General recommendations are provided below. Detailed recommendations for the Board of Regents, University of Hawai‘i System, University of Hawai‘i at Mānoa, and Student Housing Services are provided in Appendix A.</p> <p>Relating to increasing income to cover maintenance costs</p> <ol style="list-style-type: none"> 1. The Board of Regents and the University of Hawai‘i System should: <ol style="list-style-type: none"> a. Continue with the initiative to use part of the \$100 million in authorized revenue bonds to hire a consultant to serve as a project manager and implement a comprehensive project to upgrade the residence halls and apartments. b. Assist Student Housing Services in achieving higher occupancy rates and setting higher, but affordable, residence hall fees. If necessary, subsidize Student Housing Services’ income with funds from other sources. 2. The University of Hawai‘i at Mānoa should hire a permanent director for Student Housing Services as soon as possible. 3. Student Housing Services should: <ol style="list-style-type: none"> a. Acquire a new automated assignment system to help accelerate the process and ensure that occupancy rates are improved during the fall and spring semesters. b. Make sure that the performance of all 	<p>Recommendations addressed in Report No. 07-03</p>

full-time personnel is evaluated annually as required.

- c. Improve occupancy rates in the fall semesters.
- d. Improve occupancy rates in the spring semester.
- e. Prevent students from departing because they are dissatisfied with their living situation.
- f. Establish an aggressive marketing campaign for summer conference business to improve occupancy of the residence halls.
- g. Hire permanent personnel to fill Student Housing Services' numerous, longstanding vacancies.
- h. Identify the changes that need to be made to become self-sufficient. Develop a strategic plan providing Student Housing Services with a direction for the future.
- i. Revise Student Housing Service's organizational structure and the position descriptions to include a structure with positions capable of accomplishing a comprehensive maintenance program through a combination of in-house and contractual support.

Relating to expanding student housing capacity

- 4. The Board of Regents should review the policy pertaining to the required number of beds needed for student housing in Mānoa and make necessary revisions.
- 5. The University of Hawai'i System should:
 - a. Before demolishing Johnson Hall and Hale Noelani, have a detailed engineering assessment done to determine whether it might be more cost-effective in the long run to upgrade or renovate the dormitories.

b. Re-evaluate its contract for an 814-bed Frear Hall and consider whether it would be cost prohibitive to terminate the contract for its own convenience and without cause. In the event the contract is terminated, it should re-solicit interest from developers for a scaled down design-build project for its new dormitory.

6. The University of Hawai‘i at Mānoa should complete the long range student housing plan for Mānoa.

Relating to safety and security

7. The University of Hawai‘i System should:

a. Put the University of Hawai‘i at Mānoa on an equal footing with its 12 peer institutions and introduce legislation to grant Campus Security police powers including arrest authority and the authority to carry firearms.

