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# Report on the Implementation of State Auditor's Recommendations 2015 – 2019

A Report to the Governor  
and the Legislature of  
the State of Hawai'i

Report No. 21-11  
October 2021



**OFFICE OF THE AUDITOR**  
STATE OF HAWAII



## OFFICE OF THE AUDITOR STATE OF HAWAII

### Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

The Auditor's position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

### Our Mission

To improve government through independent and objective analyses.

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

### Our Work

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

Additionally, we perform procurement audits, sunrise analyses and sunset evaluations of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, revolving and trust funds, and special studies requested by the Legislature.

We report our findings and make recommendations to the governor and the Legislature to help them make informed decisions.

*For more information on the Office of the Auditor, visit our website:*  
<https://auditor.hawaii.gov>

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## Foreword

This is a report on the follow-up reviews of state departments and agencies' implementation of audit recommendations contained in audits issued in calendar years 2015–2019. We conducted the follow-ups pursuant to Section 23-7.5, Hawai'i Revised Statutes, which requires the Auditor to report to the Legislature on each recommendation that the Auditor has made that is more than one year old and that has not been implemented by the audited agency.

We wish to express our appreciation for the cooperation and assistance extended to us by the various audited agencies and others whom we contacted during the course of the follow-up review.

Leslie H. Kondo  
State Auditor



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# Table of Contents

**Introduction**..... 1

**Audit Recommendations Implementation  
Reports Issued 2015 – 2019**..... 2

**Audit Recommendations Implementation  
Dashboard** ..... 4

## 2015 Audit Recommendations

*Report No. 15-07, Audit of the Research Corporation  
of the University of Hawai'i* ..... 6

*Report No. 15-09, Procurement Examination of the  
Department of Health: Lack of Procurement Controls  
Exposes Health Department to Waste and Abuse*..... 9

*Report No. 15-14, Study of Public Charter Schools'  
Governing Boards* ..... 13

*Report No. 15-18, Audit of the Department of  
Transportation's Energy Performance Contracts:  
Improved Oversight is Needed to Ensure Savings* ..... 16

*Report No. 15-20, Audit of the Department of  
Human Services' KOLEA System: \$155 Million KOLEA  
Project Does Not Achieve ACA Goals* ..... 19

## 2016 Audit Recommendations

*Report No. 16-01, Report on Selected Executive  
Branch Departments' Information Technology  
Expenditures* ..... 24

*Report No. 16-08, Audit of Hawai'i's Motion Picture,  
Digital Media, and Film Production Income Tax Credit* ..... 27

## 2017 Audit Recommendations

<i>Report No. 17-05, Audit of Hawai'i Department of Agriculture's Plant Quarantine Branch</i> .....	31
<i>Report No. 17-14, Audit of the Disease Outbreak Control Division of the Department of Health</i> .....	34

## 2018 Audit Recommendations

<i>Report No. 18-01, Audit of the Hawai'i State Energy Office</i> .....	36
<i>Report No. 18-03, Audit of the Office of Hawaiian Affairs</i> ....	39
<i>Report No. 18-04, Audit of the Hawai'i Tourism Authority</i> ....	49
<i>Report No. 18-05, Audit of the Public Utilities Commission</i> .....	56
<i>Report No. 18-08, Audit of the Office of Hawaiian Affairs' Competitive Grants</i> .....	60
<i>Report No. 18-09, Audit of the Department of the Attorney General's Asset Forfeiture Program</i> .....	64
<i>Report No. 18-18, Audit of the Office of Health Care Assurance's Adult Residential Care Homes Program</i> .....	68

## 2019 Audit Recommendations

<i>Report No. 19-01, Audit of the Department of Land and Natural Resources' Land Conservation Fund</i> .....	71
<i>Report No. 19-12, Audit of the Department of Land and Natural Resources' Special Land Development Fund</i> .....	75
<i>Report No. 19-13, Audit of the Department of Education's Administration of School Impact Fees</i> .....	81



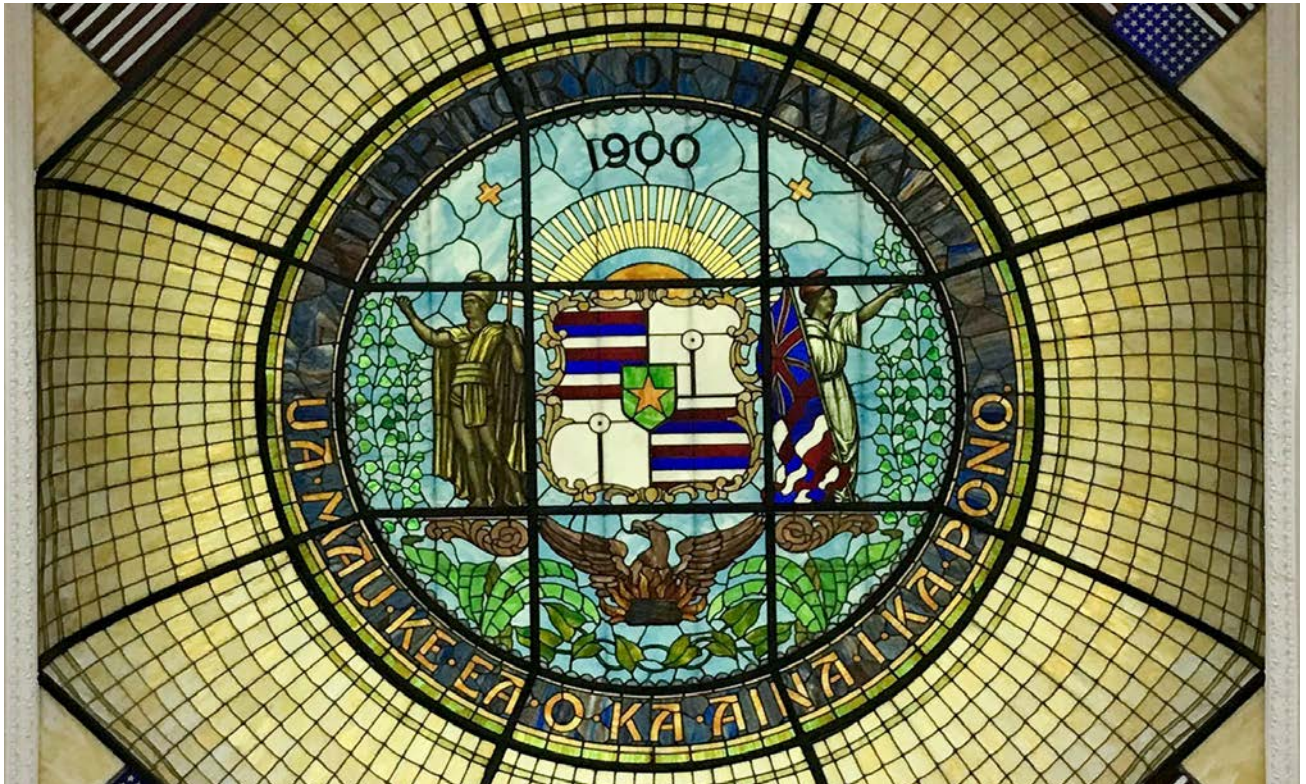


PHOTO: OFFICE OF THE AUDITOR

## Status of Implementation of Audit Recommendations from Reports Issued 2015 – 2019

*Section 23-7.5, Hawai‘i Revised Statutes, requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited agency. Our office follows up on recommendations in two ways. First, on an annual basis, we send requests to the agencies for status of implementation of our recommendations and details on steps taken toward implementation. Second, we conduct an active follow-up two to three years after issuance of the audit report containing recommendations and issue a separate follow-up report. Here, we report the latest status on the implementation of recommendations made in our reports issued from 2015 to 2019.*

### Introduction

**E**VERY YEAR, we follow up on recommendations made in our audit reports. We ask agencies to provide us with the status of their implementation of the recommendations made as part of our audit starting a year after the report was issued. After two or three years, we conduct a more rigorous follow-up review. Those reviews, which we refer to as “active reviews,” include interviewing

## Definition of Terms

WE DEEM recommendations:

### Implemented

where the department or agency provided sufficient and appropriate evidence to support all elements of the recommendation;

### Partially Implemented

where some evidence was provided but not all elements of the recommendation were addressed;

### Not Implemented

where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided;

### Not Implemented - N/A

where circumstances changed to make a recommendation not applicable; and

### Not Implemented - Disagree

where the department or agency disagreed with the recommendation, did not intend to implement, and no further action will be reported.

selected personnel from the agency and examining the agency's relevant policies, procedures, records, and documents to assess whether action on recommendations has been taken. Our efforts are limited to the reviewing and reporting on an agency's implementation of recommendations made in the original audit report. We do not explore new issues or revisit issues from the report that are unrelated to our original recommendations.

From 2015 to 2019, we made 241 audit recommendations. Based on information self-reported by the agencies and information from active reviews, 209 of those recommendations have been partially or fully implemented.

We based our scope and methodology on the United States Government Accountability Office – formerly the General Accounting Office – (GAO) guidelines, published in *How to Get Action on Audit Recommendations* (1991), as well as the *Government Auditing Standards* and Hawai'i Revised Statutes (HRS), Section 23-7.5.

According to the GAO, saving tax dollars, improving programs and operations, and providing better service to the public represent audit work's "bottom line." Recommendations are the vehicles by which these objectives are sought. However, it is action on recommendations – not the recommendations themselves – that helps government work better. Effective follow-up is essential to realizing the full benefits of audit work.

## Audit Recommendations Implementation Reports Issued 2015 – 2019

### Determining progress

The rate of progress of a recommendation's implementation depends on the type of recommendation. While some fall fully within the purview of an audited agency and can be addressed relatively quickly, others may deal with complex problems, involve multiple agencies, or require legislative action, resulting in a longer implementation period. We recognize ample time should be afforded to agencies implementing recommendations for a follow-up system to be useful and relevant.

With those observations in mind, we have determined an "active" follow-up effort, where we review and assess an agency's efforts to implement our recommendations, is most effective and relevant if conducted two to three years after publication of an audit report. Too short of an interval between audit report and follow-up might not give agencies enough time



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to implement; too long might allow agencies to lose valuable personnel and institutional knowledge needed to implement change. This is consistent with the GAO's experience that action on recommendations usually occurs in the first 3 years after the recommendation is made.





Our current policy is to conduct follow-ups on recommendations for a five-year period after issuance of the report. We have determined that, after this time, further action on recommendations is unlikely. At that point, a new audit may be more appropriate.

On the following pages are our summaries of the most recent status for recommendations from reports issued in the last five years. In many cases, the latest status is based on the agencies' responses to our formal requests for an updated status of implementation of our recommendations.

It is important to stress that, unlike our "active" follow-up reports, the agencies' responses to our requests for updates are just that – status as reported by the agencies themselves. Reporting of these responses is not based on an independent assessment by our office. However, the responses do represent the most recent status available to us.

Copies of our reports, including active follow-up reports, are available on our website at <https://www.auditor.hawaii.gov/>.

# Audit Recommendations Implementation Dashboard


No. 15-07	<b>Research Corporation of the University of Hawai'i</b> Audit of the Research Corporation of the University of Hawai'i		<b>11 recommendations</b>
No. 15-09	<b>Department of Health</b> Procurement Examination of the Department of Health: Lack of Procurement Controls Exposes Health Department to Waste and Abuse		<b>6 recommendations</b>
No. 15-14	<b>Hawai'i State Public Charter Schools Commission</b> Study of Public Charter Schools' Governing Boards		<b>8 recommendations</b>
No. 15-18	<b>Department of Transportation</b> Audit of the Department of Transportation's Energy Performance Contracts: Improved Oversight is Needed to Ensure Savings		<b>11 recommendations</b>
No. 15-20	<b>Department of Human Services</b> Audit of the Department of Human Services' KOLEA System: \$155 Million KOLEA Project Does Not Achieve ACA Goals		<b>14 recommendations</b>
No. 16-01	<b>Enterprise Technology Services</b> Report on Selected Executive Branch Departments' Information Technology Expenditures		<b>5 recommendations</b>
No. 16-08	<b>Department of Taxation / Department of Business, Economic Development and Tourism</b> Audit of Hawai'i's Motion Picture, Digital Media, and Film Production Income Tax Credit		<b>9 recommendations</b>
No. 17-05	<b>Hawai'i Department of Agriculture</b> Audit of Hawai'i Department of Agriculture's Plant Quarantine Branch		<b>7 recommendations</b>
No. 17-14	<b>Department of Health</b> Audit of the Disease Outbreak Control Division of the Department of Health		<b>5 recommendations</b>
No. 18-01	<b>Department of Business, Economic Development and Tourism</b> Audit of the Hawai'i State Energy Office		<b>9 recommendations</b>
No. 18-03	<b>Office of Hawaiian Affairs</b> Audit of the Office of Hawaiian Affairs		<b>39 recommendations</b>


■ Implemented 
 ■ Partially Implemented 
 ■ Not Implemented 
 ■ Not Implemented - N/A 
 ■ Not Implemented - Disagree


Source: Office of the Auditor


# Audit Recommendations Implementation Dashboard

No. 18-04 **Hawai'i Tourism Authority**  
Audit of the Hawai'i Tourism Authority  
 **27 recommendations**


No. 18-05 **Public Utilities Commission**  
Audit of the Public Utilities Commission  
 **12 recommendations**


No. 18-08 **Office of Hawaiian Affairs**  
Audit of the Office of Hawaiian Affairs' Competitive Grants  
 **11 recommendations**

No. 18-09 **Department of the Attorney General**  
Audit of the Department of the Attorney General's Asset Forfeiture Program  
 **7 recommendations**

No. 18-18 **Department of Health**  
Audit of the Office of Health Care Assurance's Adult Residential Care Homes Program  
 **9 recommendations**

No. 19-01 **Department of Land and Natural Resources**  
Audit of the Department of Land and Natural Resources' Land Conservation Fund  
 **12 recommendations**

No. 19-12 **Department of Land and Natural Resources**  
Audit of the Department of Land and Natural Resources' Special Land and Development Fund  
 **17 recommendations**

No. 19-13 **Department of Education**  
Audit of the Department of Education's Administration of School Impact Fees  
 **22 recommendations**

 Implemented  Partially Implemented  Not Implemented  Not Implemented - N/A  Not Implemented - Disagree

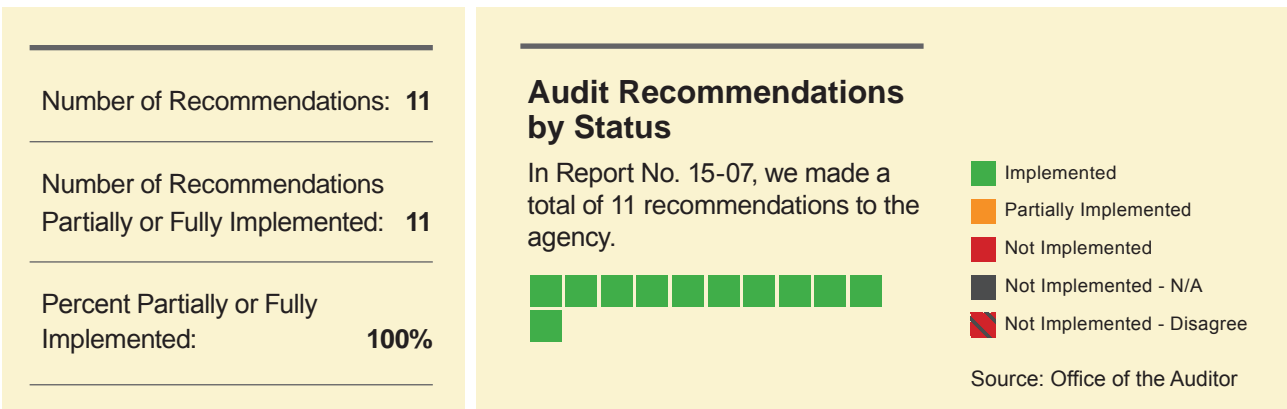
Source: Office of the Auditor



PHOTO: RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII

**REPORT NO. 15-07**

***Audit of the Research Corporation of the University of Hawai'i***



**IN REPORT NO. 15-07, *Audit of the Research Corporation of the University of Hawai'i***, we found the Research Corporation of the University of Hawai'i (RCUH) acted primarily as a provider of services to the University of Hawai'i (UH), which constituted \$9 out of every \$10 in RCUH business in FY2014. We also found that RCUH's executive director and board took a cautious business approach that ignored plans to pursue more non-UH projects and that RCUH allowed state agencies to circumvent contract requirements, secure services without proof of governor approvals, and forgo required evaluations of \$4.3 million in projects. We noted the corporation lacked clear policies and procedures governing review and acceptance of direct projects, and lacked sufficient staff to ensure adequate project vetting and monitoring. We also reported that written policies

and procedures could improve RCUH's oversight of intramural and revolving account projects.

In 2018, we conducted an active follow-up into the implementation of our recommendations, and issued Report No. 18-10 entitled, *Follow-Up on Recommendations from Report No. 15-07, Audit of the Research Corporation of the University of Hawai'i*. As a result of that report, we found that 11 out of 11 (100%) of our recommendations had been implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

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## Recommendation

## Status of Recommendation

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(1.a.) The Research Corporation of the University of Hawai'i's Board of Directors should adopt a mission that more accurately reflects the corporation's statutory responsibility to initiate and promote research and development statewide. If the board no longer thinks RCUH can fulfill its broad mandate, it should request that the Legislature redefine the agency's role.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-10.

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(1.b.) The Research Corporation of the University of Hawai'i's Board of Directors should adopt a strategic plan that conforms to Act 100, SLH 1999, requirements by containing proper objectives and accounts for organizations changes needed to ensure fulfillment of all mandated duties.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-10.

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(1.c.) The Research Corporation of the University of Hawai'i's Board of Directors should adopt and implement strategic planning and performance reporting policies and procedures.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-10.

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(1.d.) The Research Corporation of the University of Hawai'i's Board of Directors should explicitly identify the corporation's executive director as being responsible for developing and implementing a strategic plan.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-10.

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(1.e.) The Research Corporation of the University of Hawai'i's Board of Directors should develop and update policies to ensure projects are accepted in conformance with Chapter 304A, HRS, the UH/RCUH Internal Agreement, and the State/RCUH Master Agreement.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-10.

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(2.a.) The corporation's executive director should implement a training program for board members that familiarizes them with their oversight roles and responsibilities.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-10.

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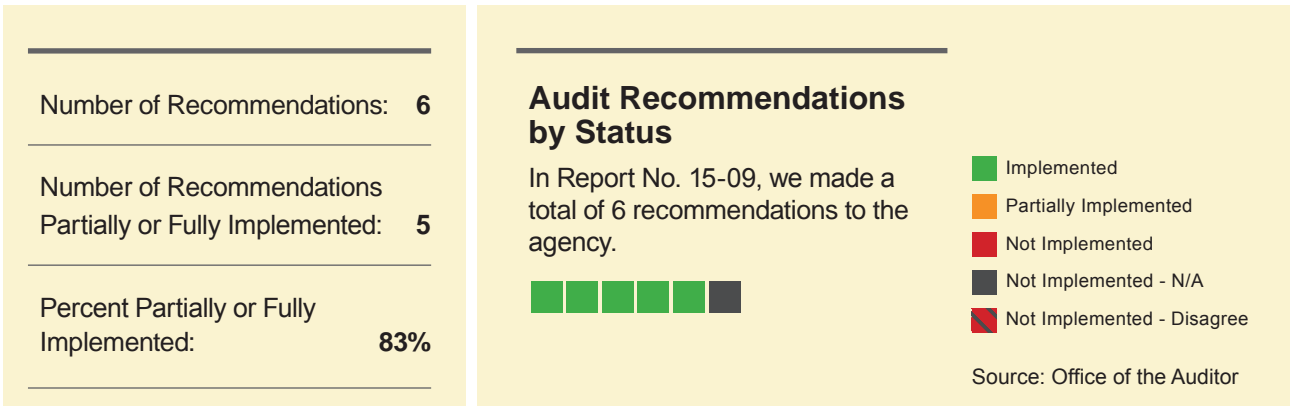
Recommendation	Status of Recommendation
<p>(2.b.) The corporation’s executive director should develop, adopt, and report on performance measures for assessing RCUH’s accomplishments of its goals, objectives, and mission.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-10.</p>
<p>(2.c.) The corporation’s executive director should consider and document whether added resources are needed to review incoming projects to determine whether they fall under the scope of RCUH services, and to monitor ongoing projects.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-10.</p>
<p>(2.d.) The corporation’s executive director should develop and implement procedures that include:</p> <ul style="list-style-type: none"> <li>i. Detailed guidance for monitoring all projects;</li> <li>ii. Ensuring periodic review of direct projects; and</li> <li>iii. Reviewing and approving projects.</li> </ul>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-10.</p>
<p>(2.e.) The corporation’s executive director should ensure that requirements of the State/RCUH master agreement are complied with by agencies requesting services.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-10.</p>
<p>(2.f.) The corporation’s executive director should request the Department of the Attorney General issue a written opinion on whether certain state agencies are exempted from the State/RCUH Master Agreement.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-10.</p>



PHOTO: OFFICE OF THE AUDITOR

**REPORT NO. 15-09**

***Procurement Examination of the Department of Health:  
Lack of Procurement Controls Exposes Health Department  
to Waste and Abuse***



**IN REPORT NO. 15-09, *Procurement Examination of the Department of Health: Lack of Procurement Controls Exposes Health Department to Waste and Abuse***, we found that minimal oversight and support led to numerous procurement violations and irregularities in the department’s contracts.

