

OVERVIEW

Management Audit of the Public Utilities Commission and the Division of Consumer Advocacy

Report No. 04-02, February 2004

Summary

This audit was conducted pursuant to Act 94 of the 2003 Regular Session, which requested a management audit of the Hawaii Public Utilities Commission (commission) and the Division of Consumer Advocacy (division). The commission regulates all chartered, franchised, certificated, and registered public utility companies that provide electricity, gas, telephone, telecommunications, private water and sewage, and motor and water carrier transportation services in the State. The division represents the interests of consumers of utility services before any state or federal agency.

We found that the commission and the division did not have strategic plans to guide their respective agencies. More importantly, neither agency had a vision of Hawaii's utility regulatory future and its role in that process. Without a vision and corresponding plans to achieve it, the commission and the division trudge through daily operational work mired in process and individual case details.

Core deficiencies result from a lack of vision and plans. In 1975 and 1989, we conducted management audits of the commission and found planning and organization deficiencies. Since that time—nearly 30 and 15 years ago—neither agency has planned strategies to correct the deficiencies and many of the same serious problems persist.

Poor personnel management planning results in staffing shortages and vacancies, outdated and obsolete job descriptions, inconsistent performance evaluations, a lack of formal training programs, and inadequate staff and procedural manuals. Severe staffing shortages may compromise the quality of the agencies' work and result in delay.

Lack of strategic planning is also evident in the area of information technology. Neither the commission nor the division has a formal plan or strategy for information systems development. In fact, poor planning has resulted in inefficiencies that limit the effectiveness of both agencies' information systems in supporting operations.

Finally, poor strategic planning also affects the commission's and the division's administration of laws. Both agencies have not assessed whether their administration of laws is effective in meeting the public's current needs. The commission shirks policy-making responsibilities by failing to evaluate motor carrier regulation, despite several factors in support of deregulation. The commission failed to adopt administrative rules specifying maximum time periods for approvals despite a mandate in the automatic permit approval law. And the commission's complaints system does not fulfill statutory requirements for a central clearing house.



The division does not adequately represent, protect, and advance the interests of the public in its failure to fulfill its role in utility education and to assess the appropriateness of rule making. First, the division has not educated the public on public utilities regulation, a condition that existed in 1989. Second, the division has not assessed whether to adopt rules to help carry out its statutory responsibilities. The division stated it has no plans to perform such an assessment or adopt rules, yet we identified two areas where administrative rules would be helpful: 1) motor carrier issues and 2) filing requirements.

Recommendations and Response

We made several recommendations to the Public Utilities Commission and the Division of Consumer Advocacy. We recommended that the Public Utilities Commission chair and administrative director develop a strategic plan for the commission. We also recommended that the Department of Commerce and Consumer Affairs' director fill the Division of Consumer Advocacy's executive director position. The director of commerce and consumer affairs, as consumer advocate, and the division's executive director, should then develop a strategic plan for the division.

We recommended that both agencies make personnel management a priority and that they collaborate and hire a consultant to develop an information system that shares common information and processes but keeps separate information secured.

Finally, we recommended that the commission improve its complaints handling process, adopt administrative rules specifying application approval deadlines, and fulfill its policy-making function. The division should conduct an assessment of the need and value of its own separate set of rules to supplement or fill in gaps in the commission's rules.

The Public Utilities Commission, the Departments of Budget and Finance and Commerce and Consumer Affairs, and the Division of Consumer Advocacy provided responses to our draft report. The commission generally agreed with our findings and stated that it had already commenced with strategic planning. It also indicated that it would carefully evaluate and explore ways to streamline its regulatory process. The Department of Budget and Finance pledged to support the commission in its efforts to address audit recommendations.

The Department of Commerce and Consumer Affairs and its Division of Consumer Advocacy agreed with our findings and have already begun to address identified issues. The department and the division agreed that a strategic plan encompassing the division's personnel management problems must be developed and that the division should conduct an independent assessment of the need and value of developing its own set of rules. The department and the division also clarified issues raised in the report.

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