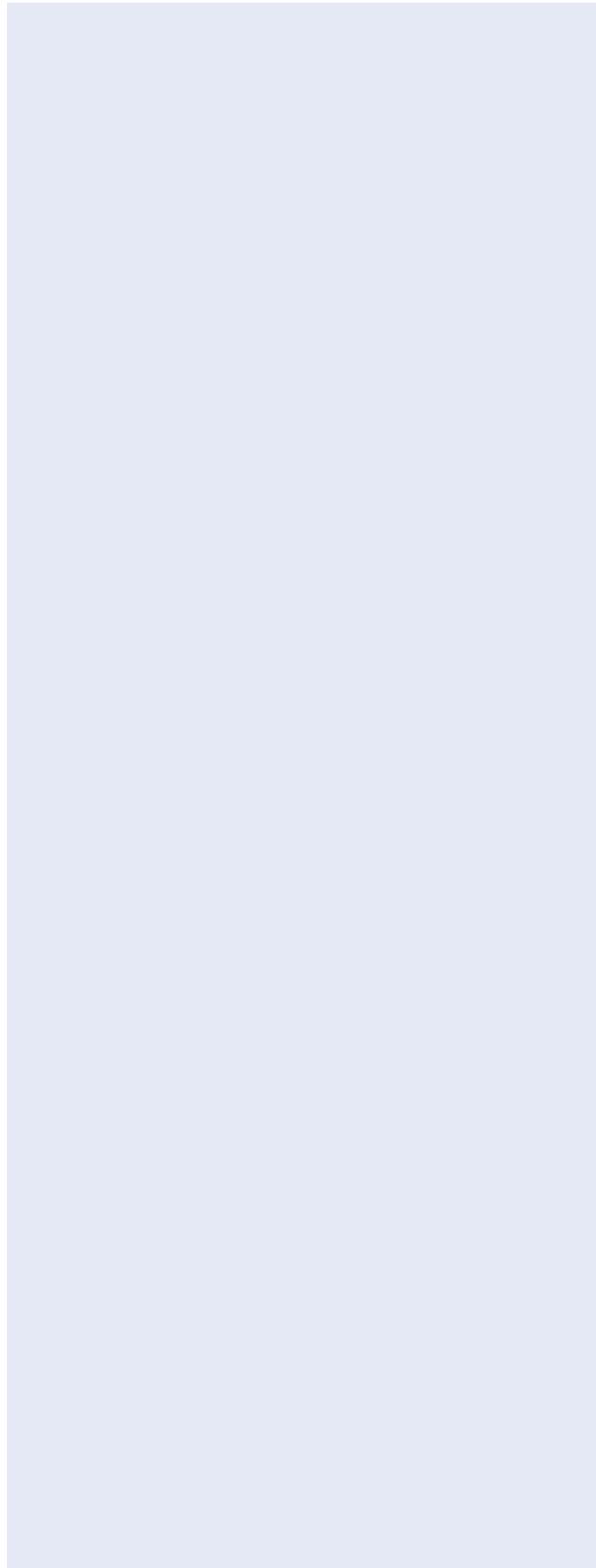
b. Convene a task force consisting of representatives from Facilities Management, Student Housing Services, and Athletics to come up with a workable plan for keeping trees and shrubs trimmed and replacing burned-out light bulbs.

8. The University of Hawai‘i at Mānoa should:

a. Have Campus Security proceed to promptly hire the eight additional security officers that were authorized and funded by the 2006 Legislature, proceed with plans to update its mission statement and policies and procedures, and become the only organization on campus that provides security services.

b. Have Facilities Management promptly complete campus lighting projects currently in progress.

- c. Have Auxiliary Enterprises make sure that the emergency management coordinator completes the campus-wide emergency response plan promptly.
9. Student Housing Services should place more emphasis on safety and security in the residence halls and apartments.



Audit of the Child Support Enforcement Agency

Report No. 07-04

Recommendations	Affected Agency Response
<p>With regard to strategic planning:</p> <p>The Child Support Enforcement Agency management should:</p> <p>Adopt a strategic planning process that follows best practices in managing for results. The process should identify and consider the involvement of all stakeholders; identify and evaluate the agency’s strengths, weaknesses, opportunities, and challenges; develop measurable goals and objectives; create strategies for accomplishing those goals and objectives; and assign responsibility and define measures for the achievement of goals and objectives.</p> <p>The Advisory Council should:</p> <ol style="list-style-type: none"> 1. Establish its mission and role with respect to agency planning. 2. Reevaluate the agency’s strategic plan and the process used to develop the plan and compare it to best practices noted above. 3. Provide the agency with closer oversight to 	<p>The strategic plan was completed in late 2005 and received final approval from the Advisory Council in May 26, 2006. A companion implementation plan was issued in 2008 and the agency’s divisional managers have been carrying it out. The implementation plan contains goals, measurable objectives, and performance measures. FY 2008-2009 will be the first full year utilizing this plan.</p> <p>The advisory council, as a body, directs the development and final content of the strategic planning for the agency. The agency, with participation of members of management and line staff, discuss plan content and reduce it to an action or implementation plan format. Plans are subsequently reviewed by the council and an opportunity for comment is provided. Final plant content is approved by the Attorney General.</p> <p>The Advisory Council, through the First Deputy, advised the agency that planning needed to be a more inclusive process. The agency used members of the line staff to be part of implementation planning that has occurred over the past two years. The Council was given the implementation plan for review and comment.</p> <p>Several members of senior management sit on</p>

ensure it implements strategic planning into all levels of the organization.

With regard to planning for technology improvements:

The Child Support Enforcement Agency should:

1. Include data reliability as a priority strategy in its planning and develop policies and procedures for quality assurance to improve the reliability of information in the KEIKI system.

