

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Audit of the Department of Transportation's Procurement of Information Systems

Summary

The State Auditor initiated this audit of the Department of Transportation's procurement of information systems to assess the adequacy of the department's planning for the purchase of computer hardware, software, and related services. The audit was also initiated to determine whether those large dollar volume purchases were in compliance with the provisions of the Hawaii Public Procurement Code. The audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which requires the Auditor to conduct postaudits of the transactions, programs, and performance of the State and its political subdivisions, and Chapter 103D, HRS, the Hawaii Public Procurement Code, which requires the Auditor to periodically audit procurement practices within government for compliance with the law and all applicable rules.

The Department of Transportation is responsible for the planning, design, construction, operation, and maintenance of state facilities in all modes of transportation. The department consists of three divisions—Airports, Harbors, and Highways—that are supported by ten departmental support offices.

In recent years, the department requested from the Legislature appropriations of several million dollars to fund the development of several computer related projects, including acquisitions of computer equipment and related consultant services. In 1993, the Legislature appropriated special funds of \$2.3 million to the airports administration for computer related projects, \$676,000 to the highways administration for the Highways Maintenance Management System, and over \$900,000 to departmental administration to develop a coordinated data plan and a storage and distribution system. For the 1995-97 biennium, the Legislature appropriated more than \$80,000 in special funds to harbor facilities and harbors administration for computer equipment and \$300,000 to the highways administration to continue its Highways Maintenance Management System. In 1996, the highway administration received an appropriation of \$1.5 million in special funds to acquire a consultant to develop an accounting system.

We found that the Department of Transportation failed to follow state guidelines for system development as required. System Development Methodology, adopted by the Department of Budget and Finance's Information and Communications Services Division for the executive departments, provides detailed procedures for the development or acquisition of information systems. The department also neglected to provide appropriate guidance to the divisions in developing or acquiring



information systems. Additionally, vital needs assessments were not done. As a result, systems were costly, delayed, and underutilized. The department can still bring projects in line by following state guidelines.

The department also failed to fully comply with the Hawaii Public Procurement Code. Public posting requirements for sole source purchases were not met. Requirements for small purchases were also neglected. There were a number of instances in which the department failed to solicit price quotes for the purchase of computer software. In other instances, purchases were made from other than the vendor submitting the lowest quotation without placing the required written justification in the procurement file. There was also a significant lack of required documentation in connection with small purchases.

Recommendations and Response

We recommend the department ensure that its divisions follow the State's standard, System Development Methodology, for acquiring and developing information systems. We also recommend the director ensure compliance with the provisions of the Hawaii Public Procurement Code.

The Department of Transportation generally concurs with our audit findings and states that it is working to correct the deficiencies noted. In its response, the department also provided additional information to clarify points made in the preliminary draft, some of which have been incorporated in our final report.

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