
Follow-Up Report on a Study of the Financing of the Small Boat Harbors and Boat Ramps Program of the Department of Land and Natural Resources

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Report No. 95-11
March 1995

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STATE OF HAWAII

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Submitted by

THE AUDITOR
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Marion M. Higa
State Auditor

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Introduction

The Office of the Auditor issues a wide variety of reports and studies recommending improvements in government operations. In response to growing interest in the impact of our audits, we have expanded our follow-up program to include a systematic review of selected findings and recommendations of previous audit reports. We revisit the subject agencies to verify and assess any progress made in addressing prior audit findings and recommendations. Government auditing standards require an audit follow-up process to determine whether an auditee has taken timely and appropriate corrective actions on findings and recommendations from previous audits.

The purpose of this report is to describe actions taken by the Department of Land and Natural Resources (DLNR) to implement certain recommendations in our December 1993 *Study of the Financing of the Small Boat Harbors and Boat Ramps Program of the Department of Land and Natural Resources*, Report No. 93-24. We hope that the information provided in this report will assist policy makers in ensuring effective, efficient, and accountable programs.

Background

Small boat harbors are designed for recreational boating activities, the landing of fish, and commercial vessel activities. The State operates small boat harbors and boat launching ramps in all four counties. The Legislature transferred the operation of these harbors and ramps from the Harbors Division of the Department of Transportation (DOT) to DLNR on July 1, 1992. The harbors and ramps are operated, administered, and maintained by the Division of Boating and Ocean Recreation.

In our 1993 report, we found that the statewide boating program needed improvement. Facilities and services varied from harbor to harbor and many of these facilities and services were inadequate. Dissatisfaction with the program was also widespread. We found that the division of responsibilities for the program between DOT and DLNR caused problems in program operations. Finally, we found that accounting controls for the program were inadequate. We recommended that DLNR develop a comprehensive statewide boating program, make the transfer of functions from DOT a priority, and correct problems in accounting controls.

Approach to Follow-Up

As a follow-up of our December 1993 report, we reviewed DLNR's letter to the Auditor of November 10, 1994, which provided information on actions taken on our recommendations. To validate the actions of the department, we conducted fieldwork at the department to gather additional information necessary for this report. In addition, we visited selected boat harbors to determine if specific actions noted by the department had been taken. Our work was performed from January 1995 through February 1995.

The following is our overall assessment of progress made by DLNR, followed by a description of each of our previous recommendations, actions reported by the department in its 1994 letter to us, and the results of our recent fieldwork.

Summary of Follow-Up

Our overall assessment is that the Department of Land and Natural Resources has improved its internal accounting controls by segregating accounting functions, ensuring that its Treasury Deposit Receipts are deposited on a timely basis, and reconciling its internal collection records.

However, the department still lacks a comprehensive boating program. Moreover, security measures at the small boat harbors need improvement and the complete transfer of all boating functions from DOT should be completed. Finally, despite the progress that we have noted, work on improving internal controls should continue.

Recommendation from 1993 Report

In our 1993 report, we recommended that DLNR develop a comprehensive statewide boating program. This program should include a plan that describes and sets statewide standards for facilities and services, defines policies for setting fees to finance these costs, and establishes goals and milestones for bringing facilities and services up to standard.

Implementation as reported in the department's letter

In its November 1994 letter to the Auditor, the department maintained that all of the primary functional elements of a comprehensive statewide boating program exist within the structure of the Division of Boating and Ocean Recreation. However, the department noted that the ability of the division to become fully operational in all functional areas has been limited by legislative and budgetary constraints.

The department reported that statewide standards for facilities have not yet been adopted due to low staffing levels, budgetary constraints, and lack of consensus by boaters at different localities as to what type of facilities or services should be granted priority for implementation. The immediate goal of the department is to make the facilities safe for use by the public. As such, the department has been granted emergency authority to spend funds for the Ala Wai small boat harbor. The department asserted that all repairs and maintenance meet existing building codes.

The department also noted that the fees charged boaters are based on the type of berthing facilities and level of service provided. According to the department, rates are based on the expected operating costs and level of debt service on capital improvement projects, and are adopted through the public hearing process.