2. Increase the use of available electronic interfaces to reduce the amount of manual data entry.

3. Obtain funding to implement the data integrity project to improve integrity of the KEIKI database.

the Advisory Council, as well as members from different levels within the agency, and they have attested in council meetings to the inclusive planning process that has been undertaken at the agency level. The implementation plan was completed in April 2008.

The agency has passed the federal data reliability audit for the past six years in a row, from 2003 to 2008. The agency credits its improvement to special projects using the Decision Support System (DSS). Through use of these projects, cases have been identified that have problems that need to be corrected. The largest project of this type involved a review of records relating to medical orders. In this project, about 3,000 records were reviewed manually and corrected. Efforts of this type will continue to improve data reliability.

The agency has worked out an agreement with the Department of Human Services, Child Welfare Division for an electronic interface for foster care data. This was the only data being received manually. This interface was completed in early 2008 and is functional. The agency also has worked a case inquiry capability into the CPSS system. Now agency staff can look up information in CPSS rather than having to request it manually. Training of CSEA staff took place in December 2008. Inquiry access will begin in the near future.

An assessment of database integrity was conducted with the assistance of ICSD. Eight areas were reviewed. They were:

- Agency
- Disbursement
- Employer
- Event
- Monthly Summary
- Person
- Common File Interface

4. Provide adequate training to data entry staff to minimize errors.

5. Dedicate resources to clean up data in the KEIKI database.

6. Expand the KEIKI Steering Committee’s focus to developing, planning, and monitoring the agency’s strategic implementation of new technologies. This was recommended in the 2003 study report.

The “address” area was analyzed with the funding and assistance from ICSD. This project resulted in address files being corrected and unified so that one address did not appear in multiple formats. ICSD also analyzed the employer files. These files require similar work to eliminate duplicate employers from the system. This improvement will be undertaken as additional resources can be obtained.

Training for data entry is provided by the branch staff. Branch trainers train staff in all aspects of working with the system. Training lasts for a period of months before staff start entering data into the system.

The DSS system has been used to identify system clean-up issues. Staff have undertaken clean-up of KFRI (the system in place prior to KEIKI) converted cases for case closure. They have also used DSS to identify cases where income withholding tack-on orders should have been issued as a means of collecting overages. Program and IT staff have taken the lead. Line staff on all islands have worked on the projects.

Currently, responsibility for agency strategic development and implementation of new technologies lies with the Executive Committee. The IT manager sits on the Executive Committee, and many other staff from IT attend meetings as appropriate.

1. The KEIKI Steering Committee’s role is to focus the collaboration between the IT staff and the business functional leads to address the following issues:
2. Identifying system issues that have been causing problems for the business processes and finding solutions accordingly;
3. Identifying ways to improve the KEIKI screens for easier data entry for staff; and
4. Modifying the business processes within the system based on changes in child support enforcement policies or directives from the Executive Committee.

7. Develop a formal information technology (IT) strategic plan that is aligned with the overall agency strategic plan.

8. Include cost-benefit analyses with expected outcomes for each proposed IT project and perform post-project analyses to measure the actual outcomes for all IT projects.

9. Develop, implement, and periodically test business contingency plans for all branch locations.

10. Formalize its agreement with the Department of Accounting and General Services' ICSD for disaster recovery services through the use of a service level agreement.

11. Identify, evaluate, and incorporate in the agency's IT plan strategies to maximize the use of electronic funds transfers (EFT) for both child support collections and disbursements and to eliminate to the degree possible

The KEIKI Steering Committee takes its lead on priorities from the Executive Committee.

The current IT strategic plan is formulated in alignment with the agency's strategic direction and focuses on the following areas:

- Computer Network Modernization, which includes: upgrading the server and desktop virtualization; improving the server farm (all agency servers); and the storage area network.
- KEIKI modernization, which will require improvements for the following areas:
 1. KEIKI graphical user interface
 2. Electronic case file conversion
 3. KEIKI backend database and programs
 4. KEIKI enterprise application

The implementation of above initiatives will improve the agency's operational efficiency and, ultimately, benefits customers.

See attachment A

A business contingency plan for each location of the agency would be very expensive to implement. It requires a location other than ICSD to have mainframe capacity to serve the offices. While this recommendation has merit, it is unaffordable at this time. If KEIKI goes down due to storm or natural disaster, services will be down until services are restored.