In 2018, we conducted an active follow-up into the implementation of our recommendations to the Department of Health (DOH), and issued Report No. 18-13 entitled, *Follow-Up on Recommendations from Report No. 15-09, Procurement Examination of the Department of Health: Lack of Procurement Controls Exposes Health Department to Waste and Abuse*. As a result of that report, we found that 3 out

of 6 (50%) of our recommendations had been at least partially implemented.

In 2019, we issued a formal request for information on the status of audit recommendations that had not yet been fully implemented. The agency responded in 2020 and reported that all of our applicable recommendations had been fully implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

## Recommendation

## Status of Recommendation

(1.a.i.) The Department of Health should improve its procurement practices by increasing organizational oversight over procurements. Depending on the nature and type of contract, method of procurement, complexity of procurement, composition and technical knowledge of the evaluation committee and staff involved in the procurement, and risks of fraud, transparency, and noncompliance related to the procurement, the Administrative Services Office should provide greater oversight over departmental procurements by defining what oversight responsibilities the ASO will provide, including determining the level of review and approval required for solicitations and awards that are deemed high risk; determining whether an evaluation committee has the appropriate knowledge, expertise, and composition reflective of the complexity and dollar value of the procurement; determining the level of review and approval required for significant contract modifications; identifying what its technical support will be and what role the State Procurement Office should have in conjunction with ASO oversight; notifying departmental divisions, branches, and offices of any procurement violations or noncompliance; and enforcing any corrective actions.

2020: DOH reports **Implemented**

Self-reported July 16, 2020.

2018: Auditor reports **Partially Implemented**

Follow-up, Report No. 18-13.

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## Recommendation

## Status of Recommendation

(1.a.ii.) The Department of Health should improve its procurement practices by increasing organizational oversight over procurements. Depending on the nature and type of contract, method of procurement, complexity of procurement, composition and technical knowledge of the evaluation committee and staff involved in the procurement, and risks of fraud, transparency, and noncompliance related to the procurement, the department should develop a periodic, systematic review of procurement activities to monitor and promote compliance and ensure that all employees involved in procurements adhere to key requirements, including contract administration.

2020: DOH reports **Implemented**

Self-reported July 16, 2020.

2018: Auditor reports **Partially Implemented**

Follow-up, Report No. 18-13.

(1.b.i.) The Department of Health should improve its procurement practices by clarifying roles, responsibilities, and procedures for procurements by developing and implementing a department-specific procurement policy and procedures manual that defines roles, responsibilities, authority, and accountability for each step in the procurement process. The manual should include specific guidelines, instructions, and standards for acquisitions of products and services. It should explain how to handle key issues and mistakes in the procurement, contract administration, and quality assurance processes, detailing procurement controls and oversight responsibilities. The manual should be formally approved by management and periodically reviewed and updated.

2020: DOH reports **Implemented**

Self-reported July 16, 2020.

2018: Auditor reports **Not Implemented**

Follow-up, Report No. 18-13.

Our follow-up report noted: “[A]s of the time of our follow-up, the evidence provided did not support meaningful movement towards implementation of this recommendation.”

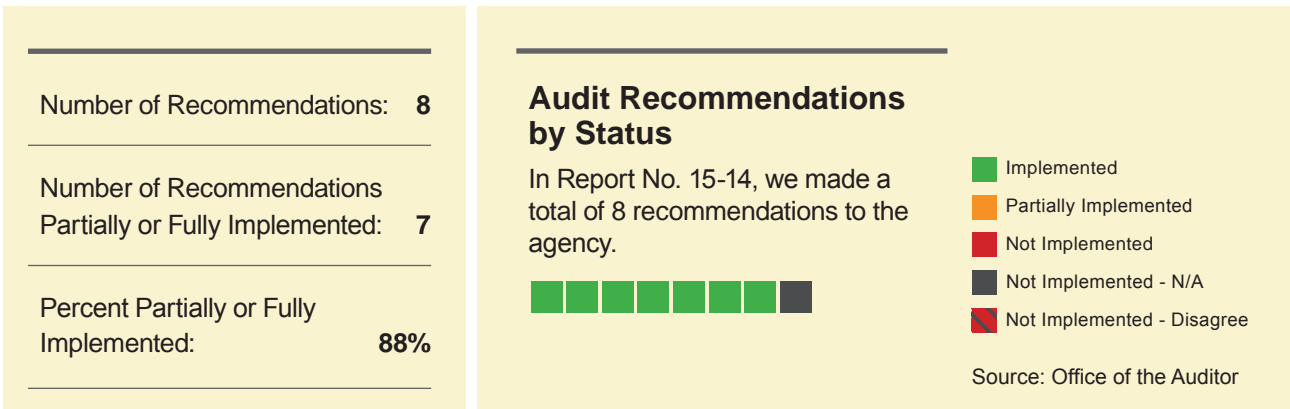
Recommendation	Status of Recommendation
<p><b>(1.b.ii.) The Department of Health should improve its procurement practices by clarifying roles, responsibilities, and procedures for procurements by identifying and communicating what constitutes a high risk procurement that should be referred to ASO for guidance. Risk factors include contracts where the procurer does not have technical expertise or past experience with what is being procured, unusual contract terms or circumstances, and bid protests.</b></p>	<p><b>2020: DOH reports <b>Implemented</b></b> Self-reported July 16, 2020.</p> <p><b>2018: Auditor reports <b>Not Implemented</b></b> Follow-up, Report No. 18-13.</p> <p>Our follow-up report noted: “Although the four preliminary questions [to assess the level of risk of anticipated procurement efforts] are an initial step to identify and communicate what constitutes a high-risk assessment, the preliminary questions alone do not represent a meaningful movement towards implementation of [this recommendation].”</p>
<p><b>(2.) The director of health should ensure that staff involved in procurements are adequately trained and appropriately supervised.</b></p>	<p><b>2018: Auditor reports <b>Implemented</b></b> Follow-up, Report No. 18-13.</p>
<p><b>(3.) The department should review its procurement of the Grant Thornton/PKF contract. If the department determines that a procurement violation has occurred, it must report this violation to the SPO and rectify its process to ensure such a violation does not occur in future.</b></p>	<p><b>2018: Auditor reports <b>Not Implemented - N/A</b></b> Follow-up, Report No. 18-13.</p> <p>Our follow-up report noted: “Despite DOH’s consultation with the State Procurement Office, DOH’s inability to provide all the necessary documentation has and will continue to prevent the State Procurement Office from conducting a meaningful review to determine if a procurement violation occurred.”</p>





PHOTO: THINKSTOCK.COM

**REPORT NO. 15-14**  
***Study of Public Charter Schools' Governing Boards***



**IN REPORT NO. 15-14, *Study of Public Charter Schools' Governing Boards***, we found that commission staff inexperience and human error hindered the Hawai'i State Public Charter School Commission's (SPCSC) ability to identify early signs of financial distress, and unclear requirements contained in charter school contracts did not ensure uniform compliance.

In 2018, we issued a formal request for information to the SPCSC on the status of audit recommendations from Report No. 15-14. The agency reported that all but one of our recommendations have been at least partially implemented.

In 2019, we issued another formal request for information on the status of audit recommendations that had not yet been fully implemented. The agency responded in 2020 and reported that all of

our applicable recommendations had been fully implemented.

Because this was a study and not an audit, an active review will not be conducted.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation	Status of Recommendation
<p>(1.a.) The Hawai’i State Public Charter Commission should ensure its staff develops policies and procedures, including the collection and analysis of school data, to retain organizational knowledge and mitigate the risk of limiting that knowledge to only a few personnel.</p>	<p>2020: SPCSC reports <b>Implemented</b> Self-reported June 22, 2020.</p> <p>2018: SPCSC reports <b>Partially Implemented</b> Self-reported February 21, 2018.</p>
<p>(1.b.) The Hawai’i State Public Charter Commission should ensure its staff reviews its inter-office communication system to ensure information collected from the schools, including the rental terms of school facilities, is shared with all performance managers.</p>	<p>2018: SPCSC reports <b>Implemented</b> Self-reported February 21, 2018.</p>
<p>(1.c.i.) The Hawai’i State Public Charter Commission should ensure its staff reviews the charter contract to identify areas in need of clarification, including governance reporting requirements such as mandated policies and procedures, to ensure the schools and the boards are able to meet the commission’s performance expectations.</p>	<p>2020: SPCSC reports <b>Implemented</b> Self-reported June 22, 2020.</p> <p>2018: SPCSC reports <b>Partially Implemented</b> Self-reported February 15, 2018.</p>
<p>(1.c.ii.) The Hawai’i State Public Charter Commission should ensure its staff reviews the charter contract to clarify provisions that automatically trigger an intervention protocol for noncompliance.</p>	<p>2020: SPCSC reports <b>Implemented</b> Self-reported June 22, 2020.</p> <p>2018: SPCSC reports <b>Partially Implemented</b> Self-reported February 15, 2018.</p>
<p>(1.c.iii.) The Hawai’i State Public Charter Commission should ensure its staff reviews the charter contract to consider amending the charter contract to require schools to provide adjusted annual budgets in the event school student enrollment projections fall significantly short of actual student enrollment figures.</p>	<p>2018: SPCSC reports <b>Implemented</b> Self-reported February 21, 2018.</p>

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## Recommendation

## Status of Recommendation

(1.d.) The Hawai'i State Public Charter Commission should ensure its staff consistently monitors and enforces compliance with terms of the charter contract, including the posting of minutes of governing board meetings to school websites, reporting governing board membership changes, and providing the rental terms of school facilities.

2020: SPCSC reports **Implemented**

Self-reported June 22, 2020.

2018: SPCSC reports **Partially Implemented**

Self-reported February 21, 2018.

(1.e.) The Hawai'i State Public Charter Commission should ensure its staff works with stakeholders to develop means other than self-reporting, to ensure statutory requirements regarding criminal history checks are met and independently verified by commission staff; consultation with the Department of the Attorney General, the Hawai'i Criminal Justice Data Center, and the Office of Information Practices is also advised.

2018: SPCSC reports **Implemented**

Self-reported February 21, 2018.

(1.f.) The Hawai'i State Public Charter Commission should ensure its staff receives training regarding obtaining and using financial agreements, such as a line of credit, by charter schools under Chapter 37D, HRS.

2018: SPCSC reports **Not Implemented - N/A**

Self-reported February 21, 2018, stating:

“Section 37D-3, HRS, states that financial agreements for agencies, such as a line of credit, must be approved by the attorney general and the director of budget and finance. The section further provides specific procedures that these agreements must follow.

The Commission believes this recommendation is not applicable as charter school financing agreements would be under the purview of the Department of Budget and Finance.”



PHOTO: OFFICE OF THE AUDITOR

**REPORT NO. 15-18**

***Audit of the Department of Transportation's Energy Performance Contracts: Improved Oversight is Needed to Ensure Savings***

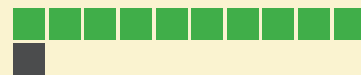
Number of Recommendations: **11**

Number of Recommendations Partially or Fully Implemented: **10**

Percent Partially or Fully Implemented: **91%**

**Audit Recommendations by Status**

In Report No. 15-18, we made a total of 11 recommendations to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

**IN REPORT NO. 15-18, *Audit of the Department of Transportation's Energy Performance Contracts: Improved Oversight Is Needed to Ensure Savings*,** we found flaws in design and implementation of department contracts, including conflicting termination dates, undermined the energy contract's savings guarantee and weakened the department's ability to challenge or dispute any savings issues. We also reported a lack of procedures and expertise needed to evaluate annual savings reports.

In 2018, we conducted an active follow-up into the implementation of our recommendations to the Department of Transportation (DOT), and issued Report No. 18-14 entitled, *Follow-Up on Recommendations from Report No. 15-18, Audit of the Department of Transportation's Energy Performance Contracts: Improved Oversight is Needed to Ensure Savings*. As a result of that report, we found that 10

out of 11 (91%) of our recommendations had been at least partially implemented.

In 2019, we issued a formal request for information on the status of audit recommendations that had not yet been fully implemented. The agency reported that of our applicable recommendations 1 had been implemented in full, and 1 recommendation had been implemented in part.

In 2020, we issued another formal request for information on the status of audit recommendations that had not yet been fully implemented. The agency responded that all of our applicable recommendations had been fully implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.



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## Recommendation

## Status of Recommendation

(1.a.i.) The director of transportation should review the DOT-Harbors and -Highways energy contracts with Johnson Controls to ensure they do not contain flaws found in the Airports Division's energy contract, and revise those two agreements, as needed, to ensure that the duration of those contracts align with guaranteed savings schedules so that all savings are achieved within the contract term.

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-14.

(1.a.ii.) The director of transportation should review the DOT-Harbors and -Highways energy contracts with Johnson Controls to ensure they do not contain flaws found in the Airports Division's energy contract, and revise those two agreements, as needed, to ensure that the contracts integrate State Procurement Office guidelines calling for formal and written acceptance or rejection of deliverables, such as energy contract annual savings reports.

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-14.

(1.b.) The director of transportation should establish procedures for review and independent verification of annual savings reports delivered by Johnson Controls to ensure that such analysis is completed within required reconciliation periods.

**2020: DOT reports** **Implemented**

Self-reported November 30, 2020.

**2019: DOT reports** **Partially Implemented**

Self-reported December 19, 2019.

**2018: Auditor reports** **Partially Implemented**

Follow-up, Report No. 18-14.

(1.c.) The director of transportation should ensure training is provided so that staff have sufficient expertise on measurement and verification processes, and other forms of performance and savings monitoring.

**2019: DOT reports** **Implemented**

Self-reported December 24, 2019.

**2018: Auditor reports** **Partially Implemented**

Follow-up, Report No. 18-14.

(2.a.i.) The Airports Division deputy director should amend the division's energy contract to align guaranteed savings with the contract terms and conditions while holding to the contract's \$518 million savings guarantee.

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-14.



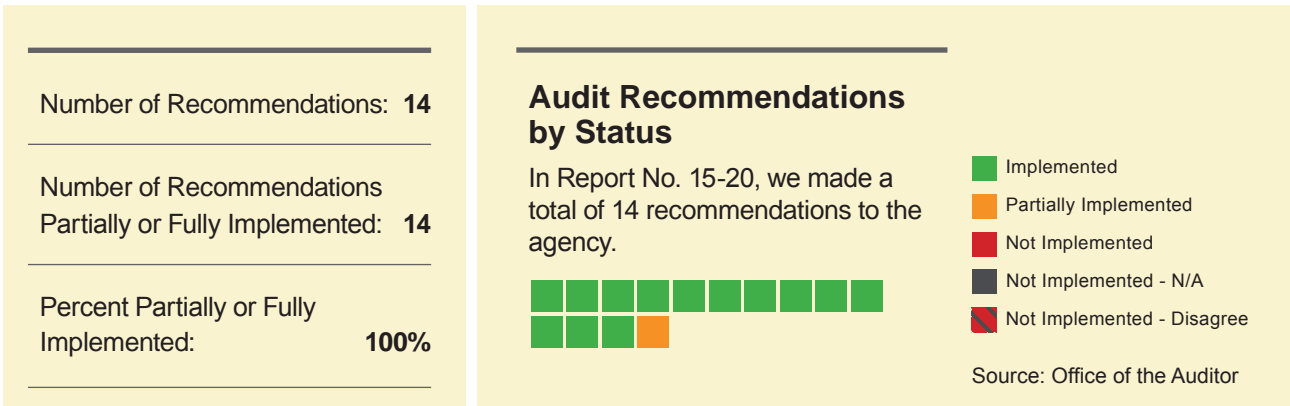
Recommendation	Status of Recommendation
<p>(2.a.ii.) The Airports Division deputy director should amend the division’s energy contract to integrate State Procurement Office guidelines so that the acceptance or rejection of Johnson Controls’ annual savings report is by formal and written means.</p>	<p>2018: Auditor reports <b>Implemented</b>                      Follow-up, Report No. 18-14.</p>
<p>(2.b.) The Airports Division deputy director should review the energy savings measures in the contract with Johnson Controls to ensure the anticipated cost savings are reasonable and applicable throughout the contract term.</p>	<p>2018: Auditor reports <b>Not Implemented - N/A</b>                      Follow-up, Report No. 18-14.</p> <p>Our follow-up report noted: “[W]ith the completion of the measures called for in the contract, this review is no longer applicable.”</p>
<p>(2.c.) The Airports Division deputy director should ensure staff are trained to understand measurement and verification processes and other forms of performance and savings so they can properly interpret Johnson Controls’ annual savings report.</p>	<p>2018: Auditor reports <b>Implemented</b>                      Follow-up, Report No. 18-14.</p>
<p>(2.d.) The Airports Division deputy director should follow through on plans to procure outside audit consultants to reconcile annual savings reports.</p>	<p>2018: Auditor reports <b>Implemented</b>                      Follow-up, Report No. 18-14.</p>
<p>(2.e.) The Airports Division deputy director should ensure third-party consultants providing review and verification of Johnson Controls’ annual savings reports are on contract with, or are directly accountable to, the division.</p>	<p>2018: Auditor reports <b>Implemented</b>                      Follow-up, Report No. 18-14.</p>
<p>(2.f.) The Airports Division deputy director should establish procedures for review and independent verification of Johnson Controls’ annual savings report to ensure the analysis is completed within the 90-day reconciliation period.</p>	<p>2018: Auditor reports <b>Implemented</b>                      Follow-up, Report No. 18-14.</p>



PHOTO: ISTOCK.COM

**REPORT NO. 15-20**

***Audit of the Department of Human Services' KOLEA System: \$155 Million KOLEA Project Does Not Achieve ACA Goals***



**IN REPORT NO. 15-20**, *Audit of the Department of Human Services' KOLEA System: \$155 Million KOLEA Project Does Not Achieve ACA Goals*, we found the new IT application fell short of meeting Affordable Care Act goals and was difficult to use and error-prone. We noted poor planning and lack of effective leadership at the Med-QUEST Division exacerbated already tight time constraints, allowing for a lack of integration of other human services programs, and that staff were not appropriately trained.

In 2018, we conducted an active follow-up into the implementation of our recommendations to the Department of Human Services (DHS), and issued Report No. 18-12 entitled, *Follow-Up on Recommendations from Report No. 15-20, Audit of the Department of Human Services' KOLEA System*. As a result of that report, we found that 14 out of 14 (100%) of our recommendations had been at least partially implemented.

In 2019, we issued a formal request for information on the status of audit recommendations that had not been fully implemented in the follow-up report, Report No. 18-12. The agency reported that of the applicable recommendations, 5 had been implemented in full, and 2 recommendations had been implemented in part.

In 2020, we issued another formal request for information on the status of audit recommendations that had not yet been fully implemented. The agency responded that of the applicable recommendations, 1 had been implemented in full, and 1 recommendation had been implemented in part.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation	Status of Recommendation
<p>(1.a.) The director of human services should lead future departmental IT changes by ensuring rigorous project process standards are defined to guide the project, there is a clear structure for decision-making, individuals in lead roles have the right skills for the project, and those individuals appropriately execute their responsibilities.</p>	<p><b>2018: Auditor reports</b> <b>Implemented</b> Follow-up, Report No. 18-12.</p>
<p>(1.b.i.) The director of human services should address Medicaid income verification issues and increase the likelihood that Hawai‘i’s neediest people are receiving all the benefits for which they qualify by finalizing the Memorandum of Agreement with the Department of Labor and Industrial Relations so that the Med-QUEST Division can perform data matching with state wage information and perform real-time income verifications.</p>	<p><b>2018: Auditor reports</b> <b>Implemented</b> Follow-up, Report No. 18-12.</p>
<p>(1.b.ii.) The director of human services should address Medicaid income verification issues and increase the likelihood that Hawai‘i’s neediest people are receiving all the benefits for which they qualify by ensuring the Med-QUEST Division establishes an interface with the Internal Revenue Service to check unearned income or ensuring the Hawai‘i Administrative Rules are revised to remove this requirement.</p>	<p><b>2020: DHS reports</b> <b>Partially Implemented</b> Self-reported October 30, 2020.</p> <p><b>2019: DHS reports</b> <b>Partially Implemented</b> Self-reported October 31, 2019.</p> <p><b>2018: Auditor reports</b> <b>Partially Implemented</b> Follow-up, Report No. 18-12.</p>
<p>(2.a.) The Med-QUEST Division administrator should ensure that KOLEA project responsibilities are clearly defined between functional areas and actively manage those responsibilities to avoid gaps in, and enforce, responsibilities as necessary.</p>	<p><b>2018: Auditor reports</b> <b>Implemented</b> Follow-up, Report No. 18-12.</p>

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## Recommendation

## Status of Recommendation

(2.b.i.) The Med-QUEST Division administrator should facilitate efforts to improve the division’s eligibility and enrollment processes and address KOLEA’s functionality and usability issues by establishing goals, objectives, performance targets, and performance measures for the Medicaid eligibility and enrollment processes that align with the department’s overall mission, goals, and objectives and are useful for decision-making. The administrator should include managers at different organizational levels in the development of these performance goals.

