

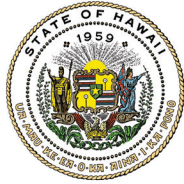
# **Report on Compliance with Statutory Requirements Based on Report No. 15-13, *Study of State Departmental Engineering Sections That Manage Capital Improvement Projects***

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

**Report No. 20-02**  
January 2020



**OFFICE OF THE AUDITOR**  
STATE OF HAWAII



## OFFICE OF THE AUDITOR STATE OF HAWAII

### Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

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Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

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## Foreword

This is a report on our study of statutory compliance by state departments and executive agencies that manage their own capital improvement projects (CIP).

Act 241, Session Laws of Hawai‘i 2016, codified at Section 103-12, Hawai‘i Revised Statutes, requires departments and agencies that manage their own CIP to implement recommendations from the Auditor’s 2015 *Study of Departmental Engineering Sections that Manage Capital Improvement Projects* (Report No. 15-13). The 2019 Legislature, through House Concurrent Resolution No. 193, Senate Draft 1, requested that the Auditor follow up on the 2015 study to determine whether agencies have implemented the recommendations, which are now statutory requirements. We also sought to determine whether agencies have complied with annual training requirements included in Act 241.

We wish to express our appreciation for the cooperation and assistance extended to us by staff of the departments of Accounting and General Services; Agriculture; Business, Economic Development and Tourism; Defense; Education; Hawaiian Home Lands; Health; Human Services; Land and Natural Resources; and Taxation; and by the University of Hawai‘i System; the Hawai‘i Community Development Authority; the Hawai‘i Housing and Finance Development Corporation; the Natural Energy Laboratory of Hawai‘i Authority; the Hawai‘i Health Systems Corporation; the Hawai‘i Public Housing Authority; and the Judiciary.

Leslie H. Kondo  
State Auditor

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# Report on Compliance with Statutory Requirements Based on Report No. 15-13, *Study of State Departmental Engineering Sections That Manage Capital Improvement Projects*

## Introduction

The State's Capital Improvement Program Budget for FY2019 was \$2.02 billion<sup>1</sup> and covered a broad spectrum of capital improvement projects (CIP) ranging from the construction of schools, hospitals, and highways to asbestos removal and reroofing. State CIP also includes infrastructure projects, such as installing utilities systems; natural resources projects, such as building and maintaining jetties, dams, and irrigation systems; and large-scale information technology (IT) system projects. Managing these projects is one of the State's most significant and costly functions, requiring both organizational time and resources.

**“Capital Improvement Projects (CIP) are renovations, repairs, and major maintenance to existing facilities, landscape improvements, new construction, land acquisition, and utility modifications.”**

**—State of Hawai‘i<sup>2</sup>**

<sup>1</sup> From *The FY 2019-21 Executive Biennium Budget/Budget in Brief* (dated December 17, 2018).

<sup>2</sup> State of Hawai‘i, [transparency.hawaii.gov/capital-improvement-projects](https://transparency.hawaii.gov/capital-improvement-projects)

Many of the State's public works projects are managed by the Department of Accounting and General Services' (DAGS) Public Works Division. Others are self-managed by departments and agencies other than DAGS, including the University of Hawai'i which took over management of its CIP between 2002 and 2003 and the Department of Education which took over its CIP in 2004.

This report, requested by House Concurrent Resolution No. 193, Senate Draft 1 (2019 Regular Session) (HCR 193), assesses compliance with statutory requirements that were enacted based on our 2015 *Study of Departmental Engineering Sections That Manage Capital Improvement Projects* (Report No. 15-13). Act 241, Session Laws of Hawai'i (SLH) 2016, codified at Section 103-12, Hawai'i Revised Statutes (HRS), requires executive departments and state agencies that engage in CIP to implement those recommendations outlined in our report.

## **Why we did the 2015 study**

DAGS has a Public Works Division that manages capital improvements statewide. A number of state departments and agencies also manage their own CIP through their respective engineering sections. Act 177, SLH 2015, required the Auditor to determine if duplicative engineering operations among various departments continued to serve the public interest or whether CIP management should be centralized under DAGS. To complete the study, we reviewed the processes, efficiencies, and accountability of departmental engineering sections that manage state-funded capital improvements. Act 177 also required us to determine: (1) whether each office adhered to a specific timeline to ensure projects move forward in a timely manner; (2) whether consultants and contractors used by departmental engineering sections are properly managed in the public interest; and (3) the level of end-user satisfaction with CIP performed by departments that manage their own CIP.

## **What we found in 2015**

Report No. 15-13 concluded the public's interest is best served by continuing engineering operations among different departments, rather than placing all state-funded CIP under DAGS management. The report found centralizing the management of all CIP was not practicable and noted policy issues involving management of federal funding, the need for specialized skills on specific projects, and other efficiencies better served through decentralization.

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We also found, however, that departments and agencies varied widely in how they managed their CIP. Methods for maintaining project timelines or schedules were inconsistent among departments and agencies, as were procedures for tracking payments to consultants and contractors and recording receipt of deliverables. Further, less than half the departments and agencies involved stakeholders throughout project development, which the Project Management Institute considers “best practices.” Our report recommended departments and agencies that manage their own CIP should:

1. Use timelines that include a comprehensive list of *all activities* required on a project and not simply rely on contractor timelines, which may not reflect all project phases. At a minimum, the list should include all phases in a project’s life cycle – namely, the initiation, planning, design, bid, construction, and post-construction phases.
2. Follow State Procurement Office guidance for tracking payments and deliverables by using a contract administration worksheet that includes milestones or deliverables, which are marked off as items are completed.
3. To help ensure end-user satisfaction with their capital improvement projects, identify and involve stakeholders throughout a project’s execution and closing, including providing information about project costs, schedules, and performance.

## **Legislation since our 2015 study**

The Legislature incorporated our recommendations into Act 241, SLH 2016, requiring executive departments and state agencies that manage their own CIP to: (1) use timelines that include a comprehensive list of activities required on a project; (2) use a contract administration worksheet to track payments and deliverables; and (3) identify and include stakeholders in the CIP process.

Act 241, codified as Section 103-12, HRS, also requires the DAGS Comptroller to conduct annual training for engineering personnel in all departments and requires the departments to provide orientation training for any employees hired between annual trainings. These trainings are intended “to ensure compliance with state-adopted standards and procedures of best practices in the management and construction of capital improvement projects.” DAGS provided an in-person CIP training in 2017. A video of the 2017 training remains available for online viewing by engineering personnel. DAGS requires that departments maintain logs of staff who attend (or view) the training.

The 2019 Legislature adopted HCR 193 out of continued concerns regarding CIP design and implementation. The resolution asked us to evaluate whether the recommendations from Report No. 15-13 have been implemented by the various departments that manage their own CIP, and to what extent. Because the recommendations have been codified, we construed the resolution to request us to assess department compliance with Section 103-12, HRS.

## **Methodology**

We surveyed the same agencies we evaluated in the 2015 report to gather sufficient information about whether the statutory requirements, based on our recommendations, have been implemented. Copies of our survey tools can be found in Appendix A. We reviewed the responses and, when needed, requested further information prior to reporting each agency's compliance status.

Because of the large number of projects and state agencies involved, we did not determine whether each department or agency had implemented the statutory requirements across its entire CIP operation. We based our assessment on survey responses and an analysis of sample schedules, timelines, project feedback, and other documents provided by each department or agency. The findings of the 2015 report were based primarily on self-reporting by agencies. Our methodology in 2019 relied on survey responses and includes an evaluation of supporting documents such as schedules and timelines.

Because of our shift to independent evaluations, certain departments and agencies deemed compliant with recommended best practices in 2015 were generally found non-compliant with comparable statutorily required practices in 2019. For example, in 2015, we reported the Natural Energy Laboratories of Hawai'i Authority (NELHA) maintained a written schedule from the beginning to close of projects based solely on the agency's survey response. This year, we undertook a more rigorous review, analyzing six sample NELHA schedules, and found none of them accounted for each required project phase: initiation, planning, design, bid, construction, and post-construction.