The State of Hawai'i and ICSD currently does not have an adopted disaster recovery plan. As a result, CSEA and ICSD does not have a formalized agreement for disaster recovery services via a SLA.

In August 2006, the agency implemented the EFT for disbursements to child support recipients. The current banking records show that approximately 34 percent of our customers have taken advantage of the EFT feature. This

the need to receive and disburse support payments by paper checks.

12. Consider developing and implementing a debit or cash-value card system for custodial parents who don't have bank accounts.

With regard to improving its use of existing resources:

The Child Support Enforcement Agency should:

1. Establish a routine process to identify cases eligible for closure and take steps needed to pursue case closures more aggressively.

2. As part of its strategic plan, the agency should identify and evaluate opportunities to use technology and to free staff for more productive purposes, including taking the steps necessary to enable CSEA to mandate the payment and receipt of child support payments by electronic means.

percentage is on par with the national average based on the data compiled by the federal Administration of Children and Families (ACF). The agency's web site has the EFT information available for customers to view. It has always been the agency's practice to encourage employers and customers alike to sign on for electronically transmitting the support payments. Currently, the vast majority of the incoming collections via the electronic form comes from the out-of-state child support agencies and employers. See No. 12 below for plans for using a debit card for clients without a bank account.

The agency has been in discussions with a financial institution which is currently used by DHS for their EBT cards regarding the possibility of using their free services to issue the branded debit card for custodial parents. The agency has also proposed a bill for the 2009 Legislative session that will allow the agency discretion to disburse funds primarily by using a branded debit card or the EFT.

The agency is using DSS to evaluate cases for closure. Over the past year, we have run several iterations for cases that should be closed. We have used that process as an opportunity to address policy issues that sometimes prevent a case from closing. KEIKI routinely assesses cases for closure and automatically sends out the required notices as part of the closure process.

The agency has been accepting EFT from employers for seven years. Also, electronic deposit has been an option for clients to receive funds directly into their own bank accounts for the last three years. For the 2009 Legislative session, the agency is requesting authority to use a debit card for any client who does not have a bank account. If approved, this would allow the agency the option to be electronic on all payments by FY 2010-2011.

With regard to accounting for the child support payment trust fund:

The Child Support Enforcement Agency should:

1. Establish a reconciliation process to account for the difference between cash available and the KEIKI subsidiary accounts representing support payments the agency owes.

2. Review all reconciling amounts and determine whether they are expected to be collected, setting up an allowance for and expensing those that are not collectable.

3. Develop strategies to restore to the KEIKI trust account balance nonrecoverable expenses, such as IRS fees—including establishing a fee system for services.

The agency's financial team composed of four accountants and led by the CFO had dedicated their time toward the reconciliation of the agency's bank accounts. Since June 30, 2000, monthly bank reconciliations have been completed. Since it is now a procedure, this account is reconciled on a monthly basis and reconciliation statements are completed at the latest by the end of the third work week of each month.

The agency has put forth the greatest effort identifying the reconciling items based on available records, to explain the difference between the reconciled bank account balance and undistributed collections. The agency has also kept track of the collectability of each item on a monthly basis. Pursuant to government accounting rules, it is not appropriate for the agency to set up an allowance account and expense the uncollectible portion of the reconciling items referenced in the audit report.

Currently, the agency is doing the following to restore the KEIKI trust account balance:

1. The agency is regularly drawing down federal funds to restore the 66 percent federal share of IRS fees.
2. The balance of 34 percent representing State share is left unrestored until an appropriation is given to the agency for funding these fees.

The auditors had suggested that the agency should pursue available measures to reduce the cash shortfall such as seeking appropriations from the Legislature and using contractors to collect returned checks. In 2004 and 2007, the agency sought additional funding to make up for

- 4. Account for interest earned on child support payment funds in a separate account and ensure those funds are used as statutorily directed.

unrecoverable expenses such as the IRS adjustments, the IRS tax intercept fee and the non-sufficient-fund checks from custodial parents, but was not successful. As to boosting the collection of returned checks, the agency has designated a full-time accountant for this responsibility.