2019: DHS reports **Implemented**

Self-reported October 31, 2019.

2018: Auditor reports **Partially Implemented**

Follow-up, Report No. 18-12.

(2.b.ii.) The Med-QUEST Division administrator should facilitate efforts to improve the division’s eligibility and enrollment processes and address KOLEA’s functionality and usability issues by ensuring KOLEA is modified so that it can generate reports on relevant performance measures.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-12.

(2.b.iii.) The Med-QUEST Division administrator should facilitate efforts to improve the division’s eligibility and enrollment processes and address KOLEA’s functionality and usability issues by periodically reviewing and discussing with relevant stakeholders the progress made toward improving the division’s eligibility and enrollment processes and KOLEA’s functionality and usability issues.

2019: DHS reports **Implemented**

Self-reported October 31, 2019.

2018: Auditor reports **Partially Implemented**

Follow-up, Report No. 18-12.

Recommendation	Status of Recommendation
<p>(2.c.i.) The Med-QUEST Division administrator should ensure the division’s Policy and Program Development Office evaluates and updates the department’s administrative rules, policies, and procedures regarding Medicaid enrollment and eligibility pursuant to requirements in the Affordable Care Act. The office should ensure administrative rules adhere to all applicable provisions of the ACA including income verification requirements, conform with the Notice of Proposed Rulemaking, align with the department’s Verification Plan, and include business processes that optimize KOLEA’s efficiency.</p>	<p><b>2018: Auditor reports</b> <b>Implemented</b> Follow-up, Report No. 18-12.</p>
<p>(2.c.ii.1.) The Med-QUEST Division administrator should ensure the division’s Policy and Program Development Office works with the Eligibility Branch to, along with other stakeholders and experts, examine the state’s Medicaid application and eligibility determination process and establish a new one that complies with the department’s administrative rules.</p>	<p><b>2018: Auditor reports</b> <b>Implemented</b> Follow-up, Report No. 18-12.</p>
<p>(2.c.ii.2.) The Med-QUEST Division administrator should ensure the division’s Policy and Program Development Office works with the Eligibility Branch to reassess Eligibility Branch staff’s responsibilities in light of the new statutory framework pursuant to the ACA and KOLEA-automated processes.</p>	<p><b>2019: DHS reports</b> <b>Implemented</b> Self-reported October 31, 2019.</p> <p><b>2018: Auditor reports</b> <b>Partially Implemented</b> Follow-up, Report No. 18-12.</p>
<p>(2.c.ii.3.) The Med-QUEST Division administrator should ensure the division’s Policy and Program Development Office works with the Eligibility Branch to develop an appropriate training program for Eligibility Branch workers. The program should include changes to the ACA, the division’s new policies and procedures, and how to navigate KOLEA.</p>	<p><b>2019: DHS reports</b> <b>Implemented</b> Self-reported October 31, 2019.</p> <p><b>2018: Auditor reports</b> <b>Partially Implemented</b> Follow-up, Report No. 18-12.</p>



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## Recommendation

## Status of Recommendation

(2.d.i.) The Med-QUEST Division administrator should address KOLEA functionality and usability issues by seeking input from the policy office, Eligibility Branch, and other stakeholders and experts to identify weaknesses in the division's eligibility and enrollment processes and KOLEA and their causes; and develop a strategy for, and allocate resources to, support improvement.

2019: DHS reports **Implemented**

Self-reported October 31, 2019.

2018: Auditor reports **Partially Implemented**

Follow-up, Report No. 18-12.

(2.d.ii.) The Med-QUEST Division administrator should address KOLEA functionality and usability issues by continuing to work with KPMG LLP to address functionality and usability issues so eligibility workers can use KOLEA more efficiently and effectively.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-12.

(2.e.) The Med-QUEST Division administrator should ensure the division's Training Office works with the policy office and KOLEA Project Team as necessary to develop and provide appropriate training to Eligibility Branch staff on new eligibility and enrollment processes and requirements, and navigating KOLEA. Training should be provided periodically as rules, policies, procedures, and KOLEA are modified.

2020: DHS reports **Implemented**

Self-reported October 30, 2019.

2019: DHS reports **Partially Implemented**

Self-reported October 31, 2019.

2018: Auditor reports **Partially Implemented**

Follow-up, Report No. 18-12.



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**REPORT NO. 16-01**  
***Report on Selected Executive Branch Departments’  
 Information Technology Expenditures***

Number of Recommendations:	<b>5</b>
Number of Recommendations Partially or Fully Implemented:	<b>4</b>
Percent Partially or Fully Implemented:	<b>80%</b>

**Audit Recommendations by Status**

In Report No. 16-01, we made a total of 5 recommendations to the agency.

- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

**IN REPORT NO. 16-01, *Report on Selected Executive Branch Departments’ Information Technology Expenditures***, we found that a lack of standardization regarding IT expenditures across various State departments caused incomplete, inaccurate, and incomprehensive data. Also, without an annual reporting requirement to a central agency, the State was unable to manage its IT resources in the short-term or to plan for long-term IT growth.

In 2018, we conducted an active follow-up into the implementation of our recommendations to the Office of Enterprise Technology Services (ETS), and issued Report No. 18-07 entitled, *Follow-Up on Recommendations from Report No. 16-01, Report on Selected Executive Branch Departments’ Information Technology Expenditures*. As a result of that report, we found that 4 out of 5 (80%) of our recommendations had been at least partially implemented.

In 2019, we issued a formal request for information on the status of audit recommendations that had not been fully implemented in the follow-up report, Report No. 18-07. The agency reported that of the recommendations made to them, 1 recommendation had been implemented in full, 1 recommendation was still partially implemented, and 1 recommendation was no longer applicable.

In 2020 and 2021, we issued formal requests for information on the status of the audit recommendation that was not yet fully implemented per the agency’s 2019 self-report. As of the date of production of this report, we have received no response from the agency.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

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## Recommendation

## Status of Recommendation

(1.) The Office of Enterprise Technology Services should be the central agency to establish policies and procedures over IT governance statewide. This is consistent with the governor’s December 10, 2015, announcement that ETS be the lead agency for IT planning and procurement.

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-07.

(2.a.) The Office of Enterprise Technology Services should establish a statewide definition for IT that clearly defines what ETS considers IT costs.

**2019: ETS reports** **Partially Implemented**

Self-reported August 1, 2019:

**2018: Auditor reports** **Partially Implemented**

Follow-up, Report No. 18-07.

(2.b.) The Office of Enterprise Technology Services should provide statewide training to fiscal personnel to ensure all IT costs are consistently recorded to assigned object codes.

**2019: ETS reports** **Not Implemented - N/A**

Self-reported August 1, 2019, stating:

“[T]he following changes in circumstances has occurred, making the recommendation not applicable:

... Proposing a change or modification to the current chart of accounts structure in use by Departments for the financial accounting and management system (FAMIS), which has been in use for decades, involves a much wider audience than the fiscal offices of each Department.

... [T]he [Enterprise Resource Planning modernization] project evolved into a modular approach, and the first application that was rolled out was enterprise human resources/payroll application (completed January, 2019).”

**2018: Auditor reports** **Not Implemented**

Follow-up, Report No. 18-07.

(2.c.) The Office of Enterprise Technology Services should require annual reporting by all departments to report IT assets, expenditures, contracts, and personnel costs and positions to facilitate decision-making.

**2019: ETS reports** **Implemented**

Self-reported August 1, 2019:

**2018: Auditor reports** **Partially Implemented**

Follow-up, Report No. 18-07.

**Recommendation**

**Status of Recommendation**

**(2.d.) The Office of Enterprise Technology Services should incorporate ETS into the IT budgeting process and ETS oversight into significant IT contracts and expenditures to ensure these activities align with the State's overall IT strategic plan.**

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-07



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REPORT NO. 16-08

**Audit of Hawai‘i’s Motion Picture, Digital Media, and Film Production Income Tax Credit**

Number of Recommendations:	<b>9</b>
Number of Recommendations Partially or Fully Implemented:	<b>9</b>
Percent Partially or Fully Implemented:	<b>100%</b>

**Audit Recommendations by Status**

In Report No. 16-08, we made a total of 9 recommendations to two agencies.

- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

**IN REPORT NO. 16-08**, *Audit of Hawai‘i’s Motion Picture, Digital Media, and Film Production Income Tax Credit*, we found incorrect implementation of the film tax credit and a lack of administrative rules, which hindered collection of reliable and timely information. This made it very difficult to determine whether the credit stimulated economic growth and increased the cost of the film tax credit to the State. Additionally, the Film Office’s analysis of film tax credit data did not measure the incentive’s true costs and reported economic impacts based on incomplete and overstated data.

In 2018, we issued a formal request for information to the Department of Taxation (DoTAX) and the Department of Business, Economic Development and Tourism (DBEDT) on the status of audit recommendations from Report No. 16-08. The agencies reported that all but one of our recommendations had been at least partially implemented.

In 2019, we conducted an active follow-up into the implementation of our recommendations, and issued Report No. 19-14 entitled, *Follow-Up on Recommendations from Report No. 16-08, Audit of Hawai‘i’s Motion Picture, Digital Media, and Film Production Income Tax Credit*. As a result of that report, we found that 7 out of 9 (78%) of our recommendations had been at least partially implemented.

In 2020, we issued a formal request for information on the status of audit recommendations that had not been fully implemented in the follow-up report, Report No. 19-14. The agencies reported that all of the applicable recommendations made to them had been fully implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.



Recommendation	Status of Recommendation
<p>(1.a.i.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:</p> <ul style="list-style-type: none"> <li>i. Require all productions to obtain an independent review by a certified public accountant of qualified production costs and provide the report to the film office prior to being certified for the tax credit.</li> </ul>	<ul style="list-style-type: none"> <li>2020: DoTAX reports <b>Implemented</b> Self-reported, September 30, 2020.</li> <li>2019: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 19-14.</li> <li>2018: DoTAX reports <b>Partially Implemented</b> Self-reported February 14, 2018.</li> </ul>
<p>(1.a.ii.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:</p> <ul style="list-style-type: none"> <li>ii. Specify actions that satisfy the statutory requirement for productions to make reasonable efforts to hire local talent and crew.</li> </ul>	<ul style="list-style-type: none"> <li>2020: DoTAX reports <b>Implemented</b> Self-reported, September 30, 2020.</li> <li>2019: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 19-14.</li> <li>2018: DoTAX reports <b>Partially Implemented</b> Self-reported February 14, 2018.</li> </ul>
<p>(1.a.iii.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:</p> <ul style="list-style-type: none"> <li>iii. Require a more reasonable minimum financial or in-kind contribution and educational or workforce development contribution of productions and consider basing the amount of such contributions on the amount of a production’s qualified production costs.</li> </ul>	<ul style="list-style-type: none"> <li>2020: DoTAX reports <b>Implemented</b> Self-reported, September 30, 2020.</li> <li>2019: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 19-14.</li> <li>2018: DoTAX reports <b>Partially Implemented</b> Self-reported February 14, 2018.</li> </ul>
<p>(1.a.iv.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:</p> <ul style="list-style-type: none"> <li>iv. Require productions to provide proof of the shared-card, end-title screen credit to the film office prior to being certified for the tax credit.</li> </ul>	<ul style="list-style-type: none"> <li>2020: DoTAX reports <b>Implemented</b> Self-reported, September 30, 2020.</li> <li>2019: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 19-14.</li> <li>2018: DoTAX reports <b>Partially Implemented</b> Self-reported February 14, 2018.</li> </ul>



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## Recommendation

(1.a.v.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:

- v. Require all productions to provide the following information as part of submitted post-production reports: (1) the number of Hawai'i resident and non-resident hires by category, such as above-the-line, below-the-line, and extras; (2) salary and wage information for resident actors, producers, directors, and other hires; (3) salary and wage information for nonresident actors, producers, directors, and other hires; and (4) any other information that DBEDT determines necessary to estimate the benefits of the tax credit.

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(1.a.vi.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:

- vi. Include a penalty for productions claiming the tax credit that do not meet the 90-day filing deadline to submit their written, sworn statements to DBEDT, similar to the stipulation for productions failing to prequalify for the credit by registering with DBEDT currently in section 235-17(f), HRS.

## Status of Recommendation

- **2020: DoTAX reports Implemented**

Self-reported September 30, 2020.

- **2019: Auditor reports Not Implemented**

Follow-up, Report No. 19-14.

Our follow-up report noted: “We reviewed TIR No. 2019-01 and confirmed that the proposed rules do not contain the provision called for in this recommendation...DoTAX Rules Officer has indicated DoTAX will include the provision in the proposed administrative rules.”

- **2018: DoTAX reports Implemented**

Self-reported February 14, 2018.

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- **2020: DoTAX reports Implemented**

Self-reported September 30, 2020.

- **2019: Auditor reports Partially Implemented**

Follow-up, Report No. 19-14.

- **2018: DoTAX reports Implemented**

Self-reported February 14, 2018.

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Recommendation	Status of Recommendation
<p>(1.b.) The Department of Taxation should request the Legislature amend the statute to address the above recommendations if the department cannot implement the recommendations through administrative rule.</p>	<ul style="list-style-type: none"> <li data-bbox="786 365 1235 436"> <p><b>2020: DoTAX reports <span style="background-color: #28a745; color: white; padding: 2px;">Implemented</span></b> Self-reported September 30, 2020.</p> </li> <li data-bbox="786 470 1406 856" style="background-color: #fff3cd; padding: 5px;"> <p><b>2019: Auditor reports Not Implemented</b> Follow-up, Report No. 19-14.</p> <p>Our follow-up report noted: “According to DoTAX, the department did not propose any legislation amending section 235-17, HRS, during the 2019 legislative session. We inquired with the DoTAX Rules Officer who stated the department does not believe that it requires any legislative amendments to section 235-17, HRS, at this time. DoTAX plans to address [these] recommendations by permanently adopting its proposed administrative rules.”</p> </li> <li data-bbox="786 890 1211 947"> <p><b>2018: DoTAX reports Implemented</b> Self-reported February 14, 2018.</p> </li> </ul>
<p>(2.a.) The Hawai‘i Film Office should collaborate with READ to identify the specific production information READ needs to prepare a comprehensive cost benefit analysis and/or economic output estimates that account for the different categories of jobs created, salaries and wages of resident and non-resident production hires, and any other relevant information.</p>	<ul style="list-style-type: none"> <li data-bbox="786 1010 1235 1081"> <p><b>2020: DoTAX reports <span style="background-color: #28a745; color: white; padding: 2px;">Implemented</span></b> Self-reported September 30, 2020.</p> </li> <li data-bbox="786 1115 1406 1186" style="background-color: #fff3cd; padding: 5px;"> <p><b>2019: Auditor reports Partially Implemented</b> Follow-up, Report No. 19-14.</p> </li> <li data-bbox="786 1220 1321 1289"> <p><b>2018: DBEDT reports Partially Implemented</b> Self-reported March 6, 2018.</p> </li> </ul>
<p>(2.b.) The Hawai‘i Film Office should improve its reporting to the Legislature on the film tax credit by ensuring that the reported data is accurate, consistent, and timely.</p>	<ul style="list-style-type: none"> <li data-bbox="786 1373 1235 1444" style="background-color: #fff3cd; padding: 5px;"> <p><b>2019: Auditor reports <span style="background-color: #28a745; color: white; padding: 2px;">Implemented</span></b> Follow-up, Report No. 19-14.</p> </li> <li data-bbox="786 1478 1321 1545"> <p><b>2018: DBEDT reports Partially Implemented</b> Self-reported March 6, 2018.</p> </li> </ul>



PHOTO: OFFICE OF THE AUDITOR

**REPORT NO. 17-05**  
***Audit of Hawai'i Department of Agriculture's  
 Plant Quarantine Branch***

<hr/> <p>Number of Recommendations: <b>7</b></p> <hr/> <p>Number of Recommendations Partially or Fully Implemented: <b>6</b></p> <hr/> <p>Percent Partially or Fully Implemented: <b>86%</b></p> <hr/>	<h3 style="margin-top: 0;">Audit Recommendations by Status</h3> <p>In Report No. 17-05, we made a total of 7 recommendations to the agency.</p> <div style="display: flex; align-items: center; margin: 10px 0;"> <div style="display: flex; gap: 5px;"> <div style="width: 15px; height: 15px; background-color: green;"></div> <div style="width: 15px; height: 15px; background-color: orange;"></div> <div style="width: 15px; height: 15px; background-color: orange;"></div> <div style="width: 15px; height: 15px; background-color: orange;"></div> <div style="width: 15px; height: 15px; background-color: orange;"></div> <div style="width: 15px; height: 15px; background-color: red;"></div> </div> </div> <div style="margin-top: 10px;"> <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></span> Implemented</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: orange; margin-right: 5px;"></span> Partially Implemented</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: red; margin-right: 5px;"></span> Not Implemented</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: gray; margin-right: 5px;"></span> Not Implemented - N/A</li> <li><span style="display: inline-block; width: 15px; height: 15px; border: 1px solid red; margin-right: 5px;"></span> Not Implemented - Disagree</li> </ul> </div> <p style="text-align: right; font-size: small;">Source: Office of the Auditor</p>
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**IN REPORT NO. 17-05, *Audit of the Hawai'i Department of Agriculture's Plant Quarantine Branch***, we found that the Plant Quarantine Branch (PQB) lacked data gathering and data analysis functions necessary to actively and continuously assess risks of invasive species. We also found the branch's central database did not perform its core functions and was considered by PQB staff to be unreliable and cumbersome to use. We noted PQB lacked the organizational framework necessary to manage and communicate risks from invasive species.

In 2018, we issued a formal request for information to the Hawai'i Department of Agriculture (HDOA) on the status of audit recommendations from Report No. 17-05. The agency reported that 100% of our recommendations had been at least partially implemented.

In 2019, we issued another formal request for information on the status of audit recommendations

that had not been fully implemented in its 2018 written responses. The agency reported that of the 3 recommendations reported as partially implemented in their 2018 written responses, all 3 remained only partially implemented.

In 2020, we conducted an active follow-up into the implementation of our recommendations, and issued Report No. 20-12 entitled, *Follow-Up on Recommendations from Report No. 17-05, Audit of Hawai'i Department of Agriculture's Plant Quarantine Branch*. As a result of that report, we found that 6 out of 7 (86%) of our recommendations had been at least partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation	Status of Recommendation
<p>(1.a.) The Hawai‘i Department of Agriculture should plan and implement a risk analysis process to define and respond to threats of invasive species introduction, incorporating data-driven elements to monitor, evaluate, adjust, and improve inspection activities. This would include developing and implementing policies and procedures for data collection and verification, including establishing standards for data entry, which will ensure the completeness and accuracy of the data recorded.</p>	<p><b>2020: Auditor reports Partially Implemented</b> Follow-Up, Report No. 20-12.</p> <p><b>2019: HDOA reports Partially Implemented</b> Self-reported August 29, 2019.</p> <p><b>2018: HDOA reports Partially Implemented</b> Self-reported September 5, 2018:</p>
<p>(1.b.) The Hawai‘i Department of Agriculture should plan, implement, and operate an up-to-date database system that houses important taxonomic data, communicates with other databases, and supports an e-manifest program, among other functions.</p>	<p><b>2020: Auditor reports Partially Implemented</b> Follow-Up, Report No. 20-12.</p> <p><b>2019: HDOA reports Partially Implemented</b> Self-reported August 29, 2019.</p> <p><b>2018: HDOA reports Partially Implemented</b> Self-reported September 5, 2018:</p>
<p>(1.c.) The Hawai‘i Department of Agriculture should determine the personnel necessary to implement and operate a data-driven biosecurity program, ensuring that PQB is sufficiently staffed and supported to carry out these complex and specialized duties.</p>	<p><b>2020: Auditor reports Not Implemented</b> Follow-Up, Report No. 20-12.</p> <p>Our follow-up report noted: “Although PQB has taken steps to implement the biosecurity program, we could not find enough at this time to conclude that substantial progress has been made to determine the number and necessary qualifications of personnel needed to implement its new Pacific Point system and use the new data-driven biosecurity program.”</p> <p><b>2018: HDOA reports Implemented</b> Self-reported September 5, 2018.</p>
<p>(1.d.) The Hawai‘i Department of Agriculture should ensure timely recruitment of vacant PQB positions, paying particular attention to filling vacant managerial positions with permanent hires.</p>	<p><b>2020: Auditor reports Implemented</b> Follow-Up, Report No. 20-12.</p> <p><b>2018: HDOA reports Implemented</b> Self-reported August 1, 2018.</p>

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## Recommendation

## Status of Recommendation

**(2.a.) The Plant Quarantine Branch should develop appropriate policies and procedures to ensure that its inspectors carry out the branch’s biosecurity plan.**

**2020: Auditor reports** **Partially Implemented**

Follow-Up, Report No. 20-12.

**2019: HDOA reports** **Partially Implemented**

Self-reported August 29, 2019.

**2018: HDOA reports** **Partially Implemented**

Self-reported September 5, 2018.