We also attempted to identify the number of personnel at each engineering section that managed CIP and whether such personnel had attended the training required under Section 103-12, HRS.

Our work was performed from September through November 2019.

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## Statutory Requirements and Their Status

Report No. 15-13 found various policy considerations support a largely decentralized system for managing CIP. However, it also found department CIP programs could better align with best practices by adopting basic, uniform procedures for maintaining timelines, tracking expenditures and deliverables, and involving stakeholders in project development. The report also noted that consistent, documented procedures would also enhance transparency and accountability.

For our 2019 report, we surveyed 23 departments and agencies to determine how they managed their own CIP. We received 25 responses, three of which were from entities that did not manage their own CIP (the Department of Budget and Finance, the Department of Public Safety, and the Department of Labor and Industrial Relations); some departments provided separate responses from agencies under their administration.

Overall, we found that no agency or department was compliant with all of the statutory requirements. Exhibit 1.1 shows how each department and agency evaluated in 2015 fared then and now regarding compliance with best practice standards, as codified in Section 103-12, HRS.

## Exhibit 1.1

### Audit Recommendation/Statutory Compliance by Agency/Department

Agency / Departmental Engineering Section	COMPREHENSIVE TIMELINES		CONTRACT ADMINISTRATION WORKSHEET		END-USER FEEDBACK	
	2015	2019	2015	2019	2015	2019
Department of Agriculture	Unclear	No	Yes	No	No	No
DBEDT – Foreign-Trade Zone	No	No	Yes	No	No	No
DBEDT – Hawai'i Community Development Authority	Yes	No	Yes	No	No	No
DBEDT – Hawai'i Housing Finance and Development Corporation	Yes	No	Yes	Yes	No	No
DBEDT – Natural Energy Laboratory of Hawai'i Authority	Yes	No	Yes	No	Yes	No
DOD – Engineering Office	Yes	No	Yes	Yes	No	No
DOD – Hawai'i Air and Army National Guard Division	Yes	No	Yes	Yes	No	No
Department of Education	Yes	No	Yes	Yes	Unclear	No
Department of Hawaiian Home Lands	Yes	No	Unclear	Yes	Yes	No
DOH – Hawai'i Health Systems Corporation–East Hawai'i*	N/A	Yes	N/A	No	N/A	Yes
DOH – Hawai'i Health Systems Corporation–Kahuku Medical Center**	N/A	No	N/A	Yes	N/A	No
DOH – Hawai'i Health Systems Corporation–Kaua'i	No	No	No	Yes	Yes	No
DOH – Hawai'i Health Systems Corporation–Maui***	No	N/A	Yes	N/A	Yes	N/A
DOH – Hawai'i Health Systems Corporation–O'ahu	No	No	No	Yes	No	No



Agency / Departmental Engineering Section	COMPREHENSIVE TIMELINES		CONTRACT ADMINISTRATION WORKSHEET		END-USER FEEDBACK	
	2015	2019	2015	2019	2015	2019
DOH – Hawai'i Health Systems Corporation–West Hawai'i	No	No	Yes	No	Yes	No
DHS – Hawai'i Public Housing Authority	Yes	No	Yes	No	Yes	No
Department of Taxation****	N/A	No	N/A	No	N/A	No
UH-Community Colleges	No	No	No	No	Yes	No
UH-Hilo	Yes	No	Yes	Yes	No	No
UH-Mānoa	Yes	No	Yes	Yes	No	No
UH-Office of Capital Improvements*****	No	N/A	Yes	N/A	Yes	N/A
UH-West O'ahu*****	N/A	No	N/A	Yes	N/A	No
The Judiciary	No	No	No	Yes	No	No

Source: Office of the Auditor

\* HHSC-East Hawai'i did not respond to the 2015 survey.

\*\* HHSC-Kahuku Medical Center was not included in the 2015 report.

\*\*\* HHSC-Maui did not respond to the 2019 survey.

\*\*\*\* Department of Taxation was not included in the 2015 report.

\*\*\*\*\* The Office of Capital Improvements handled systemwide CIP in 2015.

\*\*\*\*\* UH-West O'ahu was not included in the 2015 report.

We assessed compliance with each of the statutory requirements, as follows:

### **Compliance with Section 103-12(b)(1), HRS (Report No. 15-13 Recommendation No. 1)**

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**All executive departments and state agencies that manage their own capital improvement projects shall use timelines that include a comprehensive list of all activities required on a project, and not simply rely on contractor timelines, which may not reflect all project phases. At a minimum, the list shall include all phases in a project's life cycle, namely, the initiation, planning, design, bid, construction, and post-construction phases.**

#### **Comments**

To assess whether this statutory requirement was implemented, we asked each department and agency whether they use a schedule or timeline as recommended and, if so, requested examples of a current and completed project. We further asked whether these project schedules include certain components that, according to the Project Management Institute's best practices, make up a proper project schedule. These elements include lists of defined activities, estimates of the time needed to complete such activities, and lists of mandatory project milestones, among other things.

We assessed implementation based on sample schedules and timelines provided by each department or agency. As in 2015, our 2019 review found that methods for maintaining project timelines or schedules are not consistent among departments and agencies and that most entities surveyed do not keep schedules or timelines that meet statutory requirements. For some of the departments and agencies that stated their project schedules included all phases, we found that the supporting samples they provided only encompassed one contract or one project phase. In general, we found departments and agencies do not use a comprehensive schedule or timeline to track CIP. Only one agency – Hawai'i Health Systems Corporation-East Hawai'i – provided a sample schedule that included all phases in a project's life cycle, including initiation, planning, design, bid, construction, and post-construction.



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## **Compliance with Section 103-12(b)(2), HRS (Report No. 15-13 Recommendation No. 2)**

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**All executive departments and state agencies that manage their own capital improvement projects shall follow State Procurement Office guidance for tracking payments and deliverables by using a contract administration worksheet that includes milestones or deliverables, which are marked off as items are completed.**

### **Comments**

We asked each department and agency if they use a contract administration worksheet in accordance with state procurement guidance, then requested both a sample template worksheet and an example of a worksheet for a completed project. We assessed implementation based on the worksheet examples provided by each department or agency.

Thirteen respondents provided sample worksheets that track payments and deliverables as required. Other agencies and departments failed to provide samples or provided worksheets that tracked payments, but not milestones or significant dates, or only contained one or two contract milestones. For example, Hawai'i Health Systems Corporation-East Hawai'i provided an invoice tracking sheet that covered just one out of six project milestones and, as such, did not track overall payments and deliverables for this contract and does not comply with this requirement.

## **Compliance with Section 103-12(b)(3), HRS (Report No. 15-13 Recommendation No. 3)**

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**All executive departments and state agencies that manage their own capital improvement projects shall, to help ensure end-user satisfaction with their capital improvement projects, identify and involve stakeholders throughout a project's execution and closing, including providing information about project costs, schedules, and performance.**

### **Comments**

To assess whether this statutory requirement was implemented, we asked each department and agency whether they monitored and measured end-user satisfaction with their capital improvements and if they involved stakeholders throughout a project's execution and closing. Each entity that responded affirmatively was asked to provide examples of feedback received on a completed project. We used the provided samples to assess implementation.

Several agencies and departments said they do not measure or monitor end-user feedback. Others claimed compliance with this recommendation, but did not provide sample feedback from their projects' end-users.

### **Compliance with Section 103-12(a), HRS, CIP Training Requirements**

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**The comptroller shall conduct annual training for the engineering personnel of all executive departments and state agencies that manage their own capital improvement projects to ensure compliance with state-adopted standards and procedures of best practices in the management and construction of capital improvement projects. Each department and agency shall provide orientation training for new employees subject to this subsection and who are hired during the interim between annual trainings.**

#### **Comments**

We determined the engineering sections we surveyed have a total of 187 staff involved in managing CIP. Only two departments and agencies – UH-Community Colleges and the Judiciary – were found to follow state training requirements. DAGS' interpretation of Section 103-12(a), HRS, is that the engineering personnel of all executive departments and state agencies that manage their own capital improvements need to undergo annual training. However, in many instances, staff managing CIP attended training just once, rather than annually. Some departments and agencies claimed employees participated in the DAGS Comptroller-conducted annual training for engineering personnel that manage CIP, even though some of those staff had not attended such training. In other instances, department and agencies stated that DAGS did not provide annual training for staff managing CIP. See Exhibit 1.2 for details of how each responding agency and department fared.