The CSEA is maintaining a separate bank account, bank account number 0002-146657 with Bank of Hawai'i to account for the interest earned on child support payment funds. These interest earnings are also reported to the state comptroller through the quarterly funds held out of state treasury report pursuant to HRS 40-81. The interest earnings have only been used to pay for the monthly bank charges; thus, they are used in accordance with HRS 576D-10, (1) and (2).

Attachment A

2008 CSEA Information Technology Projects Cost-Benefit Analysis

Project Name	Cost	Expected Outcome	Actual Outcome
Sewer Virtualization and Storage Area Network Project	\$280,000	To create a virtual server farm which allows system administrators to effectively manage system resources and adjust processing levels instantaneously. Storage should be able to support the agency's storage requirements for at least two years following implementation	The expected outcome related to managing resources and processing levels instantaneously has been achieved. This has been proven in connection with the digital imaging project as servers have been rebuilt and reconfigured repeatedly for testing purposes. The storage outcome will be measured in 2010 when the two-year production period is reached.
KEIKI Graphical User Interface (HATS) Project	\$885,000	To create a modernized KEIKI GUI that is supported by Microsoft and has enhanced functionality over the current KEIKI GUI.	The project is still in development. The actual outcome will be determined upon the completion of the project, which is targeted for June 2010.
Digital Imaging	\$872,000	To create a digital imaging system that will facilitate the electronic conversion of all paper mail/walk-in documents, existing case files, and check payments. The system should facilitate the electronic submission of child support payments to the agency's bank account. The system should also improve accessibility to child support case files and eliminate the manual routing of paper documents.	The project is still in development. The actual outcome will be determined upon the completion of the project, which is targeted for June 2010.

Cost Analysis of Disability Parking Placards

Report No. 07-05

Recommendations	Affected Agency Response
<p>While we conclude that the current rate of reimbursement as set forth in Act 269 is reasonable, the setting of such within statute does not leave room for increases in costs, which may place the counties and end-users in a precarious position should additional funding be needed. The counties should reassess the advisability of setting a reimbursement rate in statute.</p> <p>We recommend that the responsibility of the State to reimburse the counties remain within statute, but the statute should direct the Disability and Communication Access Board to re-evaluate the rate of reimbursement every two years, based on cost information received from the counties, and report to the Legislature in conjunction with the board's budget request.</p> <p>We further recommend a basic formula for reimbursement which takes into consideration both the number of placards issued per county and the rate of pay and benefits for individuals performing this function. The formula should also provide an additional amount for overhead, administrative, or other costs. Exhibit 2.4 details our approach.</p>	<p>Recommendation addressed in Report No. 07-05</p> <p>DCAB does not have plans to re-evaluate the rate of re-imbusement.</p> <p>Recommendation addressed in Report No. 07-05</p>

Cost Formula	Total State Expenditure
Estimated No. of Placards	30,000
Avg. Time to Process (out of an hour)	0.41
Total No. of Hours	12,300
1 Full Time Equivelent (FTE) = 2080 Hours FTE	2,080
FTE	5.91
FTE	6.00
Average Rate, SR-11 to SR-13	\$34,750.00
	\$208,500.00
Benefit Rate Avg. Across Counties	63%
Amount of Benefits	\$131,355.00
Total Salaries + Benefits	\$339,855.00
10 % Various Costs	\$33,985.50
Total Salaries, Benefits & Add'l Costs	\$373,840.50
Cost per Placard	\$12.46

Source: Office of the Auditor

This calculation comes from our analyses of DCAB’s specialized knowledge and information provided by the counties, which specifically includes:

- historical knowledge of placard issuance, in order to forecast future placard issuance;
- county-provided information on application processing time;
- number of individuals needed to perform this task, based on application processing time and historical knowledge of placard issuance;
- level of skill necessary to perform this function, with a determined pay grade; and benefit rates per county.

The above criteria are based upon factors that are both measurable and clearly associated with the function of placard issuance. Caps are set within reason, but tied to specific areas that have step increases or adjustments for inflation (which is determined by outside parties) and provides for the “checks and balances” necessary in government. Moreover, the added level of funding gives counties the liberty to adjust operations as they see fit.