**(2.b.) The Plant Quarantine Branch should provide staff with the appropriate training to carry out this new approach.**

**2020: Auditor reports** **Partially Implemented**

Follow-Up, Report No. 20-12.

**2018: HDOA reports** **Implemented**

Self-reported September 5, 2018.

**(2.c.) The Plant Quarantine Branch should periodically review and update policies and procedures to ensure continued relevance.**

**2020: Auditor reports** **Partially Implemented**

Follow-Up, Report No. 20-12.

**2018: HDOA reports** **Implemented**

Self-reported September 5, 2018.



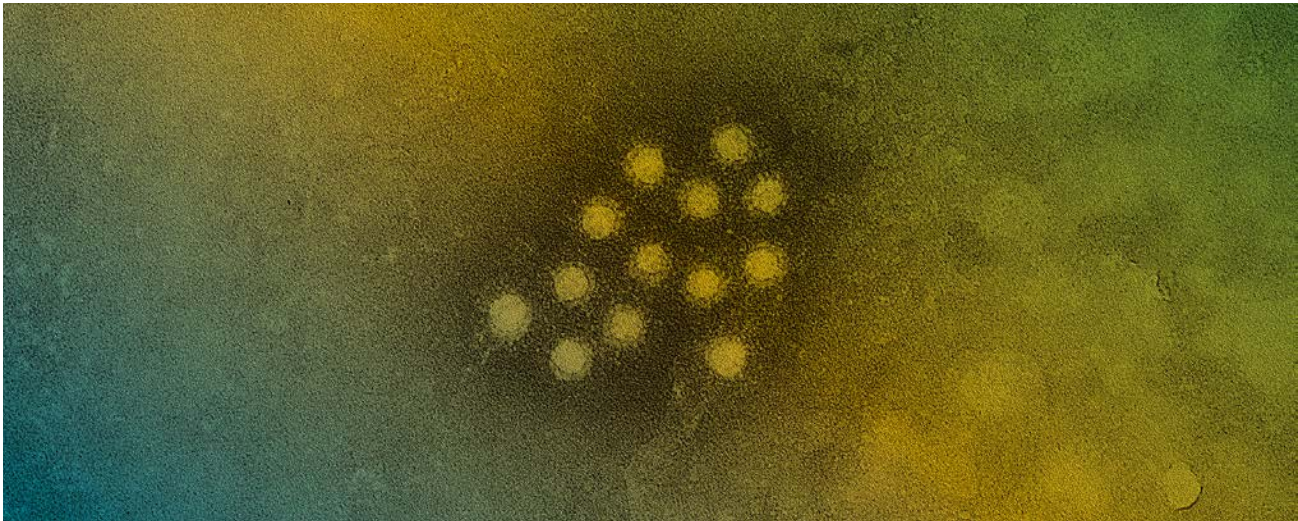


PHOTO: ISTOCK.COM

**REPORT NO. 17-14**  
***Audit of the Disease Outbreak Control Division of the Department of Health***

<hr/> <p>Number of Recommendations: <b>5</b></p> <hr/> <p>Number of Recommendations Partially or Fully Implemented: <b>5</b></p> <hr/> <p>Percent Partially or Fully Implemented: <b>100%</b></p> <hr/>	<hr/> <p><b>Audit Recommendations by Status</b></p> <p>In Report No. 17-14, we made a total of 5 recommendations to the agency.</p> <div style="display: flex; align-items: center; margin-top: 10px;"> <div style="margin-right: 10px;"> <span style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></span> <span style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></span> <span style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></span> <span style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></span> <span style="display: inline-block; width: 15px; height: 15px; background-color: orange;"></span> </div> <div> <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></span> Implemented</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: orange; margin-right: 5px;"></span> Partially Implemented</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: red; margin-right: 5px;"></span> Not Implemented</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: gray; margin-right: 5px;"></span> Not Implemented - N/A</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: red; border: 1px solid black; margin-right: 5px;"></span> Not Implemented - Disagree</li> </ul> </div> </div> <p style="text-align: right; margin-top: 10px;">Source: Office of the Auditor</p>
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**IN REPORT NO. 17-14, *Audit of the Disease Outbreak Control Division of the Department of Health***, we found communication breakdowns had caused confusion, discord, and delays; and lax procedures and records management may have been hampering outbreak response. We also found the Disease Outbreak Control Division had inconsistent procedures related to recordkeeping, internal reviews, and reporting.

In 2019, we issued a formal request for information to the Department of Health on the status of audit recommendations from Report No. 17-14. The agency reported that all of our recommendations have been at least partially implemented.

An active follow-up was suspended in early 2020 due to the COVID-19 pandemic. We anticipate resuming follow-up work sometime in 2022.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.



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## Recommendation

## Status of Recommendation

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(1.a.) The Department of Health should continue developing the All Hazards Preparedness Plan or an alternative strategy that establishes a defined chain of command, communication guidelines, and roles and responsibilities for responding to significant outbreaks.

2019: DOH reports **Implemented**

Self-reported, January 22, 2019.

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(1.b.) The Department of Health should determine the type of information that can/ should be shared with external agencies and parties involved in jointly responding to an outbreak and develop procedures for sharing such information (e.g., HIPAA/ confidentiality agreement). DOH may consider seeking advice and counsel from the Department of the Attorney General and oversight agencies such as CDC.

2019: DOH reports **Partially Implemented**

Self-reported, January 30, 2019.

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(2.a.) The Disease Outbreak Control Division should develop and enforce administrative procedures related to the opening, investigating, and closing of cases, clusters, and outbreaks. Such procedures should include review and recordkeeping requirements, reporting requirements, responsible parties involved with each process, and established deadlines.

2019: DOH reports **Implemented**

Self-reported, January 11, 2019.

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(2.b.) The Disease Outbreak Control Division should continue to develop and implement guidelines for summary report and after-action assessments for epidemiological investigations. These should include input from responsible parties, established deadlines, and a scientific format as recommended by CDC. We note that Epidemiological Investigation Summary Report Guidelines have been drafted by the Disease Investigation Branch.

2019: DOH reports **Implemented**

Self-reported, January 30, 2019.

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(2.c.) The Disease Outbreak Control Division should complete summary reports and after-action assessments for each significant outbreak, including documentation of key activities to ensure accountability.

2019: DOH reports **Implemented**

Self-reported, January 30, 2019.

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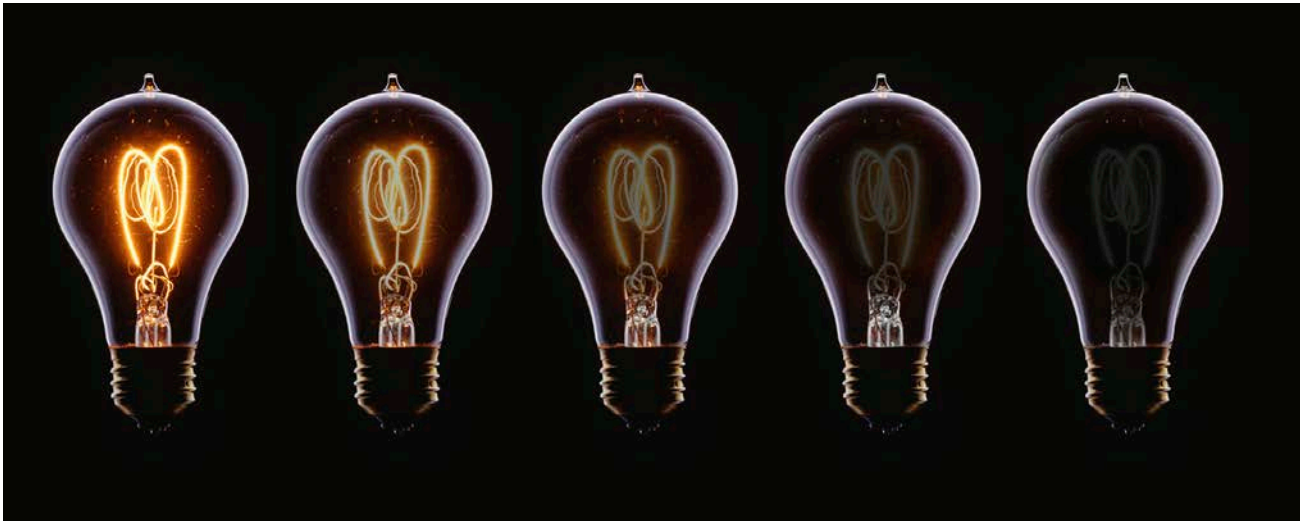


PHOTO: ISTOCK.COM

## REPORT NO. 18-01 *Audit of the Hawai'i State Energy Office*

Number of Recommendations: <b>9</b>	<h3 style="margin: 0;">Audit Recommendations by Status</h3> <p style="margin: 0;">In Report No. 18-01, we made a total of 9 recommendations to the agency.</p> <div style="display: flex; align-items: center; margin: 10px 0;"> <div style="display: flex; gap: 5px;"> <div style="width: 15px; height: 15px; background-color: #4CAF50; border: 1px solid black;"></div> <div style="width: 15px; height: 15px; background-color: #FF9800; border: 1px solid black;"></div> <div style="width: 15px; height: 15px; background-color: #FF9800; border: 1px solid black;"></div> <div style="width: 15px; height: 15px; background-color: #FF9800; border: 1px solid black;"></div> <div style="width: 15px; height: 15px; background-color: #FF9800; border: 1px solid black;"></div> <div style="width: 15px; height: 15px; background-color: #FF9800; border: 1px solid black;"></div> <div style="width: 15px; height: 15px; background-color: #FF9800; border: 1px solid black;"></div> <div style="width: 15px; height: 15px; background-color: #424242; border: 1px solid black;"></div> <div style="width: 15px; height: 15px; background-color: #424242; border: 1px solid black;"></div> </div> </div> <div style="margin-top: 10px;"> <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #4CAF50; margin-right: 5px;"></span> Implemented</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #FF9800; margin-right: 5px;"></span> Partially Implemented</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #F44336; margin-right: 5px;"></span> Not Implemented</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #424242; margin-right: 5px;"></span> Not Implemented - N/A</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #F44336; border: 1px solid black; margin-right: 5px;"></span> Not Implemented - Disagree</li> </ul> </div> <p style="margin-top: 10px; font-size: small;">Source: Office of the Auditor</p>
Number of Recommendations Partially or Fully Implemented: <b>7</b>	
Percent Partially or Fully Implemented: <b>78%</b>	

**IN REPORT NO. 18-01, *Audit of the Hawai'i State Energy Office***, we reported specific contributions to advancing the State's clean energy initiatives were unclear, and strategic plan and updates included goals and targets that were unrealistic and may be impossible to achieve. We also noted an imminent financial shortfall would significantly impact Energy Office operations.

In 2019, we issued a formal request for information to the Department of Business, Economic Development and Tourism (DBEDT) on the status of audit recommendations from Report No. 18-01. The agency reported that all of our recommendations have been fully implemented.

In 2020, we conducted an active follow-up into the implementation of our recommendations, and in 2021, we issued Report No. 21-05 entitled, *Follow-Up on Recommendations from Report No. 18-01, Audit of the Hawai'i State Energy Office*. As a result of that report, we found that 7 out of 9 (78%) of our recommendations had been at least partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

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## Recommendation

## Status of Recommendation

(1.a.) The Energy Office should establish short-term and long-term financial plans to ensure sustainability.

**2021: Auditor reports** **Not Implemented - N/A**

Follow-Up, Report No. 21-05.

Our follow-up report noted: “[T]he Energy Office’s financial plans as of February 2019 were obviated less than six months later when Act 122 transitioned the funding for the Energy Office’s personnel and operations to the State’s general fund in fiscal year 2020.”

**2019: DBEDT reports Implemented**

Self-reported February 28, 2019.

(1.b.) The Energy Office should reduce operating expenses to a sustainable level.

**2021: Auditor reports** **Not Implemented - N/A**

Follow-Up, Report No. 21-05.

Our follow-up report noted: “[W]e need not determine whether those reductions amounted to ‘a sustainable level’ of operating expenses, as we recommended. Nor need we decide whether what the Energy Office characterized as its achievement of ‘a more sustainable’ level of expenses partially implements the ‘sustainable level’ we recommended. Those determinations have been obviated by the intervening enactment of Act 122.”

**2019: DBEDT reports Implemented**

Self-reported February 28, 2019.

(1.c.) The Energy Office should immediately update its strategic plan.

**2021: Auditor reports** **Implemented**

Follow-Up, Report No. 21-05.

**2019: DBEDT reports Implemented**

Self-reported February 28, 2019.

(2.a.) The Energy Office should also develop and implement robust project management and reporting processes by documenting the justification for initiation of each project, measurable goals, budget and staffing requirements, implementation and execution strategies, and project schedule.

**2021: Auditor reports** **Partially Implemented**

Follow-Up, Report No. 21-05.

**2019: DBEDT reports Implemented**

Self-reported February 28, 2019.

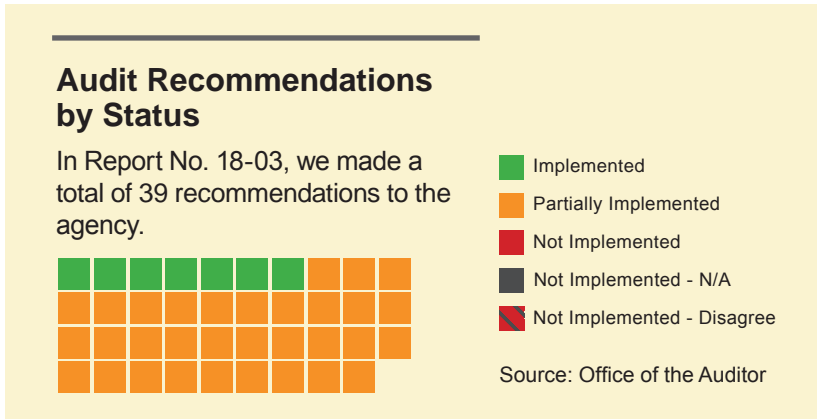
Recommendation	Status of Recommendation
<p>(2.b.) The Energy Office should also develop and implement robust project management and reporting processes by establishing performance measures for all programs and activities.</p>	<ul style="list-style-type: none"> <li data-bbox="786 365 1325 443"> <span style="font-size: 2em; vertical-align: middle;">•</span> <b>2021: Auditor reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Follow-Up, Report No. 21-05.                 </li> <li data-bbox="786 474 1219 548"> <span style="font-size: 2em; vertical-align: middle;">•</span> <b>2019: DBEDT reports Implemented</b>                      Self-reported February 28, 2019.                 </li> </ul>
<p>(2.c.) The Energy Office should also develop and implement robust project management and reporting processes by monitoring the progress and status of programs and activities.</p>	<ul style="list-style-type: none"> <li data-bbox="786 602 1325 680"> <span style="font-size: 2em; vertical-align: middle;">•</span> <b>2021: Auditor reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Follow-Up, Report No. 21-05.                 </li> <li data-bbox="786 711 1219 785"> <span style="font-size: 2em; vertical-align: middle;">•</span> <b>2019: DBEDT reports Implemented</b>                      Self-reported February 28, 2019.                 </li> </ul>
<p>(2.d.) The Energy Office should also develop and implement robust project management and reporting processes by ensuring an analysis of achievements and impacts on the State’s clean energy goals upon project completion.</p>	<ul style="list-style-type: none"> <li data-bbox="786 840 1325 917"> <span style="font-size: 2em; vertical-align: middle;">•</span> <b>2021: Auditor reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Follow-Up, Report No. 21-05.                 </li> <li data-bbox="786 949 1219 1022"> <span style="font-size: 2em; vertical-align: middle;">•</span> <b>2019: DBEDT reports Implemented</b>                      Self-reported February 28, 2019.                 </li> </ul>
<p>(2.e.) The Energy Office should also develop and implement robust project management and reporting processes by reporting the resultant achievements and impacts in its annual and Act 73 reports clearly and concisely, so that the Legislature and public can evaluate the office’s progress toward its goals.</p>	<ul style="list-style-type: none"> <li data-bbox="786 1071 1325 1148"> <span style="font-size: 2em; vertical-align: middle;">•</span> <b>2021: Auditor reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Follow-Up, Report No. 21-05.                 </li> <li data-bbox="786 1180 1219 1274"> <span style="font-size: 2em; vertical-align: middle;">•</span> <b>2019: DBEDT reports Implemented</b>                      Self-reported February 28, 2019.                 </li> </ul>
<p>(2.f.) The Energy Office should also develop and implement robust project management and reporting processes by establishing written policies and procedures that all program staff are required to follow.</p>	<ul style="list-style-type: none"> <li data-bbox="786 1365 1325 1442"> <span style="font-size: 2em; vertical-align: middle;">•</span> <b>2021: Auditor reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Follow-Up, Report No. 21-05.                 </li> <li data-bbox="786 1474 1219 1568"> <span style="font-size: 2em; vertical-align: middle;">•</span> <b>2019: DBEDT reports Implemented</b>                      Self-reported February 28, 2019.                 </li> </ul>



PHOTO: OFFICE OF HAWAIIAN AFFAIRS

**REPORT NO. 18-03**  
***Audit of the Office of Hawaiian Affairs***

Number of Recommendations:	<b>39</b>
Number of Recommendations Partially or Fully Implemented:	<b>39</b>
Percent Partially or Fully Implemented:	<b>100%</b>



**IN REPORT NO. 18-03, *Audit of the Office of Hawaiian Affairs***, we found spending on non-competitive Kūlia Initiatives was nearly double what the Office of Hawaiian Affairs (OHA) spent on closely vetted, competitive grants and the Fiscal Reserve lacked a clear policy guiding its use and had been spent down rapidly. We reported CEO Sponsorships were subject to minimal oversight and were often, despite written guidelines, approved based on personal discretion. We also reported rules governing Trustee Allowances were broad and arbitrarily enforced, leading to many instances of questionable spending.

In 2019, we issued a formal request for information to OHA on the status of audit recommendations from Report No. 18-03.

The agency reported that all of our recommendations have been at least partially implemented.

An active follow-up report will be issued later this year.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.



Recommendation	Status of Recommendation
<p>(OHA Board of Trustees, 1.a.) OHA Board of Trustees should, in general, require trustees and trustee staff to attend regular training that includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>i. Fiduciary duties and other responsibilities of trustees;</li> <li>ii. State Ethics Code, Chapter 84, HRS;</li> <li>iii. Sunshine Law, part I of Chapter 92, HRS; and</li> <li>iv. Uniform Information Practices Act (Modified), Chapter 92F, HRS.</li> </ul>	<p>2019: OHA reports <b>Partially Implemented</b>                      Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 1.b.) OHA Board of Trustees should, in general, ensure that OHA policies and procedures, applicable to trustees and the Administration, align and are consistent with OHA’s mission, trustees’ fiduciary duties, and State laws.</p>	<p>2019: OHA reports <b>Partially Implemented</b>                      Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 1.c.) OHA Board of Trustees should, in general, develop a clearly defined process by which trustees must hold each other individually accountable for actions that are inconsistent with their collective fiduciary duties and responsibilities to trust beneficiaries and for violations of State laws.</p>	<p>2019: OHA reports <b>Partially Implemented</b>                      Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 1.d.) OHA Board of Trustees should, in general, provide greater transparency into OHA’s administration of trust assets, including OHA’s fiscal year budgets and actual expenditures, specific information regarding the Grants, Sponsorships, and other funding awarded by OHA, OHA’s investment portfolio holdings and returns, and expenditures by trustees using Trustee Allowances. Consider posting such information on OHA’s website or some other similarly accessible public portal.</p>	<p>2019: OHA reports <b>Partially Implemented</b>                      Self-reported March 28, 2019.</p>



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## Recommendation

## Status of Recommendation

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**(OHA Board of Trustees, 1.e.) OHA Board of Trustees should, in general, consider requiring board approval of all Grants, Sponsorships, and other funding awarded by OHA and/or that use Native Hawaiian Trust Fund assets.**

**2019: OHA reports** **Implemented**  
Self-reported March 28, 2019.

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**(OHA Board of Trustees, 1.f.) OHA Board of Trustees should, in general, require the Administration to develop a master list of all OHA Grants, Sponsorships, and other funding awarded, including the name of the individual, group, or organization receiving the funds, the amount of the award, and the approving or granting entity within OHA (such as the board, CEO, or line of business).**

**2019: OHA reports** **Partially Implemented**  
Self-reported March 28, 2019.

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**(OHA Board of Trustees, 1.g.) OHA Board of Trustees should, in general, consider developing policies regarding the maximum number and maximum total dollar amounts of Grants, Sponsorships, and other funding awarded to the same individual, group, or organization during a fiscal year or other determined period.**

**2019: OHA reports** **Partially Implemented**  
Self-reported March 28, 2019.

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**(OHA Board of Trustees, 2.a.) OHA Board of Trustees should, with respect to Kūlia Initiatives, determine and clearly define the purpose of Kūlia Initiatives.**

**2019: OHA reports** **Implemented**  
Self-reported March 28, 2019.

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**(OHA Board of Trustees, 2.b.) OHA Board of Trustees should, with respect to Kūlia Initiatives, review, update, and amend policies related to Kūlia Initiatives, as needed, to align with the defined purposes of Kūlia Initiatives. Such policies and procedures should clearly describe the types of spending for which Kūlia Initiatives are appropriate (as opposed to the purposes of other OHA funding support mechanisms, such as Community and ‘Ahahui Grants).**

**2019: OHA reports** **Implemented**  
Self-reported March 28, 2019.

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Recommendation	Status of Recommendation
<p>(OHA Board of Trustees, 2.c.) OHA Board of Trustees should, with respect to Kūlia Initiatives, consider including in OHA’s annual budget a board-determined amount to fund Kūlia Initiatives.</p>	<p>2019: OHA reports <b>Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 2.d.) OHA Board of Trustees should, with respect to Kūlia Initiatives, ensure that the purpose and use of Kūlia Initiatives aligns and is consistent with: (a) OHA’s mission; (b) OHA’s policies and procedures; (c) trustee’s fiduciary duties; and (d) State laws.</p>	<p>2019: OHA reports <b>Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 3.a.) OHA Board of Trustees should, with respect to the Fiscal Reserve, determine and clearly define the purpose of the Fiscal Reserve, considering the original intent of the reserve, as well as the board’s current intent for maintaining a reserve.</p>	<p>2019: OHA reports <b>Partially Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 3.b.) OHA Board of Trustees should, with respect to the Fiscal Reserve, review, update, and amend policies and procedures related to the Fiscal Reserve, including OHA’s Spending Policy and Fiscal Reserve Guidelines, as needed, to align with the defined purpose of the Fiscal Reserve. Such policies and procedures should clearly describe the circumstances in and purposes for which the Fiscal Reserve can be used.</p>	<p>2019: OHA reports <b>Partially Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 3.c.) OHA Board of Trustees should, with respect to the Fiscal Reserve, clarify and clearly define the purpose of the 5 percent spending limit, and determine whether it is necessary to establish a withdrawal rate limit to ensure the health and sustainability of the Native Hawaiian Trust Fund.</p>	<p>2019: OHA reports <b>Partially Implemented</b> Self-reported March 28, 2019.</p>

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## Recommendation

## Status of Recommendation

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(OHA Board of Trustees, 3.d.) OHA Board of Trustees should, with respect to the Fiscal Reserve, work with the administration, including OHA's Investment Management staff, to determine and obtain the financial information necessary for the board to assess the short- and long-term impacts to the Native Hawaiian Trust Fund when considering use of the Fiscal Reserve.

