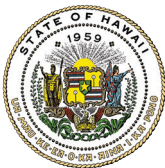
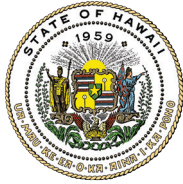

Report on the Implementation of State Auditor's Recommendations 2018 – 2021

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

Report No. 23-09
November 2023



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.

The Auditor's position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

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.

Our Mission

To improve government through independent and objective analyses.

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

Our Work

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

Additionally, we perform procurement audits, sunrise analyses and sunset evaluations of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, revolving and trust funds, and special studies requested by the Legislature.

We report our findings and make recommendations to the governor and the Legislature to help them make informed decisions.

For more information on the Office of the Auditor, visit our website:
<https://auditor.hawaii.gov>

Foreword

This is a report on the follow-up reviews of implementation by state departments and agencies of audit recommendations contained in audits issued in calendar years 2018–2021. We conducted the follow-ups pursuant to Section 23-7.5, Hawai‘i Revised Statutes, which requires the Auditor to report to the Legislature on each recommendation that the Auditor has made that is more than one year old and that has not been implemented by the audited agency.

We wish to express our appreciation for the cooperation and assistance extended to us by the various audited agencies and others whom we contacted during the course of the follow-up reviews.

Leslie H. Kondo
State Auditor

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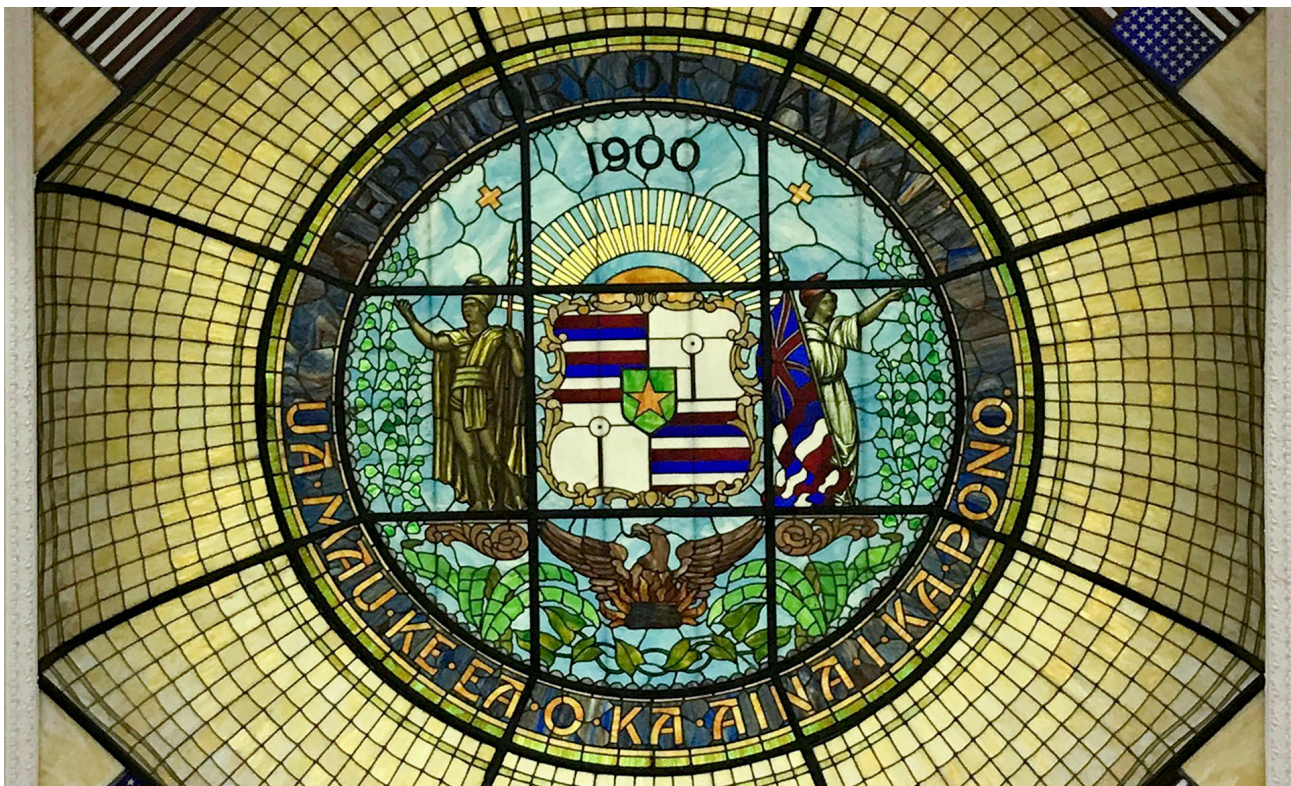


