Procurement Examination of the Department of Transportation

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Dependence on and accommodation of contractors subverts the public interest

Airports Division surrendered oversight and management responsibilities to contractor

We identified procurement issues throughout the Department of Transportation; however, noncompliance with the State's procurement code was not shared equally among divisions. Especially troubling was the pattern of recurring violations and questionable practices we found in the Airports Division (Airports), which in fiscal years 2009 and 2010 accounted for approximately 30 percent of the department's total procurements of $417 million and $467 million in goods and services, respectively. Because of Airports' disproportionate number of violations and the large amounts of goods and services procured, we focused our reporting on the division's material weaknesses, as required by generally accepted government auditing standards.

"The overhead calculation will not be subject to a [sic] audit/review."

Contract language that prohibited the Airports Division from auditing Parsons' labor multiplier calculations.

In 2006, Airports hired Parsons Transportation Group, Inc. to manage its 12-year, $1.7 billion program to modernize the Honolulu International Airport. According to Airports, hiring a third-party program manager was necessary because the project size and scope are beyond the capabilities of Airports staff. However, we found that Airports not only outsourced its management functions, it also removed itself from parts of the decisionmaking process, surrendering key oversight and management responsibilities. This disengagement resulted in questionable allowances to the program manager, such as the provision of rent-free facilities and the reimbursement of $570,000 in office renovation expenses and $21,000 for "team-building" training.

Persistent mismanagement resulted in delays and cost overruns

Airports is also unwilling or unable to properly administer and manage contracts that it oversees directly. Again, we found a persistent overreliance on and accommodation of contractors, which often resulted in cost over-runs, time delays, and procurement violations. For instance, Airports did not procure a new security contract in a timely manner, allowing the original contract to be extended three times, exceeding the original contract term limit by 16 months and $37.7 million. In addition, Airports failed to do a cost analysis for the construction of field offices for projects at the Hilo, Lihu‘e, and Kahului airports. The eventual amount paid for the construction of one individual field office was nearly $1 million, almost 30 times the amount we estimated it should have cost.

Agency Response

The department did not disagree with nor dispute any of our findings. According to the director, a new administration has assumed a stronger leadership role and continues to emphasize the importance of compliance with procurement laws and rules. For instance, the director explained that the department now charges its consultants rent for use of state-owned facilities. The department has also begun auditing the labor multiplier of all consultants' contracts. One such audit resulted in a lowering of Parsons' multiplier from 2.88 to 2.36. In addition, the director assures us that staff are now required to complete appropriate procurement training before procurement authority is granted.