2019: OHA reports **Partially Implemented**  
Self-reported March 28, 2019.

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(OHA Board of Trustees, 3.e.) OHA Board of Trustees should, with respect to the Fiscal Reserve, for each action item considering use of the Fiscal Reserve, ensure the Administration clearly includes the specific information as required by the Fiscal Reserve Guidelines and necessary for the board's decision-making.

2019: OHA reports **Partially Implemented**  
Self-reported March 28, 2019.

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(OHA Board of Trustees, 3.f.) OHA Board of Trustees should, with respect to the Fiscal Reserve, ensure that the purpose and use of the Fiscal Reserve aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.

2019: OHA reports **Partially Implemented**  
Self-reported March 28, 2019.

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(OHA Board of Trustees, 4.a.) OHA Board of Trustees should, with respect to CEO Sponsorships, determine and clearly define the purpose of CEO Sponsorships.

2019: OHA reports **Partially Implemented**  
Self-reported March 28, 2019.

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(OHA Board of Trustees, 4.b.) OHA Board of Trustees should, with respect to CEO Sponsorships, review, update, and amend policies and procedures related to CEO Sponsorships, as needed, to align with the defined purpose of CEO Sponsorships. Such policies and procedures should clearly describe the circumstances in and purposes for which CEO Sponsorships can be used.

2019: OHA reports **Partially Implemented**  
Self-reported March 28, 2019.

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Recommendation	Status of Recommendation
<p>(OHA Board of Trustees, 4.c.) OHA Board of Trustees should, with respect to CEO Sponsorships, consider restricting the Administration’s ability to independently adjust the fiscal year budget, once approved by the board, to fund or otherwise support CEO Sponsorships.</p>	<p>2019: OHA reports <b>Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 4.d.) OHA Board of Trustees should, with respect to CEO Sponsorships, ensure that the purpose and use of CEO Sponsorships aligns and is consistent with: (a) OHA’s mission; (b) OHA’s policies and procedures; (c) trustees’ fiduciary duties; and (d) State laws.</p>	<p>2019: OHA reports <b>Partially Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 5.a.) OHA Board of Trustees should, with respect to Trustee Allowances, amend the Trustee Allowances policy to restrict the use of Trustee Allowances to expenses incurred by trustees relating to their communication with beneficiaries and the public, as was the original purpose of the Trustee Allowances, and reduce the Trustee Allowances to an amount determined by the board to be reasonably necessary for that purpose.</p>	<p>2019: OHA reports <b>Partially Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 5.b.) OHA Board of Trustees should, with respect to Trustee Allowances, prohibit the use of Trustee Allowances to provide financial support, direct or otherwise, to individuals, groups, or organizations. Require requests for financial support by individuals, groups, or organizations to be approved by the board and funded through a program other than Trustee Allowances.</p>	<p>2019: OHA reports <b>Partially Implemented</b> Self-reported March 28, 2019.</p>

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## Recommendation

## Status of Recommendation

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**(OHA Board of Trustees, 5.c.) OHA Board of Trustees should, with respect to Trustee Allowances, work with the Administration to more clearly define procedures related to the use and administration of Trustee Allowances.**

**2019: OHA reports** **Partially Implemented**  
Self-reported March 28, 2019.

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**(OHA Board of Trustees, 5.d.) OHA Board of Trustees should, with respect to Trustee Allowances, require trustees to seek reimbursement of expenses; do not disburse the total amount of Trustee Allowances to trustees at the beginning of the fiscal year or otherwise advance any funds to trustees.**

**2019: OHA reports** **Partially Implemented**  
Self-reported March 28, 2019.

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**(OHA Board of Trustees, 5.e.) OHA Board of Trustees should, with respect to Trustee Allowances, review and amend, as needed, the sanctions established in the Code of Conduct for violations of Trustee Allowance policies and procedures and establish a process to ensure enforcement of sanctions to appropriately address such violations.**

**2019: OHA reports** **Partially Implemented**  
Self-reported March 28, 2019.

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**(OHA Board of Trustees, 5.f.) OHA Board of Trustees should, with respect to Trustee Allowances, ensure that the purpose and use of Trustee Allowances aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.**

**2019: OHA reports** **Partially Implemented**  
Self-reported March 28, 2019.

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Recommendation	Status of Recommendation
<p>(OHA Administration, 1.a.) OHA Administration should, in general, require the Administration to attend regular training that includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>i. Fiduciary duties and other responsibilities of trustees;</li> <li>ii. State Ethics Code, Chapter 84, HRS;</li> <li>iii. Sunshine Law, part I of Chapter 92, HRS: and</li> <li>iv. Uniform Information Practices Act (Modified), Chapter 92F, HRS.</li> </ul>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b>                      Self-reported March 28, 2019.</p>
<p>(OHA Administration, 1.b.) OHA Administration should, in general, support trustees in performing their fiduciary duties and other responsibilities by, among other things, providing financial documents and other information in a timely manner as requested by individual trustees.</p>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b>                      Self-reported March 28, 2019.</p>
<p>(OHA Administration, 2.a.) OHA Administration should, with respect to Kūlia Initiatives, ensure that the board and the Administration adhere to and comply with the board-adopted policies and procedures for Kūlia Initiatives.</p>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b>                      Self-reported March 28, 2019.</p>
<p>(OHA Administration, 2.b.) OHA Administration should, with respect to Kūlia Initiatives, ensure that OHA’s use of Kūlia Initiatives aligns and is consistent with: (a) OHA’s mission; (b) OHA’s policies and procedures; (c) trustees’ fiduciary duties; and (d) State laws.</p>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b>                      Self-reported March 28, 2019.</p>
<p>(OHA Administration, 3.a.) OHA Administration should, with respect to the Fiscal Reserve, ensure each proposed use of the Fiscal Reserve is consistent with the Fiscal Reserve Guidelines and the board-stated purpose of the Fiscal Reserve.</p>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b>                      Self-reported March 28, 2019.</p>



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## Recommendation

## Status of Recommendation

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(OHA Administration, 3.b.) OHA Administration should, with respect to the Fiscal Reserve, for each requested use of the Fiscal Reserve, provide the board with specific information and recommendations as to whether the board's or the Administration's proposed use of the Fiscal Reserve is consistent with the Fiscal Reserve Guidelines and the purpose of the Fiscal Reserve. Such information may include, but is not limited to, specific financial information regarding the Native Hawaiian Trust Fund balance, projected revenue for the fiscal year, and impact to the Native Hawaiian Trust Fund resulting from the requested use of the Fiscal Reserve.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

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(OHA Administration, 4.a.) OHA Administration should, with respect to CEO Sponsorships, adhere to Grants Staff recommendations regarding the Administration's requests to fund CEO Sponsorships.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

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(OHA Administration, 4.b.) OHA Administration should, with respect to CEO Sponsorships, if the Administration is allowed to adjust the budget to fund Sponsorships, obtain board approval before doing so, and provide the board with specific information about the proposed funding request to inform trustees' decision-making.

2019: OHA reports **Implemented**

Self-reported March 28, 2019.

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(OHA Administration, 5.a.) OHA Administration should, with respect to Trustee Allowances, monitor and review trustees' use of Trustee Allowances and ensure expenditures using Trustee Allowances comply with the Trustee Allowances policy.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

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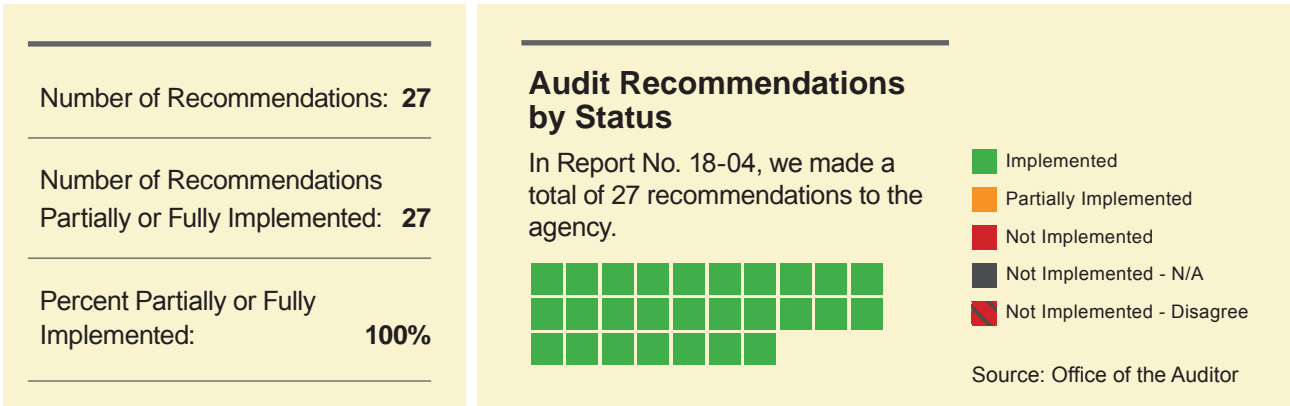
Recommendation	Status of Recommendation
<p>(OHA Administration, 5.b.) OHA Administration should, with respect to Trustee Allowances, establish procedures to more clearly define the Administration's role and procedures for administering and monitoring the use of Trustee Allowances.</p>	<p>2019: OHA reports <b>Partially Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Administration, 5.c.) OHA Administration should, with respect to Trustee Allowances, report to the board the specific expenditures approved and reimbursed to each trustee using Trustee Allowances.</p>	<p>2019: OHA reports <b>Partially Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Administration, 5.d.) OHA Administration should, with respect to Trustee Allowances, create a formal appeal process for trustees to request a second determination of whether they are entitled to reimbursement of expenses using Trustee Allowances, for instance, through staff whose regular duties do not involve review and approval of Trustee Allowances.</p>	<p>2019: OHA reports <b>Partially Implemented</b> Self-reported March 28, 2019.</p>



PHOTO: HAWAII TOURISM AUTHORITY (HTA) / TOR JOHNSON

## REPORT NO. 18-04

### ***Audit of the Hawai‘i Tourism Authority***



**IN REPORT NO. 18-04, *Audit of the Hawai‘i Tourism Authority***, we found that the Hawai‘i Tourism Authority’s (HTA) lax oversight of its major contractors did not ensure that public funds were being used effectively and efficiently; deficient procurement and contracting practices undermined accountability and did not ensure best value; and expenses previously classified as “administrative” were shifted to other budget lines to work around a reduced statutory limit for such expenses.

In 2019, we issued a formal request for information to the Hawai‘i Tourism Authority (HTA) on the status of audit recommendations from Report No. 18-04. The agency reported that all of our recommendations have been at least partially implemented.

In 2020, we issued another formal request for information on the status of audit recommendations that were marked as Partially Implemented in their 2019 written responses. The agency reported that all of our recommendations have been fully implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation	Status of Recommendation
<p>(1.) HTA should, in general, update internal policies and procedures related to training, compliance reviews, and other quality assurance functions, to ensure they align with HTA's current organizational structure and personnel.</p>	<p>2020: HTA reports <b>Implemented</b> Self-reported June 18, 2020.</p> <p>2019: HTA reports <b>Partially Implemented</b> Self-reported March 29, 2019.</p>
<p>(2.) HTA should, in general, assign a senior manager to oversee HTA's quality assurance function and ensure it is a priority for the Authority. Such oversight should include ensuring HTA's quality assurance plan is updated and properly implemented.</p>	<p>2020: HTA reports <b>Implemented</b> Self-reported June 18, 2020.</p> <p>2019: HTA reports <b>Partially Implemented</b> Self-reported March 29, 2019.</p>
<p>(3.) HTA should, with respect to overall procurement, update internal policies and procedures to clearly identify the HTA management and staff who are responsible for procurement, administration, and oversight of all contracts, and clearly delineate the responsibilities assigned to each.</p>	<p>2020: HTA reports <b>Implemented</b> Self-reported June 18, 2020.</p> <p>2019: HTA reports <b>Partially Implemented</b> Self-reported March 29, 2019.</p>
<p>(4.a.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including requiring pre-solicitation market research to assess, among other things, market competition and estimated cost.</p>	<p>2020: HTA reports <b>Implemented</b> Self-reported June 18, 2020.</p> <p>2019: HTA reports <b>Partially Implemented</b> Self-reported March 29, 2019.</p>
<p>(4.b.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including requiring proposals for each contract, contract amendment, and extension.</p>	<p>2019: HTA reports <b>Implemented</b> Self-reported March 29, 2019.</p>

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## Recommendation

## Status of Recommendation

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(4.c.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including enforcing requirement that contractors provide evidence of a valid Certificate of Vendor Compliance (CVC) prior to contract execution.

2019: HTA reports **Implemented**

Self-reported March 29, 2019.

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(4.d.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including requiring contracts to include specific performance criteria, performance benchmarks, and deliverables that are aligned with the contract objectives.

2019: HTA reports **Implemented**

Self-reported March 29, 2019.

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(4.e.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including requiring contractors to provide regular progress reports.

2019: HTA reports **Implemented**

Self-reported March 29, 2019.

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(4.f.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including evaluating contractor performance against performance criteria.

2019: HTA reports **Implemented**

Self-reported March 29, 2019.

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Recommendation	Status of Recommendation
<p>(4.g.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA’s actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including requiring written evaluation of contractor performance before amending, modifying, or extending any contract.</p>	<p>2019: HTA reports <b>Implemented</b> Self-reported March 29, 2019.</p>
<p>(5.) HTA should, with respect to overall procurement, retain exclusive ownership of intellectual property created, developed, prepared, or assembled using State funds, absent extraordinary and unique circumstances. Require requests for waiver of the State’s ownership of intellectual property to be thoroughly documented and approved by the Department of the Attorney General.</p>	<p>2019: HTA reports <b>Implemented</b> Self-reported March 29, 2019.</p>
<p>(6.) HTA should, with respect to overall procurement, regularly review and evaluate HTA management and staff performance of their respective procurement and contract-related duties and responsibilities.</p>	<p>2020: HTA reports <b>Implemented</b> Self-reported June 18, 2020.</p> <p>2019: HTA reports <b>Partially Implemented</b> Self-reported March 29, 2019.</p>
<p>(7.) HTA should, with respect to overall procurement, require HTA management and staff who have procurement and contract-related responsibilities to receive regular training on the State Procurement Code, Chapter 103D, HRS, and the State Ethics Code, specifically, Section 84-15, HRS.</p>	<p>2019: HTA reports <b>Implemented</b> Self-reported March 29, 2019.</p>
<p>(8.) HTA should, with respect to sole source procurements, limit sole source procurement to where a good or service is deemed available from only one source.</p>	<p>2019: HTA reports <b>Implemented</b> Self-reported March 29, 2019.</p>
<p>(9.) HTA should, with respect to sole source procurements, require completed documentation to support use of sole source procurement.</p>	<p>2019: HTA reports <b>Implemented</b> Self-reported March 29, 2019.</p>



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## Recommendation

## Status of Recommendation

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(10.) HTA should, with respect to sole source procurements, require written confirmation and justification of sole source contract pricing.

2019: HTA reports **Implemented**

Self-reported March 29, 2019.

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(11.) HTA should, with respect to sole source procurements, develop a publicly accessible list of sole source procurement contracts.

2019: HTA reports **Implemented**

Self-reported March 29, 2019.

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(12.) HTA should, with respect to cost reimbursement contracts, enforce existing contract provisions requiring AEG, and any other contractors who are reimbursed by HTA for costs they incur, to submit receipts and other supporting documentation for each cost invoiced to HTA for reimbursement or other payment.

2019: HTA reports **Implemented**

Self-reported March 29, 2019.

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(13.) HTA should, with respect to cost reimbursement contracts, develop and implement procedures to review and evaluate receipts and supporting documentation submitted for each cost that AEG, and any other contractors who are reimbursed by HTA for costs they incur, invoices HTA for reimbursement or other payment.

2019: HTA reports **Implemented**

Self-reported March 29, 2019.

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(14.) HTA should, with respect to major contractors (AEG and HVCB), develop and implement procedures to include additional monitoring and more frequent evaluation of contractors' performance.

2020: HTA reports **Implemented**

Self-reported June 18, 2020.

2019: HTA reports **Partially Implemented**

Self-reported March 29, 2019.

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(15.) HTA should, with respect to major contractors (AEG and HVCB), require compliance with all material contract terms, including but not limited to HTA's prior written approval of all subcontracts.

2019: HTA reports **Implemented**

Self-reported March 29, 2019.

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Recommendation	Status of Recommendation
<p>(16.) HTA should, with respect to major contractors (AEG and HVCB), require requests for written approval to subcontract to include, at a minimum: (1) an explanation of the need for the goods or services to be subcontracted; (2) a statement regarding subcontractor’s qualifications to provide the goods or services; (3) a summary of process used to procure the goods or services, including the material terms of bids or other responses to provide the goods or services; and (4) the reason(s) for the selection of the subcontractor, including information used to determine the reasonableness of the subcontract amount.</p>	<p>2019: HTA reports <b>Implemented</b> Self-reported March 29, 2019.</p>
<p>(17.) HTA should, with respect to major contractors (AEG and HVCB), for current subcontracts without HTA’s prior written approval, require justification for the subcontracts, including but not limited to the information required for approval to subcontract. For current subcontracts deemed unnecessary, unreasonable, or otherwise contrary to the State’s best interest, consider requiring the goods or services to be re-procured.</p>	<p>2019: HTA reports <b>Implemented</b> Self-reported March 29, 2019.</p>
<p>(18.) HTA should, with respect to major contractors (AEG and HVCB), determine whether “agreements” and “arrangements” for goods or services relating to AEG’s performance of the contract, including with AEG affiliates or related organizations, are subcontracts, requiring prior written consent.</p>	<p>2019: HTA reports <b>Implemented</b> Self-reported March 29, 2019.</p>
<p>(19.) HTA should, with respect to major contractors (AEG and HVCB), consult with the Department of the Attorney General regarding the concession services agreement between AEG and Levy, specifically about action required to remedy AEG’s failure to competitively procure the concession services as required by law.</p>	<p>2019: HTA reports <b>Implemented</b> Self-reported March 29, 2019.</p>

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## Recommendation

## Status of Recommendation

(20.) HTA should, with respect to the limit on administrative expenses, seek clarification from the Legislature regarding the term “administrative expenses,” as used in section 201B-11(c)(1), HRS, through legislation to define the term, including the specific types of expenses that are included within that term.

2020: HTA reports **Implemented**

Self-reported June 18, 2020.

2019: HTA reports **Partially Implemented**

Self-reported March 29, 2019.

(21.) HTA should, with respect to the limit on administrative expenses, until the Legislature provides clarification of the term, request a formal legal opinion from the Attorney General as to the meaning of the term “administrative expenses,” as used in section 201B-11(c)(1), HRS, that HTA can apply in developing its budget and to monitor its use of the Tourism Special Fund.

2020: HTA reports **Implemented**

Self-reported June 18, 2020.

2019: HTA reports **Partially Implemented**

Self-reported March 29, 2019.