PHOTO: OFFICE OF THE AUDITOR

Status of Implementation of Audit Recommendations from Reports Issued 2018 – 2021

Section 23-7.5, Hawai‘i Revised Statutes, requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited agency. Our office follows up on recommendations in two ways. First, on an annual basis, we send requests to the agencies for status of implementation of our recommendations and details on steps taken toward implementation. Second, we conduct an active follow-up two to three years after issuance of the audit report containing recommendations and issue a separate follow-up report. Here, we report the latest status on the implementation of recommendations made in our reports issued from 2018 to 2021.

Introduction

EVERY YEAR, we follow up on recommendations made in our audit reports. We ask agencies to provide us with the status of their implementation of the recommendations made as part of our audit starting a year after the report was issued. After two or three years, we conduct a more rigorous follow-up review. Those reviews, which we refer to as “active reviews,” include interviewing

Definition of Terms

WE DEEM recommendations:

Implemented

where the department or agency provided sufficient and appropriate evidence to support all elements of the recommendation;

Partially Implemented

where some evidence was provided but not all elements of the recommendation were addressed;

Not Implemented

where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided;

Not Implemented - N/A

where circumstances changed to make a recommendation not applicable; and

Not Implemented - Disagree

where the department or agency disagreed with the recommendation, did not intend to implement, and no further action will be reported.

selected personnel from the agency and examining the agency's relevant policies, procedures, records, and documents to assess whether action on recommendations has been taken. Our efforts are limited to reviewing and reporting on an agency's implementation of recommendations made in the original audit report. We do not explore new issues or revisit issues from the report unrelated to our original recommendations.

From 2018 to 2021, we made 202 audit recommendations. Based on information self-reported by the agencies and information from active reviews, 148 of those recommendations have been partially or fully implemented.

In 2020, we suspended work on ongoing audits so those auditees could adjust to performing their work remotely and address COVID-19-related issues. During that time, we performed a series of limited scope reviews and financial reporting on pandemic-related issues such as contact tracing, reporting of cases, suspension of tax breaks during difficult fiscal times, and amounts in special and revolving funds. These reports were specifically applicable to the challenges facing our state in 2020, so any recommendations in those reports are not included in our count, and no follow-up on the implementation status of recommendations contained in those reports was warranted.

We based our scope and methodology on guidelines published by the United States Government Accountability Office (GAO) – formerly the General Accounting Office – including *How to Get Action on Audit Recommendations* and *Government Auditing Standards*, as well as on Hawai'i Revised Statutes (HRS), Section 23-7.5.

According to the GAO, saving tax dollars, improving programs and operations, and providing better service to the public represent audit work's "bottom line." Recommendations are the vehicles by which these objectives are sought. However, it is action on recommendations – not the recommendations themselves – that helps government work better. Effective follow-up is essential to realizing the full benefits of audit work.

Audit Recommendations Implementation Reports Issued 2018 – 2021

Determining progress

The time it takes an agency to implement a recommendation depends on the type of recommendation. While some fall fully within the purview of an audited agency and can be addressed relatively quickly, others may deal with complex problems, involve multiple agencies, or require legislative action, resulting in a longer implementation period. We recognize ample time should be afforded to agencies implementing recommendations for a follow-up system to be useful and relevant.