Recommendation addressed in Report No. 07-05

Recommendation addressed in Report No. 07-05

Sunrise Analysis: Nurse Aides

Report No. 07-06

Recommendations	Affected Agency Response
<p>We recommend that the state regulate all nurse aides to protect the public from harm. This could be accomplished by enacting an amended Senate Bill No. 3277, Senate Draft 2 of the 2006 legislative session. The bill should be amended to include nurse aides who are self-employed or who work for employers over which the Department of Health or Department of Human Services does not have oversight, thereby shifting emphasis to regulation of individuals based on their competency and not on their employment. Implementation of certification in this manner should include an enforcement component, also handled through the licensing authority.</p>	<p>On June 28, 2007, the governor signed Act 226, which established certification procedures for nurses aides employed in state-licensed or state-certified health care settings and Medicare or Medicaid facilities. Nurse aides who are self-employed or who work for employers over which the Department of Health or Department of Human Services does not have oversight were not included among the groups eligible for certification.</p>

Review of Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Human Resources Development, Labor and Industrial Relations, Public Safety, and Taxation

Report No. 07-07

Recommendations	Affected Agency Response
<p>No recommendations</p>	

Systemwide Financial Audit of the University of Hawai‘i System: Phase II

Report No. 07-08

Recommendations	Affected Agency Response
<p>With respect to strategic planning the president of the University of Hawai‘i should:</p> <ol style="list-style-type: none"> 1. Review all university strategic plans to determine their practical utility. This process could include determining whether the plans are used to guide operational decisions and support funding requests, goals, and objectives and whether progress towards goals and objectives can truly be measured. The president should further determine whether the existing plans are serving their intended purpose or should be revised; 2. Ensure that future planning efforts are well-coordinated, with clear and timely guidance provided by the university system to all units and campuses to ensure that their plans and strategies support that of the system. All plans should contain specific fundamental planning elements, including specific timelines, assignment of responsibility, associated costs and anticipated funding sources, and measurable goals and performance indicators. The president should also require university system approval of unit and campus plans to ensure that system planning guidance has been followed; and 3. Develop a systematic approach to periodically reevaluating strategic plans as well as measuring progress towards plan goals and objectives. <p>With respect to budgeting and internal financial reporting, the university should:</p> <ol style="list-style-type: none"> 4. Ensure that all sources of revenues, including expected tuition increases, and expected uses of those revenues, are clearly accounted for in the 	<p>The University of Hawai‘i did not provide an update on our recommendations.</p>

budgetary requests;

5. Explore the uses and benefits the community colleges system derives from use of the Budget Level Summary reports to determine how these efficiencies can be shared by the university's other units and campuses; and
6. Ensure that fiscal personnel receive the training necessary to develop and build the knowledge, skills, and abilities needed to fully utilize the Data Mart and Discoverer reporting tools available.

With respect to procurement and contract maintenance:

7. The university's Office of Procurement and Real Property Management (OPRPM) should:
 - a. Continue its efforts to create a comprehensive contract database by including additional relevant information, including details regarding contract modifications, change orders, renewal dates, encumbrances, and expenditures. Policies should be implemented for periodic database updates and reviews for accuracy;
 - b. Develop procedures to ensure that completed or expired contracts are properly communicated from the university's units and campuses. Periodic (i.e. annual) reviews of outstanding encumbrances should also be performed to determine validity; and
 - c. Review current procurement practices and compare those to the Administrative Procedures Manual to determine if updates are necessary. Proper procurement procedures and required forms should be communicated systemwide.

With respect to tuition deadlines:

8. The university should establish consistent policies and procedures for systemwide functions such as admissions, student registration, billing, and student financial aid.