PHOTO: ISTOCK.COM

## REPORT NO. 18-05 *Audit of the Public Utilities Commission*

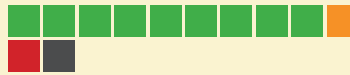
Number of Recommendations: **12**

Number of Recommendations Partially or Fully Implemented: **10**

Percent Partially or Fully Implemented: **83%**

### Audit Recommendations by Status

In Report No. 18-05, we made a total of 12 recommendations to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

**IN REPORT NO. 18-05, *Audit of the Public Utilities Commission***, we found that the Public Utilities Commission’s (PUC) “Goals and Objectives of the Commission” was missing action plans and performance measures to link goals and objectives to the commission’s actual work and activities; that PUC did not address critical issues facing the commission such as staff retention, an archaic document management system, and inconsistent docket processing; and that despite spending \$2.8 million on a computerized document management system, PUC’s docket efficiency needs remained unmet.

In 2019, we issued a formal request for information to PUC on the status of audit recommendations from Report No. 18-05. The agency reported that all of our recommendations had been at least partially implemented.

In 2020, we issued another formal request for information on the status of audit recommendations that were marked as Partially Implemented in their 2019 written responses. The agency reported that all but 2 of our recommendations have been fully implemented.

In 2021, we conducted an active follow-up into the implementation of our recommendations and issued Report No. 21-08 entitled, *Follow-Up on Recommendations from Report No. 18-05, Audit of the Public Utilities Commission*. As a result of that report, we found that 10 out of 12 (83%) of our recommendations had been at least partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

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## Recommendation

## Status of Recommendation

(1.a.) The Public Utilities Commission should, with respect to strategic planning, develop and implement a formal written strategic planning process that includes involving internal and external stakeholders.

**2021: Auditor reports** **Implemented**

Follow-Up, Report No. 21-08.

**2020: PUC reports** **Implemented**

Self-reported July 16, 2020.

**2019: PUC reports** **Partially Implemented**

Self-reported March 29, 2019.

(1.b.) The Public Utilities Commission should, with respect to strategic planning, develop and implement a multi-year strategic plan, separate from the annual report, and ensure the PUC's routine self-evaluation of the plan including the assessment of achieved objectives and goals.

**2021: Auditor reports** **Implemented**

Follow-Up, Report No. 21-08.

**2020: PUC reports** **Implemented**

Self-reported July 16, 2020.

**2019: PUC reports** **Partially Implemented**

Self-reported March 29, 2019.

(1.c.) The Public Utilities Commission should, with respect to strategic planning, ensure that the strategic plan specifically includes a well-defined mission statement and vision statement which clearly articulates short- and long-term objectives, detailed action plans to achieve specific objectives, prioritized goals, performance measurements identifying target milestones, and the ability to monitor and track progress towards achieving the strategic plan.

**2021: Auditor reports** **Implemented**

Follow-Up, Report No. 21-08.

**2020: PUC reports** **Partially Implemented**

Self-reported July 16, 2020.

**2019: PUC reports** **Partially Implemented**

Self-reported March 29, 2019.

(1.d.) The Public Utilities Commission should, with respect to strategic planning, ensure that the strategic plan is communicated to internal and external stakeholders.

**2021: Auditor reports** **Implemented**

Follow-Up, Report No. 21-08.

**2020: PUC reports** **Partially Implemented**

Self-reported July 16, 2020.

**2019: PUC reports** **Partially Implemented**

Self-reported March 29, 2019.

Recommendation	Status of Recommendation
<p>(1.e.) The Public Utilities Commission should, with respect to strategic planning, ensure that the strategic plan specifically addresses PUC’s role in facilitating larger State goals, including the State’s goal of 100 percent renewable energy by 2045.</p>	<ul style="list-style-type: none"> <li data-bbox="799 386 1252 457"> <b>2021: Auditor reports</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">Implemented</span>                      Follow-Up, Report No. 21-08.                 </li> <li data-bbox="799 499 1198 571"> <b>2020: PUC reports</b> <b>Implemented</b>                      Self-reported July 16, 2020.                 </li> <li data-bbox="799 602 1308 663"> <b>2019: PUC reports</b> <b>Partially Implemented</b>                      Self-reported March 29, 2019.                 </li> </ul>
<p>(1.f.) The Public Utilities Commission should, with respect to strategic planning, develop and implement multi-year strategic workforce, retention, and succession plans that align with the PUC’s strategic plan.</p>	<ul style="list-style-type: none"> <li data-bbox="799 720 1360 791"> <b>2021: Auditor reports</b> <span style="background-color: #FF9800; color: white; padding: 2px;">Partially Implemented</span>                      Follow-Up, Report No. 21-08.                 </li> <li data-bbox="799 833 1198 905"> <b>2020: PUC reports</b> <b>Implemented</b>                      Self-reported July 16, 2020.                 </li> <li data-bbox="799 936 1308 997"> <b>2019: PUC reports</b> <b>Partially Implemented</b>                      Self-reported March 29, 2019.                 </li> </ul>
<p>(1.g.) The Public Utilities Commission should, with respect to strategic planning, perform annual formal performance evaluations of all employees.</p>	<ul style="list-style-type: none"> <li data-bbox="799 1052 1305 1123"> <b>2021: Auditor reports</b> <span style="background-color: #F44336; color: white; padding: 2px;">Not Implemented</span>                      Follow-Up, Report No. 21-08.                       Our follow-up report noted: “[N]otwithstanding the inclusion of the PUC’s updated employee performance review process in the 2020-2022 PUC Strategic Plan, data provided by the PUC does not support that annual formal performance evaluations of all employees were performed in 2019 or in 2020.”                 </li> <li data-bbox="799 1381 1198 1453"> <b>2019: PUC reports</b> <b>Implemented</b>                      Self-reported March 29, 2019.                 </li> </ul>
<p>(1.h.) The Public Utilities Commission should, with respect to strategic planning, conduct and document exit interviews.</p>	<ul style="list-style-type: none"> <li data-bbox="799 1509 1252 1581"> <b>2021: Auditor reports</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">Implemented</span>                      Follow-Up, Report No. 21-08.                 </li> <li data-bbox="799 1623 1198 1694"> <b>2019: PUC reports</b> <b>Implemented</b>                      Self-reported March 29, 2019.                 </li> </ul>



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## Recommendation

## Status of Recommendation

(2.a.) The Public Utilities Commission should, with respect to docket processing, develop, establish, and implement official policies and procedures over the docket process.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-08.

2019: PUC reports **Implemented**

Self-reported March 29, 2019.

(2.b.) The Public Utilities Commission should, with respect to docket processing, document, clarify, and communicate the roles and responsibilities of docket team members.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-08.

2019: PUC reports **Implemented**

Self-reported March 29, 2019.

(3.a.) The Public Utilities Commission should, with respect to information technology (IT), develop and implement an IT strategy that aligns with the PUC's strategic plan and current needs, and which involves internal and external stakeholders, including the consumer advocate.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-08.

2020: PUC reports **Implemented**

Self-reported July 16, 2020.

2019: PUC reports **Partially Implemented**

Self-reported March 29, 2019.

(3.b.) The Public Utilities Commission should, with respect to information technology (IT), complete the Request for Information as soon as possible to avoid additional maintenance costs for the current system.

2021: Auditor reports **Not Implemented - N/A**

Follow-Up, Report No. 21-08.

Our follow-up report noted: "Although the PUC did not issue a [Request for Information] as initially intended and as recommended in Report No. 18-05, the [Request for Proposal] and contract for a feasibility study as well as the PUC's strategic plans to replace [Document Management System] appear to meet the original intent of the recommended [Request for Information]. Accordingly, we concluded circumstances have changed such that this recommendation is no longer applicable."

2020: PUC reports **Implemented**

Self-reported July 16, 2020.

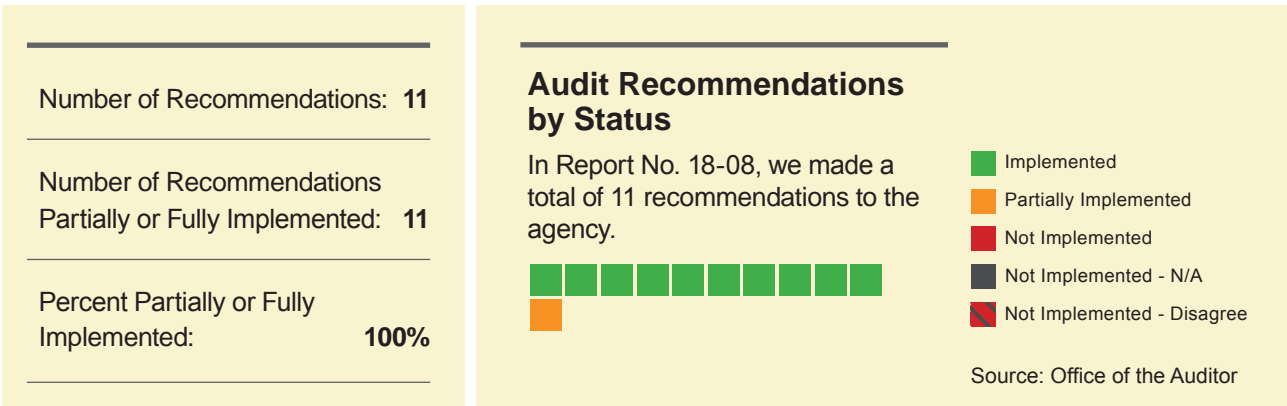
2019: PUC reports **Partially Implemented**

Self-reported March 29, 2019.



PHOTO: ISTOCK.COM

**REPORT NO. 18-08**  
***Audit of the Office of Hawaiian Affairs’ Competitive Grants and Report on the Implementation of 2013 Audit Recommendations***



**IN REPORT NO. 18-08,** *Audit of the Office of Hawaiian Affairs’ Competitive Grants and Report on the Implementation of 2013 Audit Recommendations,* we found that the Office of Hawaiian Affairs (OHA) did not consistently meet the statutory requirements to monitor and evaluate ‘Ahahui Grants, but predominantly met monitoring and evaluation requirements for Community Grants.

In 2019, we issued a formal request for information to OHA on the status of audit recommendations from Report No. 18-08. The agency reported that all of our recommendations had been fully implemented.

In 2021, we conducted an active follow-up into the implementation of our recommendations

and issued Report No. 21-10 entitled, *Follow-Up on Recommendations from Report No. 18-08, Audit of the Office of Hawaiian Affairs’ Competitive Grants and Report on the Implementation of 2013 Audit Recommendations.* As a result of that report, we found that 11 out of 11 (100%) of our recommendations had been at least partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

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## Recommendation

## Status of Recommendation

(1.a.) OHA should improve its overall administration and reporting of grants by ensuring that all grants are awarded and administered consistent with the requirements set forth in Section 10-17, HRS.

- 2021: Auditor reports **Implemented**  
Follow-Up, Report No. 21-10.
- 2019: OHA reports **Implemented**  
Self-reported August 20, 2019.

(1.b.) OHA should improve its overall administration and reporting of grants by developing and documenting a process to ensure a complete list of grants is properly maintained and reported. As part of this process, OHA should consider establishing a master list of all grants, and reconciling TAP's grant records against the grant records of fiscal and other OHA divisions.

- 2021: Auditor reports **Implemented**  
Follow-Up, Report No. 21-10.
- 2019: OHA reports **Implemented**  
Self-reported August 20, 2019.

(2.a.) OHA should improve its administration of 'Ahahui Grants by monitoring, tracking, and documenting grantees' compliance with grant agreement terms and conditions, submission of required grant documents, and achievement of applicable performance measures for use in future grant application reviews and award decisions.

- 2021: Auditor reports **Implemented**  
Follow-Up, Report No. 21-10.
- 2019: OHA reports **Implemented**  
Self-reported August 20, 2019.

(2.b.) OHA should improve its administration of 'Ahahui Grants by formally evaluating the information gathered from grantee final reports and OHA staff attendance reports to determine whether events met criteria and should be funded in the future.

- 2021: Auditor reports **Implemented**  
Follow-Up, Report No. 21-10.
- 2019: OHA reports **Implemented**  
Self-reported August 20, 2019.

(2.c.) OHA should improve its administration of 'Ahahui Grants by requiring OHA personnel to attend 'Ahahui Grant-funded events to monitor and evaluate the events to ensure grants are used consistent with the purpose and intent of the grant, and achieved the expected results; and ensuring that staff reports are submitted by the established deadline.

- 2021: Auditor reports **Implemented**  
Follow-Up, Report No. 21-10.
- 2019: OHA reports **Implemented**  
Self-reported August 20, 2019.

Recommendation	Status of Recommendation
<p>(2.d.) OHA should improve its administration of <u>'Ahahui Grants</u> by clarifying and documenting the responsibilities and processes for monitoring and evaluating all 'Ahahui Grants, and updating existing policies and procedures as necessary.</p>	<p>2021: Auditor reports <b>Implemented</b> Follow-Up, Report No. 21-10.</p> <p>2019: OHA reports <b>Implemented</b> Self-reported August 20, 2019.</p>
<p>(2.e.) OHA should improve its administration of <u>'Ahahui Grants</u> by implementing a formal, documented system to ensure that grant files are complete and contain all necessary documents, including grantee final reports and OHA staff attendance reports, such as a checklist for each grant.</p>	<p>2021: Auditor reports <b>Implemented</b> Follow-Up, Report No. 21-10.</p> <p>2019: OHA reports <b>Implemented</b> Self-reported August 20, 2019.</p>
<p>(3.a.) OHA should improve its administration of <u>Community Grants</u> by monitoring, tracking, and documenting grantees' compliance with grant agreement terms and conditions, submission of required grant documents, and achievement of applicable performance measures for use in future grant application reviews and award discussions.</p>	<p>2021: Auditor reports <b>Partially Implemented</b> Follow-Up, Report No. 21-10.</p> <p>2019: OHA reports <b>Implemented</b> Self-reported August 20, 2019.</p>
<p>(3.b.) OHA should improve its administration of <u>Community Grants</u> by monitoring the scheduling and performance of on-site visits to ensure that visits are conducted annually and results are communicated to grantees in a timely manner.</p>	<p>2021: Auditor reports <b>Implemented</b> Follow-Up, Report No. 21-10.</p> <p>2019: OHA reports <b>Implemented</b> Self-reported August 20, 2019.</p>
<p>(3.c.) OHA should improve its administration of <u>Community Grants</u> by clarifying and documenting the responsibilities and processes for monitoring and evaluating all Community Grants, and updating existing policies and procedures as necessary.</p>	<p>2021: Auditor reports <b>Implemented</b> Follow-Up, Report No. 21-10.</p> <p>2019: OHA reports <b>Implemented</b> Self-reported August 20, 2019.</p>

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## Recommendation

(3.d.) OHA should improve its administration of Community Grants by implementing a formal, documented system to ensure that grant files are complete and contain all necessary documents, including on-site monitoring reports, such as a checklist for each grant.

## Status of Recommendation

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-10.

2019: OHA reports **Implemented**

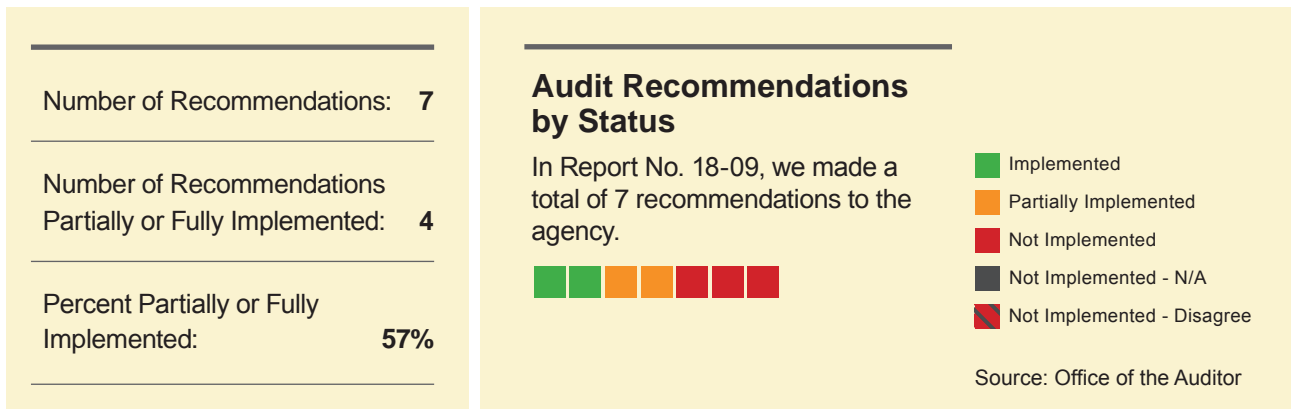
Self-reported August 20, 2019.





PHOTO: OFFICE OF THE AUDITOR

**REPORT NO. 18-09**  
***Audit of the Department of the Attorney General's  
 Asset Forfeiture Program***



**IN REPORT NO. 18-09**, *Audit of the Department of the Attorney General's Asset Forfeiture Program*, we found that administrative rules describing the procedures and practice requirements for asset forfeiture had not been adopted, and consequently, the Department of the Attorney General (ATG) was providing informal, piecemeal guidance to law enforcement agencies and the public. We also found a lack of internal policies and procedures and that the program manager did not guide and oversee day-to-day activities and financial management.

In 2019, we issued a formal request for information to the ATG on the status of audit recommendations from Report No. 18-09. The agency reported that all of our recommendations had been at least partially implemented.

In 2020, we issued another formal request for information on the status of audit recommendations that were marked as Partially Implemented in their 2019 written responses. The agency reported that all but one recommendations have been fully implemented.

In 2021, we conducted an active follow-up into the implementation of our recommendations, and issued Report No. 21-09 entitled, *Follow-Up on Recommendations from Report No. 18-09, Audit of the Department of the Attorney General's Asset Forfeiture Program*. As a result of that report, we found that 4 out of 7 (57%) of our recommendations had been at least partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.



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## Recommendation

## Status of Recommendation

(1.) The Department of the Attorney General should promulgate administrative rules necessary to provide direction to county prosecutors, police departments, and those seeking remission or mitigation.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-09.

2020: ATG reports **Implemented**

Self-reported July 13, 2020.

2019: ATG reports **Partially Implemented**

Self-reported September 4, 2019.

(2.) The Department of the Attorney General should develop clear internal policies and procedures to ensure that petitions for administrative forfeiture are processed timely and consistently, that forfeited property and program funds are appropriately managed, and that proceeds from the sale of forfeited property are used for purposes intended by the Legislature.

2021: Auditor reports **Not Implemented**

Follow-Up, Report No. 21-09.

Our follow-up report noted the department referred us to various statutes and documents that they considered to be written policies and procedures addressing this recommendation. However, our analysis concluded that these documents did not include written guidance for department staff and did not address the specific areas covered by this recommendation.

2020: ATG reports **Implemented**

Self-reported September 4, 2019.

(3.a.) The Department of the Attorney General should strengthen internal controls to provide transparency and accountability for forfeited property and program funds by establishing basic accounting policies and procedures to properly account for program revenues and expenditures.

2021: Auditor reports **Partially Implemented**

Follow-Up, Report No. 21-09.

2020: ATG reports **Implemented**

Self-reported September 4, 2019.

Recommendation	Status of Recommendation
<p><b>(3.b.) The Department of the Attorney General should strengthen internal controls to provide transparency and accountability for forfeited property and program funds by maintaining a complete listing of forfeited property with estimated values for each property; and properly accounting for transactions for each property auctioned, destroyed, or kept for use by law enforcement.</b></p>	<p><b>2021: Auditor reports</b> <span style="background-color: red; color: white; padding: 2px;">Not Implemented</span>                      Follow-Up, Report No. 21-09.</p> <p>Our follow-up report noted: “Although estimated values of property seized and estimated values of property forfeited are included in the program’s most recent annual report, a ready inventory of property pending forfeiture is still not maintained. The department also does not keep complete lists of items that have been destroyed or otherwise disposed of. Without a process to ensure that the department maintains a complete and up-to-date inventory of forfeited property, including property held by the county police departments, the department likely continues to be unable to accurately account for the property that has been forfeited to the State.”</p> <p><b>2020: ATG reports Implemented</b>                      Self-reported September 4, 2019.</p>
<p><b>(3.c.) The Department of the Attorney General should strengthen internal controls to provide transparency and accountability for forfeited property and program funds by assigning the periodic and annual reconciliation of and reporting on the Criminal Forfeiture Fund to the department’s fiscal section.</b></p>	<p><b>2021: Auditor reports</b> <span style="background-color: orange; color: white; padding: 2px;">Partially Implemented</span>                      Follow-Up, Report No. 21-09.</p> <p><b>2020: ATG reports Implemented</b>                      Self-reported July 13, 2020.</p> <p><b>2019: ATG reports Partially Implemented</b>                      Self-reported September 4, 2019.</p>
<p><b>(3.d.) The Department of the Attorney General should strengthen internal controls to provide transparency and accountability for forfeited property and program funds by preparing a short- and long-term forecast of revenues and expenditures of the Criminal Forfeiture Fund to ensure self-sustainability.</b></p>	<p><b>2021: Auditor reports</b> <span style="background-color: green; color: white; padding: 2px;">Implemented</span>                      Follow-Up, Report No. 21-09.</p> <p><b>2020: ATG reports Implemented</b>                      Self-reported September 4, 2019.</p>

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## Recommendation

(3.e.) The Department of the Attorney General should strengthen internal controls to provide transparency and accountability for forfeited property and program funds by ensuring the department complies with Act 104, Session Laws of Hawai‘i 1996, which requires the allocation of 20 percent of moneys deposited into the Criminal Forfeiture Fund be used to support drug abuse education, prevention, and rehabilitation programs.

