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# OVERVIEW

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THE AUDITOR  
STATE OF HAWAII

## A Study of the State Capitol Renovation Project

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### Summary

Section 126.1 of Act 252, Session Laws of Hawaii 1994, provided for the hiring of a private consultant selected by the State Auditor to study cost containment measures for the state capitol renovation project. The purpose of the study was to determine what costs the State still faced before the Capitol could again be occupied, and whether there were any expenses or other actions that could be eliminated or minimized in order to contain the total cost of the capitol renovation project.

The State Auditor selected H. Murray Hohns, Inc., a Honolulu based consulting, mediation and arbitration firm for the construction industry to conduct the study. The study examined the internal systems and activities of the Department of Accounting and General Services (DAGS). All files pertaining to the capitol renovation project through November 1994 were reviewed. In addition, a number of site visits and interviews with DAGS officials, staff, and other project personnel were conducted through February 1995.

Overall, the consultant concluded that given the complexity of the project, project costs were in line, and that DAGS' management of the capitol renovation project was adequate. Many of the problems with the renovation project can be attributed to the asbestos abatement efforts. The consultant found that the contract awarded to remove asbestos containing material (ACM) from the Capitol was based on studies that did not adequately identify the extent of the asbestos problem in the building. This resulted in numerous modifications to the contract that increased the original ACM contract cost by 44 percent.

The consultant also found that the extent of the corrective work needed to remove the ACM resulted in opportunities for renovation work that had not originally been anticipated. These opportunities resulted in a lack of clear direction for the proposed work and substantial changes to the scope of the renovation work.

The consultant estimated that between \$1.8 and \$3.0 million in additional charges were incurred by the State as a result of the inadequate asbestos assessment and the expanded scope of the renovation work. However, the expansion of the project scope and cost was not entirely within the State's control. While there are legitimate concerns about the cost of the project, the



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consultant concluded that the expenditures were justified and the management of the project by DAGS was acceptable under the circumstances.

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## **Recommendation, Conclusions and Response**

The consultant recommended that the most effective cost containment measure is to incur an estimated additional \$2.5 million to complete work which is necessary to assure that the renovated Capitol operates in an efficient, effective manner. If the additional work is undertaken, the total estimated cost to complete the capitol renovation project is \$71.7 million. The work would primarily include replacing the electrical switch gear system and additional mechanical corrections. Undertaking this additional recommended work will delay completion of the capitol renovation project until 1996.

The consultant concluded the study with a number of recommendations on DAGS' project management practices based upon its fieldwork, interviews, and experience in construction industry management.

The Department of Accounting and General Services responded that it found the report to be thorough, objective and an accurate portrayal of the capitol renovation project. The department provided information to clarify a number of points, several of which were incorporated into the report. The department also responded with information on actions it is undertaking with respect to the consultant's project management recommendations made in the final chapter.

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