## Exhibit 1.2

### CIP-Involved Staff Training

Agency / Departmental Engineering Section	No. of Staff Involved in CIP	Compliance with training requirements under Section 103-12(a), HRS
Department of Agriculture	4	No
DBEDT – Foreign-Trade Zone	3	No
DBEDT – Hawai'i Community Development Authority	5	No
DBEDT – Hawai'i Housing Finance and Development Corporation	2	No
DBEDT – Natural Energy Laboratory of Hawai'i Authority	2	No
DOD – Engineering Office	5	No
DOD – Hawai'i Air and Army National Guard Division	9	No
Department of Education	24	No
Department of Hawaiian Home Lands	15	No
DOH – Hawai'i Health Systems Corporation–East Hawai'i	6	No
DOH – Hawai'i Health Systems Corporation–Kahuku Medical Center	8	No
DOH – Hawai'i Health Systems Corporation–Kaua'i	8	No
DOH – Hawai'i Health Systems Corporation–O'ahu	9	No
DOH – Hawai'i Health Systems Corporation–West Hawai'i	5	No
DHS – Hawai'i Public Housing Authority	6	No
Department of Land and Natural Resources	22	No
Department of Taxation	3	No
UH-Community Colleges	5	Yes
UH-Hilo	5	No
UH-Mānoa	29	No
UH-West O'ahu	3	Yes
The Judiciary	9	Yes
<b>Total</b>	<b>187</b>	

Source: Office of the Auditor

## Overview of State Departmental Engineering Sections That Manage CIP

This overview offers details on our assessment of how departments and agencies that manage their own CIP comply with Section 103-12, HRS.

### Department of Agriculture

The Department of Agriculture (HDOA), which is charged with conserving, developing, and using the State's agricultural resources and infrastructure as well as facilitating the transition to diversified farming, has an engineering section that manages CIP.

#### WHAT WE FOUND IN 2015

It was unclear whether HDOA kept an adequate timeline from beginning to end of projects. The department reported it tracked expenditures by invoice, which included overall project cost, billings to date, and project completion percentages. Individual project managers tracked deliverables. The department said it did not formally measure or monitor stakeholder satisfaction with the CIP it managed.

#### WHAT WE FOUND IN 2019

##### Comprehensive Timelines

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**No**

About half of the department's CIP involves new construction, with the remainder involving renovation, repair, and maintenance. The department provided us one sample project tracking schedule that covered the Waimea Homestead Community Agricultural Park, a \$3.5 million effort to build a community agriculture park, equestrian park, a cemetery, and a golf course. Our review determined the project schedule does not include the bidding and post-construction phases of the project.

##### Contract Administration Worksheet

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**No**

HDOA said it does not have a contract administration worksheet that follows State Procurement Office guidance. Rather, the department said it uses a "project tracking method," and provided a sample for the Waimea Homestead Community Agricultural Park as evidence of a contract administration worksheet that includes milestones or deliverables. However, the worksheet provided to us contained just two significant dates: the notice to proceed date and the contract end date.

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Therefore, the project tracking method did not comprehensively track payments and milestones.

### End-User Feedback

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No

We also determined the department does not systematically engage with CIP stakeholders as required.

### Training Requirement

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No

The agency said none of the four employees involved in managing CIP have undergone required DAGS Comptroller CIP training. Rather, informal CIP training is provided throughout the year. Thus, the department does not adhere to required annual CIP training requirements. We did not assess the adequacy of HDOA's internal training.

## Department of Business, Economic Development and Tourism

The Department of Business, Economic Development and Tourism (DBEDT) has one division and three attached agencies that manage their own CIP: the Foreign-Trade Zone Division (FTZ), the Hawai'i Community Development Authority (HCDA), the Hawai'i Housing Finance and Development Corporation (HHFDC), and NELHA.

### Foreign-Trade Zone

FTZ's mission is to use the federal trade development program to reduce the costs associated with international trade to increase international trading activity, encourage value-added activities, stimulate capital investment, and generate employment opportunities.

#### WHAT WE FOUND IN 2015

FTZ did not maintain a written schedule from the beginning to close of a project and did not have a written process to handle project change order requests. Rather, it relied on vendors to maintain a schedule and document change order requests. Division management staff tracked expenditures and receipt of deliverables. In short, FTZ did not follow best practices for managing stakeholder satisfaction.

## WHAT WE FOUND IN 2019

### Comprehensive Timelines

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**No**

The agency, which managed renovation, replacement, and repair CIP, did not provide example project schedules or timelines for review. The agency said it relies on a consultant to monitor the schedule of contractors, and an overall schedule and weekly meetings to track progress. A sample meeting agenda and minutes provided by FTZ do not include a comprehensive list of all activities required under Section 103-12(b)(1), HRS.

### Contract Administration Worksheet

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**No**

FTZ provided a sample Contract Administration Verification Report, which it said is used to track payments and deliverables. It tracks invoices and payments, but does not include milestones or deliverables, and therefore does not comply with Section 103-12(b)(2), HRS.

### End-User Feedback

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**No**

Although FTZ said it monitors and discusses end-users in weekly management meetings, it does not record feedback. We determined that FTZ does not meet this recommendation, as it has not documented any monitoring or measurement of end-user satisfaction with the projects. A lack of documented feedback undermines FTZ's ability to retrieve and analyze stakeholder feedback.

### Training Requirement

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**No**

The agency has three employees who manage CIP – an administrator, an operations supervisor, and a business manager. However, only one – the administrator – attended required DAGS Comptroller CIP training. Accordingly, FTZ does not comply with annual CIP training requirements.

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## Hawai'i Community Development Authority

HCDA plans and implements community development programs and facilitates capital investments, including a \$13.5 million electrical upgrade project to bring reliable power into the Kalaeloa district for tenants and landowners.

### WHAT WE FOUND IN 2015

HCDA appeared to maintain a written schedule or timeline that showed activities from the beginning to the close of a project, with milestones, duration of time, resources, and costs associated with the work, as well as a written process to handle project change order requests. HCDA tracked expenditures and deliverables on a spreadsheet. HCDA did not appear to follow best practices for managing stakeholder satisfaction.

### WHAT WE FOUND IN 2019

#### Comprehensive Timelines

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No

HCDA said there is no list or schedule that staff use to track CIP.

#### Contract Administration Worksheet

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No

HCDA said it does not follow State Procurement Office guidance by using a contract administration worksheet for tracking payments and deliverables.

#### End-User Feedback

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No

HCDA said it does not monitor or measure end-user satisfaction with their capital improvements.

#### Training Requirement

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No

The agency reported having five people involved in managing CIP. HCDA said the DAGS Comptroller does not provide them with CIP management training. Thus, HCDA does not adhere to required annual CIP training requirements.

## Hawai'i Housing Finance and Development Corporation

HHFDC is the State's housing finance and development agency.

### WHAT WE FOUND IN 2015

The corporation maintained a written schedule from the beginning to close of projects, had written processes to handle project change order requests, and had a designated person responsible for managing project schedules. The corporation reported its system to track expenditures and deliverables consists of "contracts, budgets, project meetings, [and] project schedules." The corporation did not appear to follow best practices for managing stakeholder satisfaction.

### WHAT WE FOUND IN 2019

#### Comprehensive Timelines

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No

HHFDC had one ongoing CIP underway that involved the Waiāhole Valley Water System. The project schedule provided by HHFDC does not account for the post-construction phase of that project.

#### Contract Administration Worksheet

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Yes

We determined that HHFDC's payment progress schedule includes milestones or deliverables, which are marked off as items are completed, and thus complies with statutory requirements.

#### End-User Feedback

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No

HHFDC reported it identifies stakeholders and involves them via community meetings and correspondence. However, we deem this not compliant with statute, as HHFDC had only one incomplete CIP during the period reviewed, and no sample feedback was provided.

