

PROCEDURAL CHANGES FOR EXPEDITING IMPLEMENTATION  
OF CAPITAL IMPROVEMENT PROJECTS

THE AUDITOR OF THE STATE OF HAWAII

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Purpose:

The purpose of this report is to develop and recommend procedural improvements for expediting the planning and construction of capital improvement projects throughout the State in order that these facilities will be available for public use on a timely basis. Although this report is concerned specifically with the procedural matters relating to school planning and construction projects, the findings and recommendations contained herein could apply equally to all other types of capital improvement projects.

Statement of Problem:

The development of a capital improvement program has two major aspects. The first relates to capital planning which takes into consideration the many factors influencing the determination of the best possible arrangement for the development of the community, and provides a basis for determining what improvements are needed. The second aspect relates to program execution which is concerned with the procedures utilized in implementing the capital improvement program authorized by law. In this report, we are primarily concerned with program execution and the attendant problems of delays and lack of coordination that have arisen.

Identification of Existing Procedures:

A flow chart for the planning and construction of school facilities has been prepared and distributed by the Department of Education. A listing of the various procedural steps contained therein would be unduly repetitious. However, it appears pertinent to raise certain salient points that we have observed. They are as follows:

1) A total of at least nine agencies/individuals are involved in every school planning and construction project --

- |                                      |                     |
|--------------------------------------|---------------------|
| a) Governor                          | f) Attorney General |
| b) Education                         | g) County           |
| c) Accounting & General Services     | h) Architect        |
| d) Planning and Economic Development | i) Contractor       |
| e) Budget and Finance                |                     |

2) Present procedures require that an agency review, process or approve different phases of the same project in sequential order. This means that a department may work on the same project for two, three or even four times before the project is finally completed. A case in point concerns the Governor whereby his specific approval is required on three distinct occasions:

- a) for release of planning funds,
- b) for call for bids, and
- c) for release of construction funds.

3) Funds for planning and funds for construction are allotted separately.

Proposed Procedures for Seeking Release of Funds:

One of the contributing impediments giving impetus to the time lags is the inadequate program justifications submitted by user agencies and the usual absence of plot plans as required. Reference is made to two memoranda --

- 1) Governor's memorandum dated June 1965 and entitled "Procedures for Requesting and Expending Capital Improvement Funds", and
- 2) Department of Planning and Economic Development's memorandum dated October 14, 1965, and entitled "Instructions for Preparation and Submission of Departmental Six-Year Capital Improvements Program."

We are of the opinion that if the requirements prescribed in both memoranda are adhered to, some of the present problems can be eliminated. However, it is also our contention that certain drastic departures from existing procedures must be taken to decidedly improve the situation.

Accordingly, the following procedural measures are recommended for adoption and implementation:

1) Project Expenditure Plans

User agencies should continue submitting proposed annual expenditure plans for capital improvement projects, showing the quarterly expenditure amounts for planning, construction and for other specified purposes.

2) Quarterly Allotment of Funds

Projects meeting the Governor's pre-determined standards should be approved in toto at least on a quarterly basis or over a longer period, if deemed desirable. Inherent in this approval is the authorization to expend such funds as itemized.

The major advantage of this proposal over the status quo is that all capital projects, upon meeting the standards of approval laid out by the Governor, will be approved in lump sum for the quarter as opposed to the present piece-meal approach in releasing planning and construction funds. The underlying assumption is that the public need as well as the fiscal capacity and ability of the State will not drastically change over any given three-month period. However, this will not preclude the timely intervention of the Governor or any other competent authority should a valid reason exist thereto.

Also consistent with the proposed approach is the need to place greater reliance on the expending agencies to plan and execute their own projects within the overall framework and guidelines established by the administration. Any further checks subsequent to granting the initial approval to undertake the project, in our estimation, would constitute needless red tape. Accordingly, the approval to call for bids and also the approval for release of construction funds should not be required.

In essence, then, the user agency would submit its annual expenditure plan for capital projects to the Department of Planning and Economic Development (DPED). DPED would make its necessary review and prepare and transmit the necessary allotment advices to the Governor for his action. The Department of Budget and Finance (B&F) would receive an information copy of the allotment advice from DPED simultaneously with the Governor. B&F will examine the recommendation and assess the financial impact of DPED's proposal of such funds to be expended during that quarter and inform the Governor only if a contrary finding is indicated. In this manner, the Department of Budget and Finance can keep abreast of the financial management aspects without having to assume the added burden of processing requests sequentially.

Under the new proposal, we also foresee a need for re-orientation in philosophy and attitudes. Heretofore, the long and cumbersome processes and machinery for executing CIP projects remained at a standstill until proper approval to proceed was received. The new concept is that after the initial approval is granted by the Governor, the expending agencies will proceed with planning, advertising and construction unless a specific signal to stop and reconsider is issued. This will

place a greater burden on the control agency (DPED). We note that both the House and Senate versions of the proposed operating budget for fiscal year 1966-1967 provide for four new technical positions in the CIP section of DPED. With these four additional positions, it should have sufficient personnel resources to take care of its added responsibilities.