With those observations in mind, we have determined an “active” follow-up effort, where we review and assess an agency’s efforts to implement our recommendations, is most effective and relevant if conducted two to three years after publication of an audit report. Too short an interval between audit report and follow-up might not give agencies enough time to implement; too long might allow agencies to lose valuable personnel and institutional knowledge needed to implement change. This is consistent with the GAO’s experience that action on recommendations usually occurs in the first three years after the recommendation is made.












Our current policy is to conduct follow-ups on recommendations for a five-year period after issuance of the report. After this time, further action on recommendations is unlikely. At that point, a new audit may be more appropriate.

The following pages present our summaries of the most recent status for recommendations from reports issued in the last five years. In many cases, the latest status is based on the agencies’ responses to our formal requests for an updated status of implementation of our recommendations.

It is important to stress that, unlike our “active” follow-up reports, the agencies’ responses to our requests for updates are just that – status as reported by the agencies themselves. Reporting of these responses is not based on an independent assessment by our office. However, the responses do represent the most recent status available to us.

Copies of our reports, including active follow-up reports, are available on our website at <https://www.auditor.hawaii.gov/>.

Audit Recommendations Implementation Dashboard

No. 18-01	Department of Business, Economic Development and Tourism Audit of the Hawai'i State Energy Office		9 recommendations
No. 18-03	Office of Hawaiian Affairs Audit of the Office of Hawaiian Affairs		39 recommendations
No. 18-04	Hawai'i Tourism Authority Audit of the Hawai'i Tourism Authority		27 recommendations
No. 18-05	Public Utilities Commission Audit of the Public Utilities Commission		12 recommendations
No. 18-08	Office of Hawaiian Affairs Audit of the Office of Hawaiian Affairs' Competitive Grants		11 recommendations
No. 18-09	Department of the Attorney General Audit of the Department of the Attorney General's Asset Forfeiture Program		7 recommendations
No. 18-18	Department of Health Audit of the Office of Health Care Assurance's Adult Residential Care Homes Program		9 recommendations
No. 19-01	Department of Land and Natural Resources Audit of the Department of Land and Natural Resources' Land Conservation Fund		13 recommendations
No. 19-12	Department of Land and Natural Resources Audit of the Department of Land and Natural Resources' Special Land and Development Fund		17 recommendations
No. 19-13	Department of Education Audit of the Department of Education's Administration of School Impact Fees		22 recommendations
No. 21-01	Agribusiness Development Corporation Audit of the Agribusiness Development Corporation		36 recommendations

 Implemented
  Partially Implemented
  Not Implemented
  Not Implemented - N/A
  Not Implemented - Disagree