#### Training Requirement

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No

HHFDC reported having two people involved in managing CIP. Neither had undergone required DAGS Comptroller CIP training. Thus, HHFDC does not adhere to annual CIP training requirements.



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## Natural Energy Laboratory of Hawai'i Authority

NELHA provides resources and facilities for energy and ocean-related research, education, and commercial activities.

### WHAT WE FOUND IN 2015

The authority stated that it maintained a written schedule from the beginning to close of projects. The authority's system for tracking expenditures and deliverables did not appear to conform with best practices. NELHA did not identify a system for monitoring stakeholder satisfaction, but rather stated that the authority was its own stakeholder.

### WHAT WE FOUND IN 2019

#### Comprehensive Timelines

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No

NELHA provided us with six sample schedules that included projects such as an Alternative Energy and Biotechnology Demonstration Incubator, a Hydrogen Fueling Test Bed Project, and various road-related efforts. In general, these schedules primarily focused on construction efforts, with none accounting for all of the following required project phases: initiation, planning, design, bid, construction, and post-construction.

#### Contract Administration Worksheet

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No

NELHA reported using a Contract Administration Verification Report to track payments and deliverables. However, we determined that a sample verification report checklist provided by NELHA lacks milestones and deliverables.

#### End-User Feedback

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No

We determined that NELHA does not communicate with CIP stakeholders.

#### Training Requirement

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No

NELHA has two people involved in managing CIP activities: its executive director and an administrative projects manager. We determined the projects manager last attended required DAGS Comptroller CIP training in 2017 and that the executive director had not taken the training as of the date the agency responded to the survey. Thus, NELHA does not adhere to required annual CIP training requirements.

# Department of Defense

The Department of Defense (DOD) has two engineering offices that responded to surveys: the Engineering Office and the Hawai‘i Air and Army National Guard Division. DOD’s Engineering Office has five people managing CIP, while the Hawai‘i Air and Army National Guard Division has a Facility Management Office with nine people. Both divisions stated CIP personnel receive periodic departmental training on CIP requirements, including the most recent training on September 27, 2018. We determined that, while both divisions held CIP trainings, not all personnel involved in managing CIP have attended.

## DOD Engineering Office

Almost half of the department’s CIP activity involved new construction, with the remainder involving renovation, repair, and maintenance.

### WHAT WE FOUND IN 2015

For project time management, the Engineering Office used a detailed written spreadsheet schedule from the beginning to close of the project and planned to implement DAGS’ tracking program schedule. The Engineering Office used a payment “recapitulation sheet” to track payments and a project schedule with milestones that are checked off as deliverables were met. The Engineering Office reported it did not measure and monitor stakeholder satisfaction.

### WHAT WE FOUND IN 2019

#### Comprehensive Timelines

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No

DOD’s Engineering Office provided a sample schedule for the Fort Ruger Building 306A Renovations for Hawai‘i State Fusion Center, which does not account for the initiation, planning, and post-construction phase of that project.

#### Contract Administration Worksheet

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Yes

The Engineering Office provided a sample construction invoice, monthly estimate, and monthly construction progress report, which we found follows State Procurement Office guidance for tracking payments and deliverables.

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## End-User Feedback

No

DOD's Engineering Office stated it does not monitor or measure end-user satisfaction with its CIP.

## Training Requirement

No

DOD's Engineering Office has five people managing CIP. The office stated that CIP personnel receive periodic departmental training on CIP requirements, including the most recent training on September 27, 2018. We determined that not all personnel involved in managing CIP have attended required training.

## Hawai'i Air and Army National Guard Division

### WHAT WE FOUND IN 2015

The division maintained an updated written schedule from the beginning to the close of projects, which was managed by the Design and Project Management Branch manager. The division tracked expenditures and receipt of deliverables in detail. The Design and Project Management Branch did not manage or monitor stakeholder satisfaction.

### WHAT WE FOUND IN 2019

## Comprehensive Timelines

No

The Hawai'i Air and Army National Guard Division provided two sample schedules for our review, neither of which included a comprehensive list of all activities required on a project.

## Contract Administration Worksheet

Yes

The division provided a monthly estimate invoice and a monthly construction progress report for September 2019 that tracks payments and deliverables as required.

## End-User Feedback

No

The agency stated it does not monitor or measure end-user satisfaction with its CIP.

## Training Requirement

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No

The Hawai'i Air and Army National Guard Division has a Facility Management Office with nine people. The division stated CIP personnel receive periodic departmental training on CIP requirements, including the most recent training on September 27, 2018. We determined that not all personnel involved in managing CIP have attended required training.

## Department of Education

The Department of Education (DOE) has an engineering entity that manages CIP.

### WHAT WE FOUND IN 2015

The department maintained a written schedule from the beginning to close of a project using a project management program called FACTRAK to monitor project status. The system included a version posted online by DOE, accessible to the general public. The department said it tracked expenditures and deliverables through FACTRAK, DOE's accounting system, and invoices. It was unclear whether the department adequately measured and monitored stakeholder satisfaction.

### WHAT WE FOUND IN 2019

## Comprehensive Timelines

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No

DOE said it does not have an all-inclusive CIP management schedule. Rather, its planning section schedules CIP initiation and planning phases, while its Project Management Section (via consultant contract) schedules design, permitting, bidding, and construction duration.

## Contract Administration Worksheet

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Yes

Payment tracking is performed using a monthly construction progress report that shows contract deliverables, including status in terms of completion.

## End-User Feedback

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No

DOE has not adopted an inclusive policy and procedure for systematic post-construction survey and review of its projects. DOE acknowledged that end-user surveys are only occasionally performed, but did not provide an example.

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## Training Requirement

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No

DOE reported that 24 staff are involved in managing CIP activities, but did not provide names and dates to indicate when any of these employees attended required DAGS Comptroller CIP training.

## Department of Hawaiian Home Lands

The Department of Hawaiian Home Lands (DHHL) has an engineering division that manages CIP, the Land Development Division (LDD). About two-thirds of the department's CIP activity involved new construction with the remainder involving repairs.

### WHAT WE FOUND IN 2015

DHHL's system for creating project timelines was a work-in-progress. It was not clear whether DHHL followed best practices for managing consultants and contractors. Asked how it tracked expenditures and deliverables, DHHL responded in its survey, "Progress billings are verified by the project manager." DHHL appeared to follow best practices for managing stakeholder satisfaction.

### WHAT WE FOUND IN 2019

## Comprehensive Timelines

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No

DHHL provided two sample project tracking schedules for our review. Neither of the project schedules accounts for all of the required project phases: initiation, planning, design, bid, construction and post-construction.

## Contract Administration Worksheet

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Yes

The department provided a pay request log that includes payments and deliverables. Each item in the pay request log is tied to a description and an associated payment made, relative to the percentage of work completed.

**End-User Feedback**

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No

The department stated the DHHL Planning Office is designated as its community liaison to ensure there are regular and timely reviews of the stakeholder community. However, the department did not provide evidence that end-user satisfaction is monitored or measured.

**Training Requirement**

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No

DHHL reported that LDD provides its 15-member team with its own periodic training from the State Procurement Office website. However, we determined that not all CIP personnel have attended the required DAGS Comptroller CIP training.

**Department of Health**

The Department of Health’s administratively attached agency, the Hawai‘i Health Systems Corporation (HHSC), manages its own CIP. Four of five HHSC regions – Kaua‘i, O‘ahu, East Hawai‘i, and West Hawai‘i – responded to our survey, as did the Kahuku Medical Center on O‘ahu. HHSC transferred management and operation of its three Maui hospitals to Maui Health System, effective July 1, 2017, and is therefore not included in this report.

**HHSC-East Hawai‘i**

HHSC’s East Hawai‘i Region consists of Hilo Medical Center, Hale Ho‘ola Hamakua, Ka‘u Hospital, and ten outpatient specialty clinics.

**WHAT WE FOUND IN 2015**

HHSC-East Hawai‘i did not respond to the 2015 survey.