Results of our fieldwork

In our follow-up fieldwork, we found that department has not yet developed a comprehensive statewide boating program. No specific statewide standards exist for facilities and for services to the boating public. Although the department has prioritized capital improvement projects for the small boat harbors, there are no specific goals and time lines for bringing facilities and services up to standard. As noted in our 1993 report, some catwalks are unsafe. For example, one catwalk at Ala Wai small boat harbor has fallen into the water and a catwalk at Maalaea is about to fall in. Boaters and the public continue to be at risk of physical injury.

Recommendation from 1993 Report

In our 1993 report, we recommended that the department develop security measures that address the security needs of users of small boat harbors and boat ramps, keep harbor offices open on weekends and holidays, and provide harbor agents with enforcement authority.

Implementation as reported in the department's letter

The department reported some improvement in cooperation from the Department of Public Safety in the enforcement of harbor facility rules. The department is considering reinstatement of enforcement authority for certain harbor agents. In addition, the department noted that offices at some of the more active harbors are open to the public seven days a week, while other offices with limited staff are open on Saturdays but closed on Mondays.

Results of our fieldwork

We found that the harbor agents now enjoy a more cooperative relationship with the marine patrol of the Department of Public Safety. However, they also report that the marine patrol is not able to respond on a timely basis to requests for assistance.

Although a couple of the harbor offices are open seven days a week, the office at Ala Wai, which may be the largest and busiest harbor in the state, is open only on weekdays.

Recommendation from 1993 Report

In our 1993 report, we recommended that DLNR develop clear and concise administrative rules.

Implementation as reported in the department's letter

The department reported that the first draft of a simplified version of the boating and small boat harbors administrative rules is undergoing internal review and revision. In November 1994, the department expected to have it completed and available to the public within six months.

Results of our fieldwork

We found that the department has completed a first draft of its simplified version of the administrative rules. This document has not been finalized and has not been disseminated for public use.

Recommendation from 1993 Report

In our 1993 report, we recommended that the department develop a comprehensive financial accounting and budgeting system that would enable it to track expenditures by facility and by type of expenditure.

Implementation as reported in the department's letter

The department reported that it has developed an interim budgetary system. The department also reported it was continuing to refine the system and to convert it for use in a FOXPRO software package for compatibility with the other departmental financial and accounting systems. The department expects the system to be fully operational prior to July 1, 1995.

Results of our fieldwork

We found that the system to which the department referred in its letter is actually an accounts receivable system, not a comprehensive financial accounting and budgeting system. Thus, this system will still not enable the department to track expenditures by facility and by type of expenditures.

Recommendation from 1993 Report

In our 1993 report, we recommended that DLNR give priority to transfer of recreational boating functions from the Department of Transportation.

***Implementation as
reported in the
department's letter***

The department reported placing top priority on the transfer of boating functions from DOT. However, DLNR argued that factors beyond its control prevented implementation of the orderly transition plan developed to effect the transfer. These factors include a delay in executive branch approval of a new Division of Boating and Ocean Recreation in DLNR, a delay in establishing and filling new positions authorized by the 1992 Legislature, and a recent directive to eliminate six permanent positions that were not yet filled.

The department also reported that it had assumed administrative, personnel support, budgeting, and fiscal functions. However, the department noted that other functions performed by DOT, such as inventory control and some data processing, would be transferred as soon as some administrative issues are resolved. The department also noted that maintenance and engineering support would continue to be required from the DOT for the foreseeable future.

***Results of our
fieldwork***

We found that most functions have been transferred. DOT continues to perform maintenance and engineering functions for DLNR because DLNR does not have the positions necessary to assume these two functions.

**Recommendation
from 1993 Report**

We recommended that DLNR correct a number of problems with its internal accounting controls. One recommendation was to segregate accounting functions, or at a minimum, require the use of cash registers.

***Implementation as
reported in the
department's letter***

The department reported that in Honolulu offices, cash receipts and deposit slips are prepared by different clerks. It also noted that deposit summaries are done by an accountant at the department's fiscal office to ensure deposits are prepared on a timely basis. The department also plans to install cash registers in all harbor offices to handle all mooring and vessel registration receipts.