Financial Audit of the Department of Human Resources Development

Report No. 07-09

Recommendations	Affected Agency Response
<p>The department should train current staff and enable them to, or hire qualified accounting personnel with the relevant expertise and experience necessary to, perform the following functions:</p> <ul style="list-style-type: none"> • prepare accurate and complete GAAP financial statements, • design, monitor, and evaluate the internal controls and financial reporting functions of the department, • provide periodic training (at least annually) to the appropriate personnel for new accounting pronouncements and changes to the reporting requirements, and • review the FAMIS reports on a timely basis to identify any discrepancies or adjustments required. <p>Formal, written policies and procedures should be established related to workers' compensation claims. The policies should include the following:</p> <ul style="list-style-type: none"> • guidelines for estimating the initial reserves; • required documentation and level of detail to support the estimate; 	<p>Due to budget constraints, the department is unable to hire accounting personnel to prepare GAAP financial statements. We will work with the Department of Accounting and General Services (DAGS) to improve our financial reporting capabilities.</p> <p>The department has implemented steps to monitor the expiration of encumbered contract and the processing of a required contract encumbrance advice (if applicable) upon final payment. Starting fiscal year 2008, the department, rather than DAGS, is preparing the journal voucher to lapse fund balances in the interdepartmental accounts.</p> <p>The department continues to review the FAMIS reports on a timely basis in order to identify any discrepancies or adjustments required. And periodic training is being provided to appropriate personnel.</p> <p>While we disagree that written policies and procedures should be established relating to the managing of workers' compensation claims, we have a draft manual which includes many of the components recommended by the financial audit. Once we have completed our review, it will be sent to the Department of the Attorney General, Employment Law Division for their comments and written opinion regarding whether or not it would be appropriate for us to finalize it.</p>

- requirements to update claim information on a periodic basis;
- requirements to review adequacy of reserves on a periodic basis;
- requirements to record claim payments based on actual payments by DAGS rather than when authorized; and
- requirements to institute a checklist for all claim files to ensure necessary procedures are performed and documented.

When the policies are established and approved, they should be distributed, acknowledged, and enforced by those employees involved with workers' compensation claims. Additionally, formal training should be conducted to ensure these policies and procedures are properly implemented and monitored to ensure the workers' compensation claims are properly accounted for.

The department should also consider contracting a loss reserve specialist to actuarially evaluate and calculate the IBNR reserve due to the complexity of the analysis. In addition to assumptions and estimates, the analysis also involves using historical loss data in conjunction with statistical models to estimate the IBNR reserve. Therefore, it is essential that the underlying historical loss data maintained by the department be accurate, as the specialist is not responsible for the accuracy of the data.

We maintain that it is not efficient to be changing the way we record payments as the recording of authorized payments provides an excellent electronic trail for us to respond to telephone inquiries as quickly as possible.

Due to budget constraints, we aren't able to contract with a loss reserve specialist to actuarially evaluate and calculate the IBNR reserve. It should be noted that the Department of Accounting and General Services did contract with Armtech to conduct an actuarial study of the State's self-insured workers' compensation program for the fiscal year ending June 30, 2008.

Office of the Auditor Appropriations and Expenditures on a Budgetary Basis for the Fiscal Year Ended June 30, 2008

Appropriations

Act 1, SLH 2007 (operations)	2,692,572.00
Act 1, SLH 2007 (special studies)	150,000.00
Act 1, SLH 2007 (Audit Revolving Fund)	4,221,820.00
Act 134, SLH 2007 (salary increases and other cost adjustments)	110,011.00
Act 183, SLH 2007 (Identity Theft Task Force)	100,000.00
Act 2, SSLH 2007 (Hawai'i Broadband Task Force)	50,000.00
Act 4, SSLH 2007 (Hawai'i 2050 Task Force)	850,000.00
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	\$8,174,403.00

Expenditures

Staff salaries	1,678,453.00
Contractual services (operational)	192,476.00
Other expenses	305,321.00
Special studies	-
Contractual services (audit revolving fund)	4,221,820.00
ID Theft Task Force	77,300.19
Broadband 2050 Task Force	45,332.14
Hawai'i 2050 Task Force	836,635.51
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	\$7,357,337.84

Excess of Appropriation Over Expenditures

Act 1, SLH 2007 (operations)	626,333.00
Act 1, SLH 2007 (special studies)	150,000.00
Act 1, SLH 2007 (Audit Revolving Fund)	-
Act 183, SLH 2007 (Identity Theft Task Force)	22,699.81
Act 2, SSLH 2007 (Hawai'i Broadband Task Force)	4,667.86
Act 4, SSLH 2007 (Hawai'i 2050 Task Force)	13,364.49
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	\$817,065.16

The Office of the Auditor

Hawai'i'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 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, trust, and revolving funds** determine if proposals to establish these funds meet legislative criteria.
7. **Analyses of existing trust and revolving funds determine if such funds** meet legislative and financial criteria.
8. **Procurement reports** include studies and audits relating to the State's procurement of goods, services, and construction.
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.

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