## Status of Recommendation

**2021: Auditor reports Not Implemented**

Follow-Up, Report No. 21-09.

Our follow-up report noted: “The department said it has not addressed this recommendation and is still exploring options to address the finding. Meanwhile, no disbursements pursuant to Act 104 have occurred.”

**2020: ATG reports Partially Implemented**

Self-reported July 13, 2020.

**2019: ATG reports Partially Implemented**

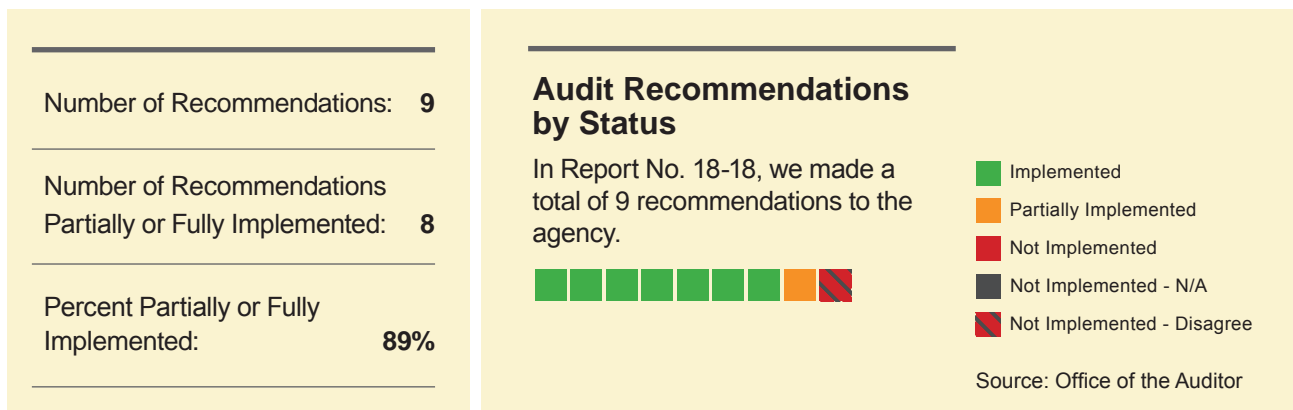
Self-reported September 4, 2019.

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PHOTO: ISTOCK.COM

**REPORT NO. 18-18**  
***Audit of the Office of Health Care Assurance's Adult Residential Care Homes Program***



**IN REPORT NO. 18-18**, *Audit of the Office of Health Care Assurance's Adult Residential Care Homes Program*, we found that the Office of Health Care Assurance's (OHCA) license renewal process for adult residential care homes was unorganized and undisciplined, and that OHCA did not consistently enforce care homes' compliance with quality of care standards and plans to correct noted deficiencies.

In 2019, we issued a formal request for information to the Department of Health (DOH) on the status of audit recommendations from Report No. 18-18. The agency reported that 8 of our recommendations had been at least partially implemented; a recommendation which the agency disagreed with was not implemented.

In 2020, we issued another formal request for information on the status of audit recommendations that were marked as Partially Implemented in their 2019 written responses. The agency reported that the one applicable recommendation was still partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

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## Recommendation

## Status of Recommendation

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(1.) OHCA should complete its annual inspection process, including OHCA's acceptance of a care home's Plan of Correction and confirmation that deficiencies have been corrected, before renewing a care home's license.

2019: DOH reports **Implemented**

Self-reported December 3, 2019.

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(2.) OHCA should use provisional licenses only as stipulated in Chapter 11-100.1, Hawai'i Administrative Rules, including to allow a care home to operate while it addresses and corrects deficiencies identified during a relicensing inspection.

2019: DOH reports **Implemented**

Self-reported December 3, 2019.

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(3.) OHCA should discontinue the use of short-term licenses, which are not defined by statute or administrative rules.

2019: DOH reports **Not Implemented - Disagree**

Self-reported December 3, 2019, stating:

“Use of short-term licenses, including their purpose, is described in the policy and procedure (P&P) titled ‘State Licensing and Renewal Inspection Process and Timelines.’ Staff were trained on the policy in December 2018. Use of short-term licenses may be used for non-enforcement reasons to bridge the license to their original license renewal date. Examples of non-enforcement reasons for short-term licenses are described in the policy and procedure. A short term license is not a provisional license.”

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(4.) OHCA should establish policies and procedures to verify or otherwise confirm that care homes have implemented approved Plans of Correction to correct deficiencies identified during inspections or unannounced visits, including policies and procedures to conduct follow-up visits for certain types of deficiencies.

2019: DOH reports **Implemented**

Self-reported December 3, 2019.

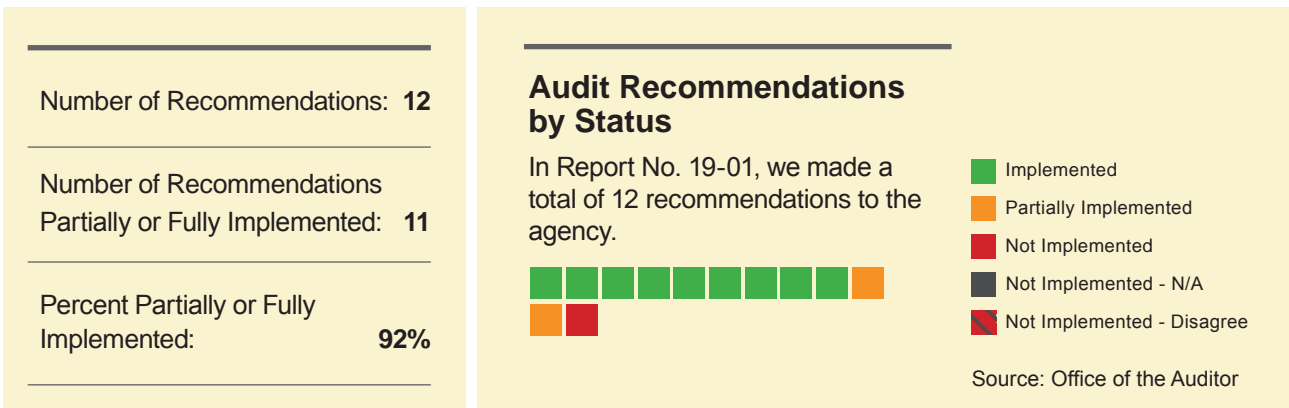
Recommendation	Status of Recommendation
<p>(5.) OHCA should conduct at least one unannounced visit for each care home as required by Section 321-15.6, HRS, not as a substitute for an annual inspection, and should consider conducting more unannounced visits for each care home per year to verify that the care home is implementing its Plan of Correction and/or the care home is adequately providing care for its residents.</p>	<p>2019: DOH reports <b>Implemented</b> Self-reported December 3, 2019.</p>
<p>(6.) OHCA should develop a centralized data management system for management and staff to review and update information as well as monitor inspections and licenses.</p>	<p>2020: DOH reports <b>Partially Implemented</b> Self-reported December 14, 2020.</p> <p>2019: DOH reports <b>Partially Implemented</b> Self-reported December 3, 2019.</p>
<p>(7.) OHCA should develop policies and procedures to guide the relicensing process, including clear deadlines by which staff must, for example, issue Statements of Deficiencies to the licensee, review Plans of Correction, and complete inspections, to ensure timely license renewal.</p>	<p>2019: DOH reports <b>Implemented</b> Self-reported December 3, 2019.</p>
<p>(8.) OHCA should promulgate administrative rules that describe the types of violations for which it may consider assessing a monetary fine or other action, including suspending or revoking a care home’s license.</p>	<p>2019: DOH reports <b>Implemented</b> Self-reported December 3, 2019.</p>
<p>(9.) OHCA should implement policies and take all measures necessary to comply with the posting requirements of Section 321-1.8, HRS, including posting all approved Plans of Correction for relicensing inspections. OHCA should also consider posting unanswered Statements of Deficiencies for care homes that do not submit a Plan of Correction within the ten-day deadline and Plans of Correction resulting from unannounced visits that identified deficiencies.</p>	<p>2019: DOH reports <b>Implemented</b> Self-reported December 3, 2019.</p>





COVER PHOTO: DEPARTMENT OF LAND AND NATURAL RESOURCES

**REPORT NO. 19-01**  
***Audit of the Department of Land and Natural Resources’  
 Land Conservation Fund***



**IN REPORT NO. 19-01,** *Audit of the Department of Land and Natural Resources’ Land Conservation Fund*, we found that the Department of Land and Natural Resources (DLNR) and its Division of Forestry and Wildlife (DOFAW) have struggled to properly manage the Legacy Land Conservation Program, hampering its effectiveness. We also found that DOFAW sought and/or obtained funding from the Land Conservation Fund for its own projects outside of the Legacy Land Conservation Program’s grant award process.

In 2020, we issued a formal request for information to DLNR on the status of audit recommendations from Report No. 19-01. The agency reported that 11 of our recommendations had been at least partially implemented.

In 2021, we issued another formal request for information on the status of audit recommendations that had been noted as Partially Implemented or Not Implemented in DLNR’s 2020 written responses. The agency reported that, of the applicable recommendations, 1 had been fully implemented, 2 were still partially implemented, and 1 was still not implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation	Status of Recommendation
<p>(Program, 1.) The Legacy Land Conservation Program should prepare and implement a Resource Land Acquisition Plan to comply with Section 173A-3, HRS.</p>	<p>2021: DLNR reports <b>Partially Implemented</b> Self-reported March 1, 2021.</p> <p>2020: DLNR reports <b>Partially Implemented</b> Self-reported February 28, 2020.</p>
<p>(Program, 2.) The Legacy Land Conservation Program should develop and implement written policies and procedures – including internal controls – governing the grant award and blanket encumbrance processes to ensure that project contracts are executed on time and blanket encumbered funds do not lapse.</p>	<p>2020: DLNR reports <b>Implemented</b> Self-reported February 28, 2020.</p>
<p>(Program, 3.) The Legacy Land Conservation Program should develop clear and well-defined policies and procedures between the Legacy Land Conservation Program and DOFAW regarding distribution of Land Conservation Fund moneys. For instance, DOFAW should follow Section 173A-5, HRS, and submit a grant application to receive funding rather than submit a budgetary request.</p>	<p>2020: DLNR reports <b>Implemented</b> Self-reported February 28, 2020.</p>
<p>(Program, 4.) The Legacy Land Conservation Program should work with the DLNR fiscal office to request the Department of Accounting and General Services to return the \$684,526 in administrative fees erroneously paid to it in FY2016 and FY2017.</p>	<p>2020: DLNR reports <b>Implemented</b> Self-reported February 28, 2020.</p>
<p>(Program, 5.) The Legacy Land Conservation Program should maintain a record of the transfer of funds to and from the DLNR trust account and report these transactions to the Governor and the Legislature in the program’s annual report as required by Section 173A-5(1)(2), HRS.</p>	<p>2020: DLNR reports <b>Implemented</b> Self-reported February 28, 2020.</p>

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## Recommendation

## Status of Recommendation

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(Program, 6.) The Legacy Land Conservation Program should review personnel spending and position assignments and implement changes as needed to ensure that Land Conservation Fund moneys are used only for administrative and other costs directly related to the Legacy Land Conservation Program.

2021: DLNR reports **Implemented**

Self-reported March 1, 2021.

2020: DLNR reports **Partially Implemented**

Self-reported February 28, 2020.

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(Program, 7.) The Legacy Land Conservation Program should maintain a centralized file system and establish a records retention policy for all awarded projects, including pending, completed, and discontinued projects.

2021: DLNR reports **Partially Implemented**

Self-reported March 1, 2021.

2020: DLNR reports **Partially Implemented**

Self-reported February 28, 2020.

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(Program, 8.) The Legacy Land Conservation Program should implement a policy that places a reasonable limit on the time a project, whether proposed by State, county, or nonprofit organization, can remain pending.

2020: DLNR reports **Implemented**

Self-reported February 28, 2020.

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(Program, 9.) The Legacy Land Conservation Program should provide commissioners with background information and history on each applicant, including how many grants they have received from the Legacy Land Conservation Program, how long it has taken them to complete projects, and any outstanding or discontinued projects – a practice employed by the Federal Forest Legacy Program to help its panelists make final decisions on project recommendations.

2020: DLNR reports **Implemented**

Self-reported February 28, 2020.

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(Program, 10.) The Legacy Land Conservation Program should post Commission meeting minutes in compliance with the Sunshine Law.

2020: DLNR reports **Implemented**

Self-reported February 28, 2020.

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Recommendation	Status of Recommendation
<p><b>(Program, 11.) The Legacy Land Conservation Program should promulgate administrative rules to implement the above recommendations.</b></p>	<p><b>2021: DLNR reports <span style="background-color: red; color: white; padding: 2px;">Not Implemented</span></b> Self-reported March 1, 2021, stating:  “If certain legislative measures introduced during the 2021 session are enacted, then it may be necessary to initiate rulemaking soon thereafter to conform with new statutory requirements.”</p> <p><b>2020: DLNR reports Not Implemented</b> Self-reported February 28, 2020, stating:  “We anticipate that after completing our implementation of other audit recommendations, the Program will vet a conceptual rulemaking proposal with Division administrators, the Department Chairperson, the Department of the Attorney General, and the Legacy Land Conservation Commission to help decide a future course of action.”</p>
<p><b>(Commission, 1.) The Legacy Land Conservation Commission should limit the amount of the grants that it recommends be funded from the Land Conservation Fund to the anticipated balance of the amount appropriated by the Legislature for the fiscal year. The Commission should not recommend awards that exceed the anticipated balance of the current fiscal year appropriation.</b></p>	<p><b>2020: DLNR reports <span style="background-color: green; color: white; padding: 2px;">Implemented</span></b> Self-reported February 28, 2020.</p>





PHOTO: THINKSTOCK.COM

**REPORT NO. 19-12**  
***Audit of the Department of Land and Natural Resources’  
 Special Land and Development Fund***

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Number of Recommendations: **17**

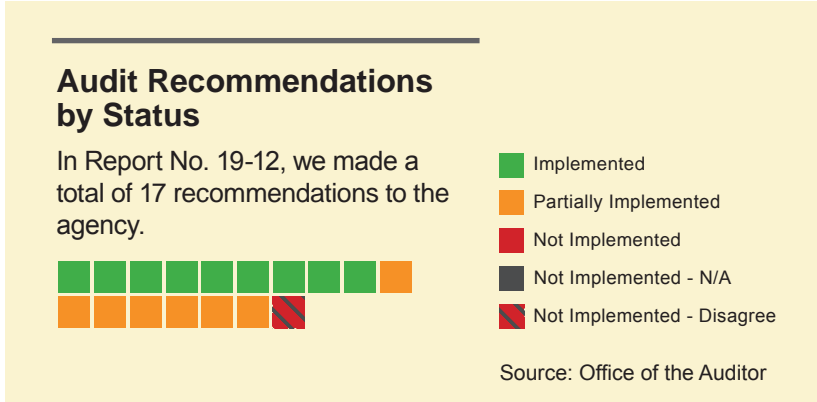
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Number of Recommendations  
 Partially or Fully Implemented: **16**

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Percent Partially or Fully  
 Implemented: **94%**

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**IN REPORT NO. 19-12,** *Audit of the Department of Land and Natural Resources’ Special Land and Development Fund*, we found that the Department of Land and Natural Resources’ (DLNR) Land Division is lacking in both its management of public lands and its administration of the Special Land and Development Fund (SLDF). We found the Land Division does not have a strategic plan for the long-term management of its public lands, an asset management plan, nor clear and coherent policies or procedures to guide day-to-day operations and that the absence of long-range planning left staff without expertise, resources, and options to actively and effectively manage its land portfolio. We noted DLNR does not accurately account for moneys in the SLDF and underreported cash balances to the 2018 Legislature by more than \$1.5 million. We also reported it has allowed more than \$1.5 million to sit idle in the SLDF for more than five years.

In 2020, we issued a formal request for information to DLNR on the status of audit recommendations from Report No. 19-12. The agency reported that 16 of our recommendations had been at least partially implemented and the 1 recommendation not implemented they disagreed with.

In 2021, we issued another formal request for information on the status of audit recommendations that had been noted as Partially Implemented in DLNR’s 2020 written responses. The agency reported that of the applicable recommendations, seven were still partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation	Status of Recommendation
<p>(Land Board, 1.) The Land Board should provide training for Land Board members about fiduciary responsibilities and obligations as trustees, including responsibilities related to the management and holding of state lands for the benefit of the State and promoting the development and utilization of public trust lands to their highest economic and social benefits. See In Re Water Use Permit Applications, 94 Haw. 97 (2000).</p>	<ul style="list-style-type: none"> <li data-bbox="800 365 1328 436"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2021: DLNR reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Self-reported July 27, 2021.                 </li> <li data-bbox="800 474 1328 541"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2020: DLNR reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Self-reported July 30, 2020.                 </li> </ul>
<p>(Land Board, 2.) The Land Board should require DLNR and the Land Division to develop a long-range asset management/strategic plan that provides direction to the department and the Land Division as to the management of all leases, RPs, and public lands managed by the division.</p>	<ul style="list-style-type: none"> <li data-bbox="800 760 1328 831"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2021: DLNR reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Self-reported July 27, 2021.                 </li> <li data-bbox="800 869 1328 936"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2020: DLNR reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Self-reported July 30, 2020.                 </li> </ul>
<p>(Land Board, 3.) The Land Board should reconsider caps on annual rent adjustments for all rents below fair-market rates. Instead, the Land Board should review rent readjustments on a case-by-case basis.</p>	<ul style="list-style-type: none"> <li data-bbox="800 1029 1230 1100"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2021: DLNR reports</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">Implemented</span>                      Self-reported July 27, 2021.                 </li> <li data-bbox="800 1138 1230 1205"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2020: DLNR reports</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">Implemented</span>                      Self-reported July 30, 2020.                 </li> </ul>
<p>(Land Division, 1.) The Land Division should prepare a long-range asset management/strategic plan that includes criteria for assessment based on benchmarks and other measurable objectives. The plan should address all leases, RPs, and public lands managed by the Land Division.</p>	<ul style="list-style-type: none"> <li data-bbox="800 1264 1328 1335"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2021: DLNR reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Self-reported July 27, 2021.                 </li> <li data-bbox="800 1373 1328 1440"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2020: DLNR reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Self-reported July 30, 2020.                 </li> </ul>
<p>(Land Division, 2.a.) The Land Division should develop and document policies and procedures for monitoring of leases and RPs.</p>	<ul style="list-style-type: none"> <li data-bbox="800 1562 1328 1633"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2021: DLNR reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Self-reported July 27, 2021.                 </li> <li data-bbox="800 1671 1328 1738"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2020: DLNR reports</b> <span style="background-color: #f4a460; padding: 2px;">Partially Implemented</span>                      Self-reported July 30, 2020.                 </li> </ul>



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## Recommendation

## Status of Recommendation

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(Land Division, 2.b.) The Land Division should develop and document policies and procedures for periodic and regular reviews of RP rents.

2021: DLNR reports **Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Implemented**

Self-reported July 30, 2020.

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(Land Division, 2.c.) The Land Division should develop and document policies and procedures for verification of required receipts to validate substantial property improvements required for 10-year lease extensions.

2021: DLNR reports **Partially Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Partially Implemented**

Self-reported July 30, 2020.

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(Land Division, 2.d.) The Land Division should develop and document policies and procedures for timely and effective collection of lease and RP rents.

2021: DLNR reports **Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Implemented**

Self-reported July 30, 2020.

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(Land Division, 3.) The Land Division should establish guidelines and requirements for periodic and regular inspections of leases and RPs to ensure that lessees are adequately maintaining improvements on the properties. If additional staff is needed to reasonably carry out these duties, a workload analysis should be performed to justify more positions.

2021: DLNR reports **Partially Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Partially Implemented**

Self-reported July 30, 2020.

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(Land Division, 4.) The Land Division should perform close-out inspections for leases and RPs upon termination of leases or RPs based on updates to the Land Division guidelines. Inspections should include looking for specific issues such as the presence of hazardous materials, as well as documenting any unauthorized dismantling or removal of property that should revert to the State.

2021: DLNR reports **Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Implemented**

Self-reported July 30, 2020.

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**Recommendation**

**Status of Recommendation**

(Land Division, 5.) The Land Division should explore strategies to better market and manage its properties, which may include contracting private-sector brokers and property managers. We suggest the division consult with the State Procurement Office and other state agencies, such as the Hawai’i Public Housing Authority, which contract for similar services. The division should also seek legislative assistance through statutory amendments if necessary, for example, to assess rent premiums when the Land Board decides to extend leases.

- **2021: DLNR reports Implemented**  
Self-reported July 27, 2021.
- **2020: DLNR reports Implemented**  
Self-reported July 30, 2020.