There may be an instance when the expending agency must recheck with DPED and the Governor. This would occur in the event the appropriated amount for a given project is insufficient to meet the construction cost, even after various alternates are exercised. The Governor under such a circumstance could, among other choices, defer the project or transfer unrequired balances from other completed projects, in an amount sufficient to meet such deficiency.

### 3) Equipment Requirements

Equipment needs and standards for various types of facilities should be developed, and sufficient funds should be earmarked for them if feasible. Equipment needs should be developed during the program justification period or subsequent to adoption of final plans. In any event, it would be desirable if the needs are determined prior to opening of construction bids to preclude undue pressure for expending any unused balance of the appropriation for fringe needs. It is suggested that strong justification be presented whenever a request to exceed the standard amount for equipment needs is made.

### 4) Fanning out Process

The administration has already taken steps to reduce the time needed to process a project. The procedural changes have been termed the "fanning out process." One feature of this process calls for an

overlapping of steps which formerly were performed in sequence but which can be performed simultaneously. The second feature of this process involves joint meetings in which representatives of processing agencies discuss and resolve problems before they arise. Significant time savings can be realized by the use of the fanning out process wherever applicable.

5) Internal Reporting System

The administrative freedom accorded by lump-sum allotment carries with it an added responsibility. Even as the expending agency is freed from repetitive and time-consuming approvals, it inherits the responsibility of keeping staff agencies and the Governor informed of its progress through a reporting system which produces comprehensive and timely information of the entire program. This system may be used not only for external evaluation but also for internal monitoring of progress. At the minimum, the system should pinpoint departures from plans and focus the attention of the operating department head, appropriate staff agencies, and the Governor on such problems as project delays and higher-than-expected bids. As we envision it, this reporting system could consist of periodic status reports, time charts which compare planned against actual achievement, and concise narrative summaries pinpointing the problem areas and identifying possible solutions.

We are cognizant of the fact that the reporting requirements of the Governor may differ from those of staff agencies. The reporting system could be designed to provide the Governor with summary reports produced by the Department of Planning and Economic Development. These reports would conceivably highlight exceptions and include evaluative comments by the staff agency.

Such a summary report would save the Governor from being innundated by reports. Summary reports would further provide a systematic means of accumulating information of all functional areas and for calculating progress in one functional area in terms of the entire capital program.

#### Differences Between the Existing and Proposed Procedures

The existing procedure is characterized by sequential processing and multiple approvals. The objective of the proposed procedure is to reduce processing time by (a) concurrently covering some steps which are now being sequentially performed, (b) introducing agencies into the process at an earlier stage than at present, and (c) eliminating certain reviews and approvals. The specific changes from the existing procedure to the proposed procedure are as follows (Note. Department names are abbreviated as follows: AG = Attorney General; B&F = Budget and Finance; DAGS = Accounting and General Services; DE = Education; DPED = Planning and Economic Development):

- 1) that DPED send the proposed allotment advice directly to the Governor instead of through B&F. This eliminates the B&F processing and review time. B&F will continue to receive a copy of the proposed allotment advice.
- 2) that DPED send the approved allotment advice directly to DE instead of through DAGS. This eliminates DAGS handling time. DAGS, as the expending agency, will continue to receive a copy of the approved allotment advice.
- 3) that the Public Works Division of DAGS review, together with DE and the architect, the architectural plans prior to completion of the plans. DAGS is thus introduced to the process at an earlier stage than at present.



- 4) that the DPED's review and the Governor's approval prior to calling for construction bids be eliminated. In the proposed procedure, this approval would be implicit in the Governor's original authorization.
- 5) that all affected agencies -- DAGS, DE, DPED, AG -- be represented at bid openings. The agencies could simultaneously review bids, and immediately work out any problems in awarding the bid.
- 6) that the DPED's review, the B&F's review, and the Governor's approval to release construction funds be eliminated. In the proposed procedure, this approval would be implicit in the Governor's original authorization.
- 7) that DAGS send the AG an advance copy of the construction contract, at the same time it sends copies to the contractor for signature. Thus, by the time the contractor returns the signed contract to DAGS, the AG will have completed its review.

#### Summary of Findings and Recommendations

Repetitive reviews appear to affect the orderly and timely completion of projects. We, therefore, recommend certain procedural changes designed to reduce project processing time. Further time economies could be realized if more complete justifications accompanied capital project requests, thus allowing an expeditious and more meaningful review and analysis of the implementation phase of the capital program. Despite the elimination of certain time-consuming reviews and approvals, we feel that management control over the entire program would be strengthened by the adoption of an internal reporting system, as discussed earlier. Our specific recommendations are summarized below.

- 1) DPED should strictly enforce the requirement that strong program justifications be submitted for all project requests.