**WHAT WE FOUND IN 2019**

**Comprehensive Timelines**

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Yes

HHSC-East Hawai‘i provided a sample schedule for a pharmacy upgrade project with a comprehensive list of all activities required on the project, including the following phases: initiation, planning, design, bid, construction, and post-construction.

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## Contract Administration Worksheet

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No

HHSC-East Hawai‘i provided an invoice tracking sheet that covered just one out of six project milestones and, as such, did not track overall payments and deliverables for this contract and does not comply with this requirement.

## End-User Feedback

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Yes

HHSC said it conforms to this requirement and provided a “lessons learned” spreadsheet for a new Magnetic Resonance Imaging project that appears to account for end-user satisfaction.

## Training Requirement

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No

HHSC-East Hawai‘i stated six staff are involved in managing capital improvements. However, none of these personnel have attended required DAGS Comptroller CIP training.

## HHSC-Kahuku Medical Center

### WHAT WE FOUND IN 2015

HHSC-Kahuku Medical Center was not included in the 2015 report.

### WHAT WE FOUND IN 2019

## Comprehensive Timelines

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No

HHSC-Kahuku Medical Center said it does not use timelines that include a comprehensive list of all activities in a project’s life cycle—namely, the initiation, planning, design, bid, construction, and post-construction phases.

## Contract Administration Worksheet

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Yes

HHSC-Kahuku Medical Center’s project status report complies with this requirement as it monitors contract milestones.

### End-User Feedback

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No

HHSC-Kahuku Medical Center does not monitor or measure end-user satisfaction with its CIP as required.

### Training Requirement

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No

HHSC-Kahuku Medical Center reported having eight staff involved in CIP management. We determined that Kahuku Medical Center personnel involved in managing CIP have not attended required DAGS Comptroller CIP training.

## HHSC-Kaua'i

### WHAT WE FOUND IN 2015

HHSC-Kaua'i did not appear to maintain a written comprehensive schedule from the beginning to close of projects. Although HHSC-Kaua'i reported it maintained such a schedule, a sample timeline submitted to support that assertion included details of the procurement and contracting phases of a project, but no mention of post-construction activities and no details of the design and construction phases, which were combined into one line item. Likewise, HHSC-Kaua'i's method of tracking expenditures and receipt of deliverables appeared insufficient. In its survey response, HHSC-Kaua'i said it used a project status report to track expenditures and receipt of deliverables. However, a sample project status report contained no record of payments or construction milestones being met, making the document insufficient to track payments and receipt of deliverables. HHSC-Kaua'i measured and monitored stakeholder satisfaction by involving administration, nursing, and maintenance staff in the implementation of projects.

### WHAT WE FOUND IN 2019

### Comprehensive Timelines

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No

HHSC-Kaua'i said it does not use schedules or timelines that include the following phases: initiation, planning, design, bid, construction, and post-construction.



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## Contract Administration Worksheet

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Yes

The agency said it followed State Procurement Office guidance for tracking payments and deliverables. A sample invoice provided by HHSC-Kaua‘i tracks milestones and, therefore, complies with this requirement.

## End-User Feedback

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No

The agency stated that it does not monitor or measure end-user satisfaction with CIP.

## Training Requirement

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No

HHSC-Kaua‘i reported eight employees were involved in managing CIP. However, when we asked whether they had attended Comptroller CIP training, the agency responded that such training was not applicable. As a result, we determined that HHSC-Kaua‘i is not in compliance with DAGS Comptroller CIP training requirements.

## HHSC-Maui

### WHAT WE FOUND IN 2015

HHSC-Maui did not maintain a written comprehensive schedule from the beginning of a project to close; instead, it relied on the vendor’s schedule. The hospital management officer, architect, and project manager tracked expenditures and deliverables. HHSC-Maui identified stakeholders and involved them throughout project execution and closing.

### WHAT WE FOUND IN 2019

HHSC-Maui did not respond to the survey. HHSC no longer has a Maui region after transferring its three Maui hospitals to Maui Health Systems in July 2017.

## HHSC-O‘ahu

HHSC’s O‘ahu Region operates two long-term care facilities: Maluhia and Leahi Hospital.

### WHAT WE FOUND IN 2015

HHSC-O‘ahu did not maintain a written comprehensive schedule from the beginning to close of all projects; it merely created a timeline when project funding status was known. Asked how it tracked expenditures and deliverables, HHSC-O‘ahu responded that each region had an accountant who tracked expenditures and deliverables and HHSC-O‘ahu only monitored “to verify that funds are utilized before the funding lapses.” HHSC-O‘ahu did not appear to follow best practices for monitoring and managing stakeholder satisfaction.

### WHAT WE FOUND IN 2019

#### Comprehensive Timelines

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No

HHSC-O‘ahu said it does not use schedules or timelines that include the following phases: initiation, planning, design, bid, construction, and post-construction.

#### Contract Administration Worksheet

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Yes

HHSC-O‘ahu said it followed State Procurement Office guidance for tracking payments and deliverables with a contract administration worksheet that includes milestones or deliverables. HHSC-O‘ahu provided a copy of an O‘ahu Region Status Report worksheet that includes milestones to be marked off as items are completed and, thus, complies with this requirement.

#### End-User Feedback

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No

The agency stated it does not monitor or measure end-user satisfaction with its capital improvements.

#### Training Requirement

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No

HHSC-O‘ahu reported that nine employees were involved in managing CIP. However, when we asked whether they had attended DAGS Comptroller CIP training, the agency responded that such training was not applicable. As a result, we determined that HHSC-O‘ahu is not in compliance with DAGS Comptroller CIP training requirements.

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## HHSC-West Hawai‘i

Kona Community Hospital is HHSC’s primary health care facility serving West Hawai‘i. During FY2018, HHSC-West Hawai‘i spent \$750,000 on a pharmacy remodel.

### WHAT WE FOUND IN 2015

HHSC-West Hawai‘i did not maintain a written comprehensive schedule from the beginning to close of projects. Rather, it relied on the vendor’s schedule. To track expenditures and receipt of deliverables, the director of facilities and the contract manager reviewed invoices and visited jobsites to inspect deliverables. HHSC-West Hawai‘i identified stakeholders and involved them throughout project execution and closing via weekly internal construction meetings and updates with other stakeholders.

### WHAT WE FOUND IN 2019

#### Comprehensive Timelines

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No

HHSC-West Hawai‘i stated it has schedules for CIP that include a comprehensive list of all activities required on a project. However, the agency did not provide a sample schedule for our review and analysis; therefore, we are unable to verify whether HHSC-West Hawai‘i’s schedule complies with this requirement. Accordingly, we deem HHSC-West Hawai‘i is not in compliance with this requirement.

#### Contract Administration Worksheet

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No

HHSC-West Hawai‘i said it follows State Procurement Office guidance for tracking payments and deliverables by using a contract administration worksheet that includes milestones or deliverables. However, the agency did not provide a sample worksheet for our review and analysis; therefore, we are unable to verify whether HHSC-West Hawai‘i complies with this requirement. Accordingly, we deem HHSC-West Hawai‘i non-compliant.

#### End-User Feedback

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No

HHSC-West Hawai‘i stated a maintenance manager reviews end-user satisfaction with the manager of a project area on a weekly basis. However, the agency did not provide sample end-user feedback for our review. Therefore, we are unable to verify whether the agency complies with this requirement. Further, HHSC-West Hawai‘i’s response indicates the agency is not properly identifying the end-users

of its projects, which should include individuals and groups that will benefit from project outcomes.

### Training Requirement

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No

HHSC-West Hawai‘i stated that five employees are involved in managing capital improvements. However, these staff members have no formal CIP training.

## Department of Human Services

The Department of Human Services’ administratively attached agency, the Hawai‘i Public Housing Authority (HPHA), manages its own CIP. All of HPHA’s CIP involved renovation or non-routine maintenance. HPHA has a dedicated Construction Management Branch with six people, including project engineers, who manage CIP.

### Hawai‘i Public Housing Authority

#### WHAT WE FOUND IN 2015

HPHA maintained a written overall schedule, which was managed by architects and engineers. The authority tracked expenditures and deliverables through alignment of itemized CIP funds requests, vendor billings, weekly project status reports, and bi-monthly capital planning meetings. The authority also identified internal and external stakeholders and involved them systematically throughout a project’s execution and closing via feedback from property managers and tenants.