(Land Division, 6.) The Land Division should seek to hire people with professional expertise or develop and implement a training program to prepare land agents for the transition from ground leases to space leases, perform property management functions, and conduct in-house evaluations whenever external appraisals are not cost-effective.

- 2021: DLNR reports Not Implemented - Disagree**  
Self-reported July 27, 2021.
- 2020: DLNR reports Not Implemented - Disagree**  
Self-reported July 30, 2020, stating:

“Land Division presently manages only one multi-tenanted building under space leases (revocable permits), and the Land Board has approved the public auction of that property to a master lessee who will then manage the spaces. Land Division would need a much larger budget and ceiling to assume the cost of maintaining and directly managing improved properties in its portfolio, many of which are more than 50 years old. Directly managing such buildings increases the State’s exposure to liability for tort claims commonly associated with property management (e.g., slip-and-fall claims). In recent years, Land Division has been unsuccessful in its requests to the Legislature for capital improvement funds and even for ceiling increases in the expenditure of SLDF monies to invest in State properties. Prospects for obtaining such funds in the future are not good. In addition, the State accounting system does not easily accommodate holding accounts required for deposit of common area charges from tenants to be paid to public utility companies such as for water sewer, electrical and telecommunications. For these reasons, DLNR disagrees that transforming Land Division into a space leasing agency is desirable or economically feasible.”

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## Recommendation

## Status of Recommendation

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**(DLNR, 1.) The Department of Land and Natural Resources should establish policies and procedures to accurately account for and report the activities of the SLDF to the Legislature.**

• **2021: DLNR reports** **Implemented**

Self-reported July 27, 2021.

• **2020: DLNR reports** **Implemented**

Self-reported July 30, 2020.

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**(DLNR, 2.) The Department of Land and Natural Resources should review the 400-series special fund accounts to determine whether the unexpended and unencumbered balances remaining in these accounts should be transferred to other SLDF accounts or transferred back to the origination fund. Considering the amount of SLDF cash disbursements and transfers to other DLNR special fund accounts, we further recommend that DLNR review each of the SLDF accounts to ascertain whether these accounts continue to meet the criteria of a special fund. Specifically, there should be a clear link between the programs and the sources of revenue. If not, these accounts should be subject to the State's general fund budget and appropriation process.**

• **2021: DLNR reports** **Implemented**

Self-reported July 27, 2021.

• **2020: DLNR reports** **Implemented**

Self-reported July 30, 2020.

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**(DLNR, 3.) The Department of Land and Natural Resources should reconcile cash receipts recorded in SLIMS to FAMIS on a monthly basis.**

• **2021: DLNR reports** **Implemented**

Self-reported July 27, 2021.

• **2020: DLNR reports** **Implemented**

Self-reported July 30, 2020.

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**(DLNR, 4.) The Department of Land and Natural Resources should determine with the Department of Budget and Finance whether revenues from ceded lands, net of amounts remitted to OHA, should be transferred to the State's general fund on a regular basis.**

• **2021: DLNR reports** **Implemented**

Self-reported July 27, 2021.

• **2020: DLNR reports** **Implemented**

Self-reported July 30, 2020.

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## Recommendation

## Status of Recommendation

(DLNR, 5.) The Department of Land and Natural Resources should establish and adhere to formal written procedures for the collection of all percentage rent due from lessees. These procedures should address the timely receipt of sales audit reports or certified statements of gross receipts and percentage rent payments for all leases with percentage rent clauses, as well as appropriate actions to be taken for lessees failing to submit required sales audit reports or certified statement of gross receipts, and if applicable, percentage rent payments. In addition, these procedures should involve documentation requirements for DLNR's review and approval of certified statement of gross receipts provided by lessees.

**2021: DLNR reports** **Partially Implemented**

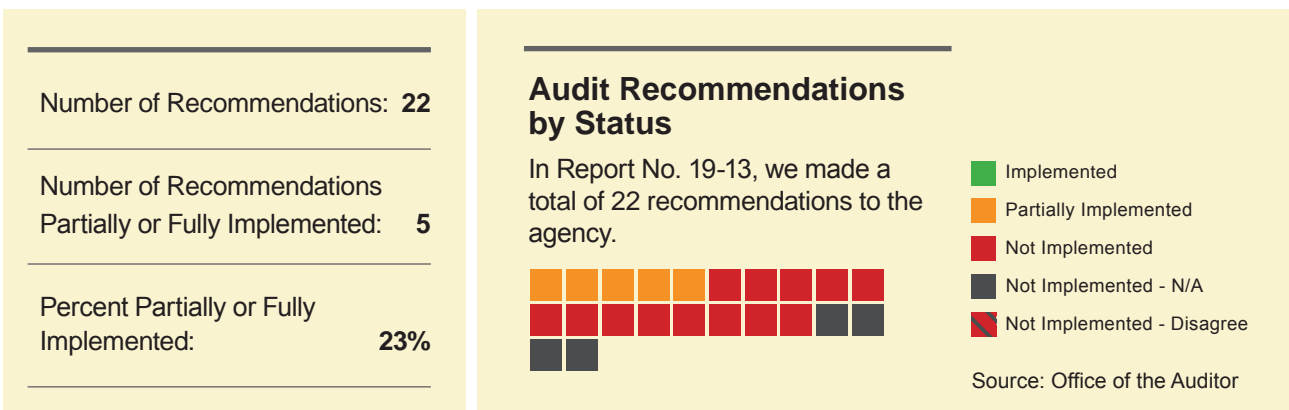
Self-reported July 27, 2021.

**2020: DLNR reports** **Partially Implemented**

Self-reported July 30, 2020.



**REPORT NO. 19-13**  
***Audit of the Department of Education’s Administration of School Impact Fees***



**IN REPORT NO. 19-13, *Audit of the Department of Education’s Administration of School Impact Fees***, we examined the administration of the school impact fee law, which applies to all builders of new residential units in designated school impact districts. The report found that the Department of Education (DOE) has no written policies and procedures for the selection of potential school impact districts, the factors that should be considered in determining the size of potential districts, or oversight and review of the process. We reported DOE does not begin assessing school impact fees immediately upon the Board of Education’s designation of a school impact district, sometimes waiting months before beginning collection. We noted DOE has not promulgated administrative rules to proscribe the process it intends the counties to follow before issuing building

permits for new residential construction in an impact fee district.

In 2020, we issued a formal request for information to DOE on the status of audit recommendations from Report No. 19-13. The agency reported that 5 of our recommendations had been at least partially implemented, 13 recommendations had not been implemented, and 4 recommendations were not implemented because the Board of Education considers them moot.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

## Recommendation

## Status of Recommendation

**(DOE, 1.) The Department of Education should undertake a comprehensive evaluation of its implementation and administration of the school impact fee law, including an assessment of the appropriate staffing and other resources necessary to implement and administer the law.**

**2020: DOE reports** **Not Implemented**

Self-reported October 30, 2020, stating:

“A comprehensive evaluation of the school impact fee program commenced in February 2020, with the hiring of a new Assistant Superintendent for the Office of Facilities and Operations. A preliminary evaluation and situation analysis by the planning department of the Office of Facilities and Operations (OFO) were made available to the Assistant Superintendent in October 2020.

Effective November 30, 2020, the OFO will initiate the development of a comprehensive plan for the school impact fee program.”

**(DOE, 2.a.) The Department of Education should create written policies and procedures to guide and direct staff's and management's implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the stage in the development process at which a proposed new residential project should be included in the DOE's consideration of classroom capacity requirements. We found the decision to recommend designation of a school impact district (and its boundaries) was left to the discretion of a land use planner who relied heavily on the City and County of Honolulu's vision of transit-oriented residential development projects that were purely conceptual, without specific developers, development plans, or even land commitments for those projects. The policies and procedures should include criteria and other objective factors to be considered in evaluating when designation of a school impact district is appropriate.**

**2020: DOE reports** **Not Implemented**

Self-reported October 30, 2020, stating:

“As of October 2020, written policies and procedures have not been drafted. Based on the evaluation noted in Recommendation No. 1, the Department will draft written policies and procedures to guide and direct Department personnel in the implementation and administration of the school impact fee law.

Subject to concurrence by the appropriate offices and agencies and approval of the Superintendent, OFO intended to implement said policies and procedures by March 1, 2021.”



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## Recommendation

**(DOE, 2.b.) The Department of Education should create written policies and procedures to guide and direct staff's and management's implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the factors that determine the size and composition of a proposed impact fee district. Without a consistent process or documented framework, some of the department's district designations appear questionable or even arbitrary: For instance, the expansive and diverse Leeward O'ahu district encompasses five school complexes (41 schools) with varying rates of past and projected student enrollment growth. Meanwhile, the KAM district boundaries are based on smaller elementary school service areas; as a result, the impact fee district includes only 10 of the 15 elementary schools in the Farrington and McKinley complexes.**

**(DOE, 2.c.) The Department of Education should create written policies and procedures to guide and direct staff's and management's implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the collection, tracking, and accounting of lands dedicated to or that will be dedicated to the DOE under the school impact fee law, fees in lieu of land dedication, and construction component fees.**

## Status of Recommendation

**2020: DOE reports Not Implemented**

Self-reported October 30, 2020, stating:

“As of October 2020, written policies and procedures have not yet been created.

Based on the evaluation noted in Recommendation No. 1, the OFO will draft written policies and procedures to guide Department personnel in the implementation and administration of school impact fee law. These policies and procedures will be measured against the findings and recommendations in existing school impact fee districts (Central and West Maui, Leeward O'ahu, and Kalihi to Ala Moana) to maintain consistency in the implementation and management of the program.

Subject to concurrence of the appropriate offices and agencies and approval of the Superintendent, the Department intends to implement said policies and procedures by May 3, 2021.”

**2020: DOE reports Partially Implemented**

Self-reported October 30, 2020.

**Recommendation**

**Status of Recommendation**

**(DOE, 2.d.) The Department of Education should create written policies and procedures to guide and direct staff’s and management’s implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the tracking and accounting of transfers and expenditures of lands and moneys paid under Fair Share agreements and the school impact fee law.**

**2020: DOE reports** **Partially Implemented**

Self-reported October 30, 2020.

**(DOE, 2.e.) The Department of Education should create written policies and procedures to guide and direct staff’s and management’s implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the use of moneys received by the DOE under Fair Share agreements and the school impact fee law. Under the school impact fee law, fees collected within an impact fee district can be spent only within the same district. We found that, with only one exception, the impact fee districts designated by the Board of Education encompass multiple school complexes. We raised concerns about whether the DOE can use school impact fees from a specific development in a school complex within the same impact fee district that is unaffected by the additional public school students created by the development.**

**2020: DOE reports** **Not Implemented**

Self-reported October 30, 2020, stating:

“As of October 2020, written policies and procedures have not been created. Based on the evaluation noted in Recommendation No. 1, the OFO will draft written policies and procedures to guide and direct the Department on the use of money received under the fair share agreements and the school impact fee program. The Department agrees that the current policy regarding the use of school impact fees may not serve its intended purpose as currently structured and needs to be adjusted.

Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to implement said policies and procedures by May 3, 2021.”

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## Recommendation

**(DOE, 2.f.) The Department of Education should create written policies and procedures to guide and direct staff’s and management’s implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the use and updating of cost factors (including “recent conditions”) in school impact fee calculations.**

**(DOE, 2.g.) The Department of Education should create written policies and procedures to guide and direct staff’s and management’s implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address management’s responsibilities in overseeing and approving staff’s implementation and administration of the school impact fee law.**

## Status of Recommendation

**2020: DOE reports Not Implemented**

Self-reported October 30, 2020, stating:

“As of October 2020, written policies and procedures have not yet been created. Based on the evaluation noted in Recommendation No. 1, the OFO will draft written policies and procedures on the use and updating of cost factors (including recent conditions and land appraisals) in school impact fee calculations. The OFO is currently undergoing a transition in leadership for this work in progress.

Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to implement said policies and procedures by May 3, 2021.”

**2020: DOE reports Not Implemented**

Self-reported October 30, 2020, stating:

“As of October 2020, written policies and procedures have not been created. Based on the evaluation noted in Recommendation No. 1, the OFO will draft written policies and procedures detailing the Department’s responsibilities in overseeing and approving staff recommendations and the effective implementation and administration of the school impact fee law.

Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to implement said policies and procedures by May 3, 2021.”

**Recommendation**

**Status of Recommendation**

**(DOE, 3.) The Department of Education should obtain written legal guidance from the Department of the Attorney General as to the constitutional restrictions associated with impact fees, including nexus and rough proportionality requirements. The legal guidance should specifically consider whether impact fee districts encompassing multiple school complexes satisfy constitutional requirements, considering Section 302A-1608(a), HRS, allows the department to use school impact fees anywhere within the impact fee district and does not restrict the department’s use of school impact fees collected from a residential developer to the school complex in which the development is situated.**

**2020: DOE reports Partially Implemented**  
 Self-reported October 30, 2020.

**(DOE, 4.) The Department of Education should work with the Department of the Attorney General to establish the legal basis and the resultant policies for the collection of school impact fees from builders of new residential construction effective upon designation of the impact fee district.**

**2020: DOE reports Partially Implemented**  
 Self-reported October 30, 2020.

**(DOE, 5.) The Department of Education should assess whether certain provisions in the school impact fee law, for example the land valuation procedures, are applicable to the constraints and requirements of district designation and district-wide fee setting, particularly in the urban setting. If needed, pursue amendment of the statute.**

**2020: DOE reports Not Implemented**  
 Self-reported October 30, 2020, stating:  
 “As of October 2020, a comprehensive assessment on land valuation procedures and other methodologies to determine applicable fees across existing districts has not been initiated. This specific review will be addressed as part of the OFO’s comprehensive review of the program.  
 Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to implement said policies and procedures by May 3, 2021.”

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## Recommendation

## Status of Recommendation

(DOE, 6.) The Department of Education should assess whether the “urban exceptions” made for the KAM district ensure fees collected for urban schools are relevant to that district and equitable to those collected for suburban schools. If needed, pursue amendment of the statute.

2020: DOE reports **Not Implemented**

Self-reported October 30, 2020, stating:

“As of October 2020, an assessment of the ‘urban exceptions’ has not been initiated. As part of its comprehensive assessment of the school impact fee program, the Department will include an analysis of the differences, if any, between urban and suburban districts.

Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to determine whether an amendment to the law is necessary.”

(DOE, 7.) The Department of Education should develop an expenditure plan for existing funds, including documented policies and procedures for ensuring that expenditures are made in accordance with existing Fair Share Agreements and the school impact fee law.

2020: DOE reports **Partially Implemented**

Self-reported October 30, 2020.

(DOE, 8.a.) The Department of Education should ensure proper maintenance of records of land contributions for Fair Share and the school impact fee program. Records should be regularly updated and accessible to both management and the public. Promulgate administrative rules necessary to provide direction to developers, county permitting agencies, and the public as to how the DOE interprets and intends to implement the school impact fee law. At minimum, the administrative rules should address the specific information the DOE expects the county permitting offices to provide to the department regarding the applicants for county subdivision approvals and county building permits, including the form of the information, the timing of delivery of the information, and the method by which the counties should transmit the information.

2020: DOE reports **Not Implemented**

Self-reported October 30, 2020, stating:

“The OFO has begun drafting written policies and procedures to guide and direct staff and management’s collection, tracking, and accounting of lands dedicated to the Department under the school impact fee law, fees in lieu of land dedication and construction component fees.

The OFO has drafted basic procedures for processing of building permits and collection of school impact fees for internal use.

However, the Department has not yet promulgated the recommended administrative rules.

Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to draft and initiate rule-making by the latter half of 2021.”

**Recommendation**

**Status of Recommendation**

**(DOE, 8.b.) The Department of Education should ensure proper maintenance of records of land contributions for Fair Share and the school impact fee program. Records should be regularly updated and accessible to both management and the public. Promulgate administrative rules necessary to provide direction to developers, county permitting agencies, and the public as to how the DOE interprets and intends to implement the school impact fee law. At minimum, the administrative rules should address when and how applicants must pay the school impact fees, including the process and procedure by which the department or the county building departments intend to collect the fees.**

**2020: DOE reports Not Implemented**

Self-reported October 30, 2020, stating:

“The OFO has drafted basic procedures for processing of building permits and collection of school impact fees for internal use.

However, the Department has not promulgated administrative rules for external entities to track Department involvement in the building permit process, imposition and collection of school impact fees, coordination with respective county building and permitting departments, and appeals.

Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to draft and initiate rule-making by the latter half of 2021.”

**(DOE, 8.c.) The Department of Education should ensure proper maintenance of records of land contributions for Fair Share and the school impact fee program. Records should be regularly updated and accessible to both management and the public. Promulgate administrative rules necessary to provide direction to developers, county permitting agencies, and the public as to how the DOE interprets and intends to implement the school impact fee law. At minimum, the administrative rules should address if the department intends to allow developers to pay all or portions of the school impact fee subsequent to the issuance of county subdivision approval or county building permits, and the process by which payment shall be made, including the timing of the payment.**

**2020: DOE reports Not Implemented**

Self-reported October 30, 2020, stating:

“The OFO has drafted basic procedures for processing of building permits and collection of school impact fees for internal use.

However, the Department has not promulgated administrative rules for external entities to track Department involvement in the building permit process, imposition and collection of school impact fees, coordination between the Department and respective county building and permitting departments, and appeals.

Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to draft and initiate rule-making by the latter half of 2021.”



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## Recommendation

**(DOE, 8.d.) The Department of Education should ensure proper maintenance of records of land contributions for Fair Share and the school impact fee program. Records should be regularly updated and accessible to both management and the public. Promulgate administrative rules necessary to provide direction to developers, county permitting agencies, and the public as to how the DOE interprets and intends to implement the school impact fee law. At minimum, the administrative rules should address the process and procedures by which a developer can contest or appeal the imposition of school impact fees on the developer's project.**

**(DOE, 8.e.) The Department of Education should ensure proper maintenance of records of land contributions for Fair Share and the school impact fee program. Records should be regularly updated and accessible to both management and the public. Promulgate administrative rules necessary to provide direction to developers, county permitting agencies, and the public as to how the DOE interprets and intends to implement the school impact fee law. At minimum, the administrative rules should address the process and procedures by which the DOE will inform the county building departments that a developer has satisfied the school impact fee requirement.**

## Status of Recommendation

**2020: DOE reports** **Not Implemented**

Self-reported October 30, 2020, stating:

“The OFO has drafted basic procedures for processing of building permits and collection of school impact fees for internal use. The process to establish administrative rules has not been initiated.

Subject to concurrence by the appropriate offices and agencies and with Superintendent's approval, the Department intends to draft and initiate rule-making for the benefit of outside parties by the latter half of 2021.”

**2020: DOE reports** **Not Implemented**

Self-reported October 30, 2020, stating:

“Although the OFO has drafted basic procedures for processing of building permits and collection of school impact fees for internal use, the process to establish administrative rules has not been initiated or drafted to provide direction to developers, county permitting agencies, and the public as to how the Department interprets and intends to implement the school impact fee law.

Subject to concurrence by the appropriate offices and agencies and with Superintendent's approval, the Department intends to draft and initiate rule-making on the process and procedures by which the Department will inform the county building departments that a developer has satisfied the school impact fee requirement by the latter half of 2021.”

Recommendation	Status of Recommendation
<p>(Board, 1.) The Board of Education should require the department to submit a written report that provides a comprehensive evaluation of its implementation and administration of the school impact fee law. This report should include the department's findings and conclusions, specific actions that the department intends to implement to address our recommendations, other changes the department intends to make, and copies of policies and procedures. The report should also include a timeframe for implementation and note any additional resources the department feels may be necessary for successful implementation.</p>	<p><b>2020: DOE reports</b> <b>Not Implemented - N/A</b> Self-reported October 30, 2020, stating:  “[I]t is unlikely that the Board will implement any of the report’s recommendations as the governance structure and legal context surrounding school impact fees have changed.”</p>
<p>(Board, 2.) The Board of Education should direct the DOE to implement the recommendations necessary to address and correct the audit findings.</p>	<p><b>2020: DOE reports</b> <b>Not Implemented - N/A</b> Self-reported October 30, 2020, stating:  “[I]t is unlikely that the Board will implement any of the report’s recommendations as the governance structure and legal context surrounding school impact fees have changed.”</p>
<p>(Board, 3.) The Board of Education should direct the DOE to report at least quarterly on the status of its implementation of the recommendations necessary to address and correct the audit findings.</p>	<p><b>2020: DOE reports</b> <b>Not Implemented - N/A</b> Self-reported October 30, 2020, stating:  “[I]t is unlikely that the Board will implement any of the report’s recommendations as the governance structure and legal context surrounding school impact fees have changed.”</p>
<p>(Board, 4.) The Board of Education should for each school impact district considered by the board, obtain the Department of the Attorney General’s opinion, in writing, that the school impact district satisfies constitutional requirements, including nexus and proportionality requirements, prior to designation of the district.</p>	<p><b>2020: DOE reports</b> <b>Not Implemented - N/A</b> Self-reported October 30, 2020, stating:  “[I]t is unlikely that the Board will implement any of the report’s recommendations as the governance structure and legal context surrounding school impact fees have changed.”</p>