***Results of our
fieldwork***

We found that department is adequately segregating accounting functions.

**Recommendation
from 1993 Report**

We recommended that the department maintain a log of all receipt books and secure unused cash receipt books.

Implementation as reported in the department's letter

The department reported that fiscal staff of the Division of Boating and Ocean Recreation now maintain a statewide log of receipt books statewide.

Results of our fieldwork

We found that the department has a statewide receipt book log. However, harbor offices still tend not to secure receipt books from tampering or unauthorized use.

Recommendation from 1993 Report

We recommended that the department deposit cash receipts daily.

Implementation as reported in the department's letter

The department reported instructing individual offices to emphasize the importance of making daily deposits.

Results of our fieldwork

We found that harbor agents did not report receiving such instructions on making daily deposits. They do not strictly adhere to the policy. In those instances where harbor agents fail to make daily deposits, they generally wait until the next working day to deposit the receipts.

Recommendation from 1993 Report

In our 1993 report, we recommended that the department ensure that Treasury Deposit Receipts (TDRs) are prepared on a timely basis for all cash deposits. TDRs formally record cash deposits in the State's accounting records.

Implementation as reported in the department's letter

The department reported that TDRs will be completed on a timely basis.

Results of our fieldwork

We confirmed that TDRs are prepared on a timely basis.

Recommendation from 1993 Report

We recommended that the department reconcile internal collection records with reports of the State's accounting system, FAMIS.

Implementation as reported in the department's letter

The department noted that internal collection reports from the accounts receivable system are not reconciled to FAMIS reports. However, the department reported that boating program TDRs are reconciled with FAMIS revenue records by source of revenue on a quarterly basis.

***Results of our
fieldwork***

We found that TDRs appear to be reconciled to FAMIS on a regular basis.

**Recommendation
from 1993 Report**

We also recommended that the department prepare written accounting procedures.

***Implementation as
reported in the
department's letter***

The department reported sending to the individual harbor offices on an ongoing basis information on accounting procedures on specific functions such as deposits, dishonored checks, petty cash funds, and collections. The department also reported that consolidated written accounting procedures for the Division of Boating and Ocean Recreation would be completed by December 31, 1995.

***Results of our
fieldwork***

We found no evidence that information on such procedures was sent to the harbor offices.

**Recommendation
from 1993 Report**

We recommended that the department reconcile security deposits per harbor records to the department's trust fund for security deposits.

***Implementation as
reported in the
department's letter***

The department reported that reconciling security deposits per harbor records to the trust fund will be done by June 30, 1995.

***Results of our
fieldwork***

We found that records from the Oahu harbors are currently reconciled, but those from the neighbor island harbors are not yet reconciled. The department anticipates completing this task by July.

**Recommendation
from 1993 Report**

We also recommended that the department properly record fixed assets in the State's fixed asset inventory records.

***Implementation as
reported in the
department's letter***

The department reported that it was still working with personnel of the DOT Harbors Division to transfer the fixed asset inventory records to the Division of Boating and Ocean Recreation. DLNR anticipated that the recording of the boating program's fixed assets in the State's fixed assets inventory records would be completed by March 31, 1995.

***Results of our
fieldwork***

We found that as of February 1995, the two departments are still working on the transfer of the fixed asset inventory.

Conclusion

Small boat harbors and boat ramp activities are part of the State's ocean recreation and coastal areas programs. We conducted our 1993 study at the Legislature's request because of growing concern within the boating community about issues such as enforcement of boating rules, proliferation of unseaworthy vessels, and lack of access to a detailed accounting of program expenditures.

The Department of Land and Natural Resources has taken steps to implement the recommendations in our 1993 report. It has drafted a simplified version of the administrative rules and improved its internal accounting controls in several areas. However, the department still does not have a comprehensive boating program. In addition, security at the small boat harbors needs improvement, some facilities are unsafe, the transfer of functions from the Department of Transportation is incomplete, and some accounting practices need work.

We urge DLNR to continue its efforts to implement our recommendations. We still believe a comprehensive boating program is essential to the satisfactory operation of the small boat harbors and boat ramps. We also maintain that a comprehensive financial accounting and reporting system is needed to provide program management with information necessary to properly carry out its responsibilities.