#### WHAT WE FOUND IN 2019

### Comprehensive Timelines

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No

The authority provided several sample project schedules for our review. In general, these schedules primarily concerned construction efforts, and none accounted for each of the required project phases: initiation, planning, design, bid, construction, and post-construction.

### Contract Administration Worksheet

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No

HPHA reported using its own payment tracking spreadsheet to track payments. However, the spreadsheet provided by HPHA contained only contract and payment information. Therefore, HPHA’s payment tracking spreadsheet does not track payments and deliverables.

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## End-User Feedback

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No

HPHA reported the department monitors and measures end-user satisfaction with a CIP by using a project engineer to evaluate contractor or consultant performance. However, HPHA provided no examples of feedback for a completed project.

## Training Requirement

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No

HPHA asserted all six CIP personnel attended training when hired and also participate in on-going training, but no training dates were provided along with their response. As a result, we determined HPHA is not in compliance with DAGS Comptroller CIP training requirements.

# Department of Land and Natural Resources

The Department of Land and Natural Resources (DLNR) has an engineering entity that manages CIP. Engineering positions are located in the Engineering and the State Parks divisions.

### WHAT WE FOUND IN 2015

DLNR maintained a schedule from the beginning to close of projects, had written processes to handle project change order requests, and had a designated project manager responsible for managing project schedules. The Project Control Branch tracked expenditures through its DATAMART system. The department also systematically identified and involved stakeholders throughout project execution and closing.

### WHAT WE FOUND IN 2019

## Comprehensive Timelines

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No

DLNR said it does not use a single timeline or schedule for CIP that includes a comprehensive list of all phases from initiation to post-construction. However, each of its three branches – Project Control, Project Management, and Construction – maintain and track their own schedules and milestones, which collectively include all of the project phases.

### Contract Administration Worksheet

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Yes

DLNR said it uses a project status tracking worksheet that incorporates relevant project information. The sample project status tracking worksheet provided by DLNR contains milestones.

### End-User Feedback

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No

DLNR said it monitors or measures end-user satisfaction with CIP; however, the sample feedback forms provided by DLNR are used to evaluate the construction contractor or consultant, neither of which can be construed to be end-users of DLNR projects. The individuals and groups that will benefit from the delivery of the outcomes of the project are the stakeholders, not the contractors.

### Training Requirement

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No

DLNR reported it had 22 staff involved in managing CIP projects. Just eight had undergone required DAGS Comptroller CIP training in 2018. Therefore, DLNR does not adhere to annual CIP training requirements. DLNR acknowledged that not all of its listed CIP personnel received annually required training.

## Department of Taxation

The Department of Taxation (DoTAX) does not have an engineering entity that manages CIP. DoTAX reported it only managed improvements to infrastructure, which accounted for two percent of its CIP.

#### WHAT WE FOUND IN 2015

DoTAX was not included in the 2015 report.

#### WHAT WE FOUND IN 2019

### Comprehensive Timelines

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No

DoTAX reported that it does not use timelines or schedules for CIP.

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## Contract Administration Worksheet

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No

DoTAX stated State Procurement Office guidance for tracking payments and deliverables by using a contract administration worksheet that includes milestones or deliverables was not applicable for its operations.

## End-User Feedback

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No

DoTAX does not monitor end-user feedback on CIP.

## Training Requirement

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No

The department stated three employees are involved in managing CIP relating to infrastructure for a building security system. However, when we asked whether they had attended DAGS Comptroller CIP training, DoTAX responded that such training was not applicable. As a result, we determined the department is not in compliance with DAGS Comptroller CIP training requirements.

# University of Hawai‘i System

The University of Hawai‘i (UH) System has four entities that manage CIP: the Mānoa Campus Operations and Facilities and Office of Project Delivery combined; UH-Hilo; UH-West O‘ahu; and the UH-Community Colleges. This structure differs from 2015 when UH reported the four entities managing CIP were the Office of Capital Improvements, UH-Mānoa, UH-Hilo, and UH-Community Colleges.

We note UH-Hilo, UH-West O‘ahu, and UH-Mānoa reported tracking projects in eBuilder, a web-based construction and design project management system; the UH Community Colleges did not report using eBuilder. We encourage the UH entities managing CIP to discuss coordination of requirements for contract administration.

## Office of Capital Improvements – Systemwide Projects

### WHAT WE FOUND IN 2015

Although the office had a project manager responsible for managing project schedules and a written change order process existed, the office did not maintain a written comprehensive schedule from the beginning

to close of projects. Rather, it relied on contractors’ schedules. To track expenditures and receipt of deliverables, the office reviewed dashboard reports on project status and completion dates, payment ledgers, and CIP status reports from contractors. The office identified and involved stakeholders throughout project execution and closing.

## UH-Community Colleges

### WHAT WE FOUND IN 2015

UH-Community Colleges reported they maintained an updated written schedule from beginning to close of all projects. However, UH-Community Colleges provided only a contractor’s time schedule, not their own schedule, to support that assertion. UH-Community Colleges’ system for tracking expenditures and receipt of deliverables also did not appear to follow best practices. To measure and monitor stakeholder satisfaction with projects, UH-Community Colleges reported they identified the UH system and each campus’ faculty, staff, and students as their stakeholders.

### WHAT WE FOUND IN 2019

#### Comprehensive Timelines

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No

UH-Community Colleges reported they do not use CIP timelines or schedules that include all required project phases. Rather, UH-Community Colleges use a design schedule from contract award to bidding, then a construction schedule method to track construction award through completion.

#### Contract Administration Worksheet

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No

UH-Community Colleges said they do not follow State Procurement Office guidance for tracking payments and deliverables by using a contract administration worksheet that includes milestones or deliverables, which are marked off as items are completed.

#### End-User Feedback

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No

UH-Community Colleges said end-user satisfaction with their CIP is monitored at the campus level. Although they stated this was periodically done, UH-Community Colleges did not provide evidence that end-user satisfaction is monitored or measured. Therefore, we deem them not in compliance.



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## Training Requirement

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Yes

UH-Community Colleges reported five people are involved in managing CIP and all have attended required DAGS Comptroller CIP training.

## UH-Hilo

### WHAT WE FOUND IN 2015

UH-Hilo's Office of Facilities Planning and Construction maintained a written schedule from the beginning to close of projects, had written processes to handle project change order requests, and had a designated project manager responsible for managing project schedules. The office also tracked expenditures and receipt of deliverables in detail, through design reviews and payment reviews. Although the office identified stakeholders, it did not formally manage and monitor stakeholder satisfaction with the CIP it managed.

### WHAT WE FOUND IN 2019

## Comprehensive Timelines

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No

UH-Hilo provided four sample schedules for our review. None of the provided schedules included a comprehensive list of all activities required on a project, including the following phases: initiation, planning, design, bid, construction, and post-construction.

## Contract Administration Worksheet

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Yes

UH-Hilo said it does not use contract administration worksheets. Rather, all projects are tracked in eBuilder, a web-based construction and design project management system. An eBuilder invoice provided by UH-Hilo that tracked payments and deliverables complies with State Procurement Office guidance.

## End-User Feedback

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No

UH-Hilo said it periodically checks in with stakeholder agencies to make sure the project is acceptable and that agencies are satisfied once the project is completed. Although it was asserted this was periodically done, UH-Hilo did not provide evidence that end-user satisfaction is monitored or measured.

**Training Requirement**

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No

UH-Hilo said five people are involved in managing CIP. We determined not all UH-Hilo personnel involved in managing CIP have attended required annual DAGS Comptroller CIP training. The most recent training attended by CIP management staff was in March 2018. That means, as of October 2019, no staff had attended training in more than a year. That is inconsistent with the statute, which calls for annual training. UH-Hilo stated it interprets Section 103-12, HRS, as not requiring annual training. It contends all responsible employees have attended or viewed the Comptroller-provided training (2017 edition) at least once and will attend again when the training is updated.

**UH-Mānoa**

**WHAT WE FOUND IN 2015**

The UH-Mānoa Office of Planning and Facilities’ design manager or construction manager maintained a comprehensive schedule from the beginning to close of projects. The office tracked expenditures and receipt of deliverables by reviewing Microsoft Excel worksheets, monthly invoice logs, and submitted invoices. The office did not measure or monitor stakeholder satisfaction.

**WHAT WE FOUND IN 2019**

**Comprehensive Timelines**

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No

UH-Mānoa said it does not include the initiation and project phase in CIP schedules. We further determined that two sample project schedules provided by UH-Mānoa’s Campus Operations and Facilities and Office of Project Delivery (OPD) do not include planning and post-construction project phases.

**Contract Administration Worksheet**

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Yes

UH-Mānoa said it does not use contract administration worksheets. Rather, all projects are tracked in eBuilder, a web-based construction and design project management system. An eBuilder invoice provided by OPD tracks payments and deliverables in compliance with State Procurement Office guidance.

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## End-User Feedback

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No

UH-Mānoa reported that end-users are involved in project close-out efforts; however, there is no formal process for monitoring and measuring end-user satisfaction with CIP. OPD provided no examples of feedback for a completed project.

## Training Requirement

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No

UH-Mānoa reported having 29 people involved in managing CIP within Campus Operations and Facilities and OPD. Not all of these 29 individuals have attended required DAGS Comptroller CIP training. For example, 5 of the 20 OPD staff that manage CIP listed by UH have not met training requirements. Additionally, the most recent training attended by CIP management staff was in August 2018. That means, as of October 2019, no staff had attended training in over a year. That is in contradiction to the requirement in the statute, which maintains such training is required annually. UH's interpretation is that there is no requirement for annual training under Section 103-12, HRS.

## UH-West O'ahu

### WHAT WE FOUND IN 2015

UH-West O'ahu was not addressed in the 2015 report.

### WHAT WE FOUND IN 2019

## Comprehensive Timelines

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No

UH-West O'ahu did not provide a sample schedule. When we requested one, UH-West O'ahu responded that "The University does not include the initiation and phases in our CIP Project Schedule. Often times, many projects do not come to fruition primarily due to lack of funding or change in priority. As such, the initiation and planning work is completed as part of a separate process. The example schedules that were originally provided reflect a standard CIP schedule for projects that have already been funded and authorized."

Based on UH's response, we conclude that UH-West O'ahu schedules do not include a comprehensive list of all activities required on a project: initiation, planning, design, bid, construction, and post-construction. Specifically, they do not include initiation.

### Contract Administration Worksheet

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Yes

The eBuilder invoice provided complies with this requirement.

### End-User Feedback

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No

UH-West O‘ahu does not engage with CIP stakeholders, as required. No formal process exists, and despite our request for examples, no examples of feedback on a completed project were provided.

### Training Requirement

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Yes

UH-West O‘ahu reported that three people are involved in managing CIP, and all had attended required DAGS Comptroller CIP training sometime in 2018.

## The Judiciary

The Judiciary has a Capital Improvement Projects Branch that manages CIP. All Judiciary projects involve renovation, repair, and maintenance.

#### WHAT WE FOUND IN 2015

The Judiciary reported it did not maintain a written schedule from the beginning to close of a project because its “user groups are intimately involved with the coordination of these projects and are typically the drivers of the schedules.” The Judiciary said it did not have a system to track expenditures and receipt of deliverables. The Judiciary also reported it did not have a system to measure or monitor stakeholder satisfaction with the CIP it manages.

#### WHAT WE FOUND IN 2019

### Comprehensive Timelines

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No

The Judiciary said its use of schedules and timelines varies by project. Schedules that include a list of all required phases are not maintained for very small, limited scope projects such as those where construction is completed in two or fewer months. Two sample schedules for Judiciary-managed CIP do not include post-construction activities as required by statute.

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## Contract Administration Worksheet

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Yes

The Judiciary said it does not track payments and deliverables with a contract administration worksheet that includes milestones or deliverables for consultant contracts. However, a Schedule of Values is used for contractor contracts that exceed one month. We determined a sample Schedule of Values provided by the Judiciary includes deliverables as required by statute.

## End-User Feedback

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No

The Judiciary considers itself the end-user of its CIP and does not conduct formal post-project evaluation surveys among program groups. This perspective is contrary to best practices, which state that the stakeholder community of each project includes individuals, groups, and organizations the project team has identified as essential to the successful delivery of project objectives and organizational outcomes. The individuals and groups that will benefit from the delivery of the outcomes of the project are considered to be stakeholders. Therefore, the Judiciary does not engage with CIP stakeholders as required.

## Training Requirement

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Yes

The Judiciary has nine people involved in managing CIP, including various staff dispersed among the circuit courts. All Judiciary employees involved in managing CIP received required DAGS Comptroller CIP training in 2019.

## Conclusion

Since the issuance of Report No. 15-13, our recommendations have been formalized in the Hawai'i Revised Statutes. In addition to those recommendations, the Legislature added an annual training requirement. These mandates, which are intended to provide uniformity, transparency, and accountability, have been law since 2016.

However, our review of the implementation of these statutory requirements shows a low level of compliance to date by the various departments that manage their own CIP. It is difficult to pinpoint whether the lack of compliance is because departments are unclear about the requirements, are unaware of requirements, or if there are other causes or factors. We encourage DAGS and affected departments and agencies to discuss both requirements and strategies to effectuate compliance in this area.

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# Office of the Auditor's Comments on the Department of Accounting and General Services' Response

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**W**E MET WITH the Department of Accounting and General Services (DAGS) public works administrator to discuss the draft of our report, including the findings. The department's response to the draft report is included as Attachment 1.

DAGS did not take issue with any of our findings. They found it “disappointing” that departments which manage their own CIP had such a low level of compliance with statutory requirements.

As we discussed with the public works administrator, some of the apparent reduction in department compliance with the CIP requirements since our initial report in 2015 may be a result of a change in methodology. Our 2015 report outlined information that was primarily self-reported by departments; our methodology in 2019 relied not only on departments' responses to surveys, but also included an independent evaluation of documents such as schedules and timelines that confirmed, and in many cases, contradicted, departments' representations as to their compliance with statutory requirements.

In its response, DAGS agreed that more can be done to foster compliance with statutory requirements. DAGS stated that it was committed to further collaboration with affected departments to also increase the effectiveness of CIP efforts. We look forward to seeing the tangible results of this collaboration in the future.





DAVID Y. IGE  
GOVERNOR



CURT T. OTAGURO  
COMPTROLLER  
  
AUDREY HIDANO  
DEPUTY COMPTROLLER

**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

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JAN 22 2020

Leslie H. Kondo, State Auditor  
Office of the Auditor  
465 South King Street, Room 500  
Honolulu, Hawaii 96813-2917

Dear State Auditor Kondo,


Subject: Report on Compliance with Statutory Requirements Based on Report No. 15-13, Study of State Departmental Engineering Sections That Manage Capital Improvement Projects

Thank you for this opportunity to review the advance draft report and to participate in both the kick-off and the conclusion of your compliance review efforts. DAGS has continued to work on increasing the efficiency and effectiveness of our Capital Improvement Program (CIP) projects since the issuance of Report No. 15-13, and we have been collaborating with other state agencies who face similar challenges to provide projects on-time and on-budget that meet the quality expectations of our clients. Through collaboration we all strive to learn and make gains in our programs more quickly and with greater knowledge than if we each tried to address issues individually.

It is disappointing, then, that the review appears to reflect a low level of compliance to the statutory requirements despite implementation of the educational program. We agree that it is difficult to pinpoint the causes for these results. DAGS is committed to working with the affected departments and agencies to explore the significance of compliance with the statutory requirements and to identify challenges and possible solutions to increase the overall effectiveness of our statewide CIP project efforts.

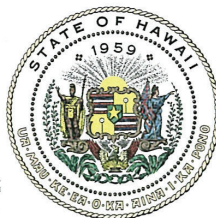
We look forward to convening a statewide working group to address these report findings and to create a strategy for improvement. We will keep you apprised of our findings and plans for increasing CIP project delivery efficiency in the State of Hawaii.

Sincerely,

  
Curt T. Otaguro  
Comptroller



STATE OF HAWAII  
OFFICE OF THE AUDITOR  
465 S. King Street, Room 500  
Honolulu, Hawaii 96813-2917



LESLIE H. KONDO  
State Auditor  
(808) 587-0800  
lao.auditors@hawaii.gov

September 10, 2019

**VIA EMAIL**

**Re: Follow-Up Study on Report No. 15-13 regarding Capital Improvement Projects**

To Whom It May Concern:

The State Office of the Auditor is conducting a follow-up study to its 2015 report on Departmental Engineering Sections that Manage Capital Improvement Projects. This evaluation is being done under House Concurrent Resolution 193, Senate Draft 1, 2019 Session Laws of Hawaii, which requires our office to, among other things, determine whether various departmental engineering sections have implemented recommendations made in the Auditor's Report No. 15-13, *Study of State Departmental Engineering Sections That Manage Capital Improvement Projects*, which may be found on our website at <http://files.hawaii.gov/auditor/Reports/2015/15-13.pdf>.

Our evaluation will be based in part on the results of the attached survey. Please submit your answers in writing to our office via email by **October 11, 2019**.

Our findings regarding the status of your agency's implementation of the report's recommendations will be included in a report to the Legislature later this year. If you have any questions, please feel free to contact project supervisor Chuck Narikiyo at 587-0829 or [chuck.narikiyo@hawaii.gov](mailto:chuck.narikiyo@hawaii.gov), or analyst Sean Hao at 587-0812 or [sean.hao@hawaii.gov](mailto:sean.hao@hawaii.gov). Thank you for your assistance.

Very truly yours,

Leslie H. Kondo  
State Auditor

CTN:SLH:emo

Attachment

## FOLLOW-UP STUDY OF DEPARTMENTAL ENGINEERING SECTIONS THAT MANAGE CIPS SURVEY

The Office of the Auditor is conducting a follow-up study pursuant to House Concurrent Resolution 193, Senate Draft 1, 2019 Session Laws of Hawai'i, which requires us to ascertain whether various departmental engineering have implemented recommendations made in the Auditor's 2015 Study of Departmental Engineering Sections That Manage Capital Improvement Projects (Report No. 15-13).

**The following questions apply only to Capital Improvement Projects (CIPs).**

1. Does your department and/or any of its attached agency(ies) manage CIPs? ☐ YES ☒ NO

**If NO, please stop here. Thank you for your time.**

2. We are interested in how many CIPs your department and/or attached agency(ies) manage:

- a. Please provide a list of CIP projects managed per year for each of the last three fiscal years starting with FY2018.

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- b. Please provide the dollar value of each project per year for each of the last three fiscal years.

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- c. Please provide the sources of funding for each CIP project managed during the last three fiscal years starting with FY2018.

--

- d. Approximately what percentage of these CIPs are new constructions versus renovation, repair, and maintenance?

--

3. How many people are involved in managing CIPs? \_\_\_\_\_

- a. Do you have a dedicated engineering section or similar entity, or are people who manage CIPs interspersed throughout your department and/or attached agency(ies)?

- b. Please provide an organizational chart illustrating where entities that manage CIPs, such as your department and/or attached agency(ies)' engineering section(s), sit within your department and/or attached agency(ies).

- c. Provide a list of names of personnel that manage CIPs including job titles.

- d. Does the Comptroller conduct annual training for your engineering personnel that manage CIPs?

- e. Do you provide orientation training for new employee's that manage CIPs that are hired during the interim between annual trainings?

- f. Provide a list of personnel that have received training on CIP management in 2018 along with the dates of such trainings.

4. Does your Department use timelines or schedules for CIPs that include a comprehensive list of all activities required on a project that include the following phases: initiation, planning, design, bid, construction, and post construction phases? Please provide example schedules for a current and a completed project.

5. Do your project schedules include:

- a. A list of defined activities that describe the outputs needed to complete the deliverables?

- b. An estimation of the amount of work effort required to complete the activity and the amount of available resources estimated to complete the activity?

- c. A milestone list that identifies all project milestones and indicates whether the milestone is mandatory, such as those required by contract, or optional?

- d. Does your agency utilize a particular project scheduling method, such as critical path or agile approach?

- e. Do you use project schedule diagrams? If so what type? (e.g bar chart, milestone chart, network diagram). Provide samples, if available.

6. Are project schedules updated during the life of the project? How often?

7. Does your Department have policies and procedures for planning, developing, and managing CIP schedules?

☐ YES ☒ NO

If YES, please provide copies.

- a. Does this guidance include a process for monitoring and updating project schedule and changes to the schedule baseline?

- b. Does this guidance describe the scheduling methodology that are considered in developing the activity definitions and logical relationships in activity sequencing?

8. Does your Department follow State Procurement Office guidance for tracking payments and deliverables by using a contract administration worksheet that includes milestones or deliverables, which are marked off as items are completed? Provide a sample template worksheet and an example of a worksheet for a completed project.

9. Does your Department monitor/measure end-user satisfaction with their capital improvement projects? If so, how is this done? Provide examples of feedback received on a completed project.

- a. Whom does your department and/or attached agency(ies) consider to be stakeholders?

- b. How do you identify and involve stakeholders throughout a project's execution and closing, including providing information about project costs, schedules, and performance?

- c. How do you ensure there are regular and timely reviews of the stakeholder community and updates to manage changes in its membership and attitudes.

10. We are interested in how your department and/or attached agency(ies) manage (monitor) consultants and contractors.

a. Do you assign a contract administrator? ☐ YES ☒ NO

b. How do you track whether the contractor remains on schedule?

c. How do you track expenditures and deliverables?

d. Do you evaluate contractors' performance and lessons learned after contracts are completed?

11. Contact details of responder:

a. Name: \_\_\_\_\_

b. Position title: \_\_\_\_\_

c. Agency: \_\_\_\_\_

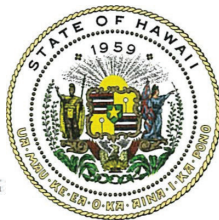
d. Telephone: \_\_\_\_\_

e. Email: \_\_\_\_\_

Please return this survey to [sean.hao@hawaii.gov](mailto:sean.hao@hawaii.gov) by October 11, 2019. Direct any questions to the analyst in charge of the study, Sean Hao, at 587-0812, or the project supervisor, Chuck Narikiyo, at 587-0829. Thank you for your time. We appreciate your assistance.



STATE OF HAWAII  
OFFICE OF THE AUDITOR  
465 S. King Street, Room 500  
Honolulu, Hawai'i 96813-2917



LESLIE H. KONDO  
State Auditor  
(808) 587-0800  
lao.auditors@hawaii.gov

October 7, 2019

**VIA EMAIL**

**Re: Follow-Up Study on Report No. 15-13 regarding Capital Improvement Projects**

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Our findings regarding the status of your agency's implementation of the report's recommendations will be included in a report to the Legislature later this year. If you have any questions, please feel free to contact project supervisor Chuck Narikiyo at 587-0829 or [chuck.narikiyo@hawaii.gov](mailto:chuck.narikiyo@hawaii.gov), or analyst Sean Hao at 587-0812 or [sean.hao@hawaii.gov](mailto:sean.hao@hawaii.gov). Thank you for your assistance.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Leslie H. Kondo", is written over a blue circular stamp.

Leslie H. Kondo  
State Auditor

CTN:SLH:dmah

Attachment

## FOLLOW-UP STUDY OF DEPARTMENTAL ENGINEERING SECTIONS THAT MANAGE CIPs SURVEY

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a. Name: \_\_\_\_\_

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e. Email: \_\_\_\_\_

**Please return this survey to [sean.hao@hawaii.gov](mailto:sean.hao@hawaii.gov) by October 25, 2019. Direct any questions to the analyst in charge of the study, Sean Hao, at 587-0812, or the project supervisor, Chuck Narikiyo, at 587-0829. Thank you for your time. We appreciate your assistance.**