Source: Office of the Auditor

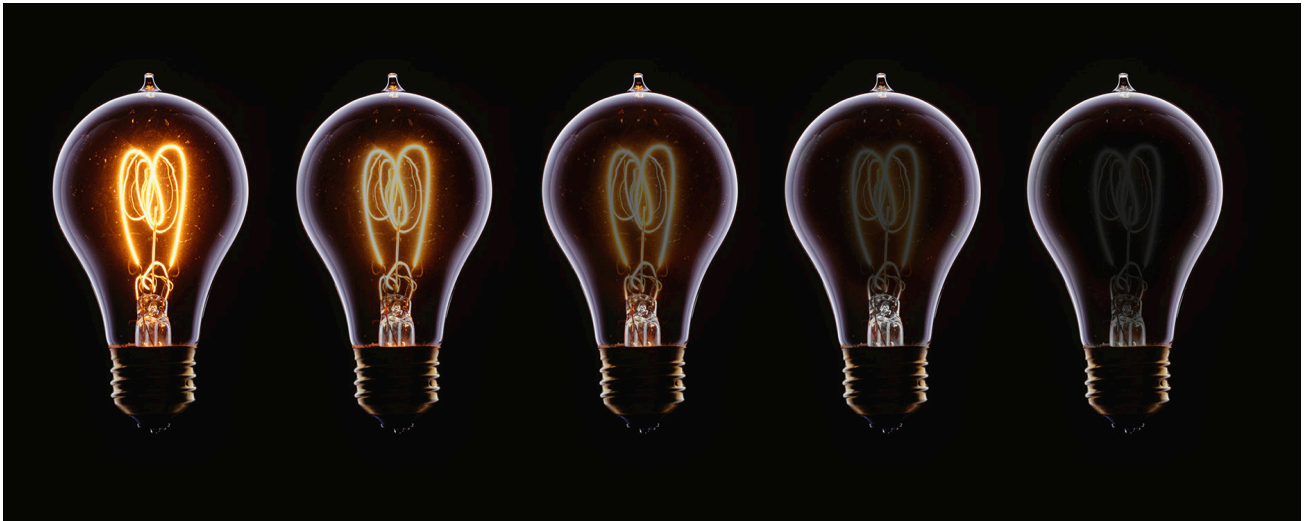


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REPORT NO. 18-01 *Audit of the Hawai'i State Energy Office*

Number of Recommendations: **9**

Number of Recommendations
Partially or Fully Implemented: **7**

Percent Partially or Fully
Implemented: **78%**

Audit Recommendations by Status

In Report No. 18-01, we made a total of 9 recommendations to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

IN REPORT NO. 18-01, *Audit of the Hawai'i State Energy Office*, we reported specific contributions to advancing the State's clean energy initiatives were unclear, and the agency's strategic plan and updates included goals and targets that were unrealistic and may be impossible to achieve. We also noted an imminent financial shortfall would significantly impact Energy Office operations.

In 2019, we issued a formal request for information to the Department of Business, Economic Development and Tourism (DBEDT) on the status of audit recommendations from Report No. 18-01. The agency reported that all of our recommendations had been fully implemented.

In 2020, we conducted an active follow-up into the implementation of our recommendations, and in

2021 we issued Report No. 21-05 entitled, *Follow-Up on Recommendations from Report No. 18-01, Audit of the Hawai'i State Energy Office*. In that report, we found that seven out of nine (78%) of our recommendations had been at least partially implemented.

In 2022, we issued a formal request for information on the status of audit recommendations that had not been fully implemented in Report No. 21-05. The agency reported that of the applicable recommendations, all had been fully implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation	Status of Recommendation
(1.a.) The Energy Office should establish short-term and long-term financial plans to ensure sustainability.	<ul style="list-style-type: none"> 2021: Auditor reports Not Implemented - N/A Follow-Up, Report No. 21-05. Our follow-up report noted: “[T]he Energy Office’s financial plans as of February 2019 were obviated less than six months later when Act 122 transitioned the funding for the Energy Office’s personnel and operations to the State’s general fund in fiscal year 2020.” 2019: DBEDT reports Implemented Self-reported February 28, 2019.
(1.b.) The Energy Office should reduce operating expenses to a sustainable level.	<ul style="list-style-type: none"> 2021: Auditor reports Not Implemented - N/A Follow-Up, Report No. 21-05. Our follow-up report noted: “[W]e need not determine whether those reductions amounted to ‘a sustainable level’ of operating expenses, as we recommended. Nor need we decide whether what the Energy Office characterized as its achievement of ‘a more sustainable’ level of expenses partially implements the ‘sustainable level’ we recommended. Those determinations have been obviated by the intervening enactment of Act 122.” 2019: DBEDT reports Implemented Self-reported February 28, 2019.
(1.c.) The Energy Office should immediately update its strategic plan.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-05. 2019: DBEDT reports Implemented Self-reported February 28, 2019.
(2.a.) The Energy Office should also develop and implement robust project management and reporting processes by documenting the justification for initiation of each project, measurable goals, budget and staffing requirements, implementation and execution strategies, and project schedule.	<ul style="list-style-type: none"> 2022: DBEDT reports Implemented Self-reported April 29, 2022. 2021: Auditor reports Partially Implemented Follow-Up, Report No. 21-05. 2019: DBEDT reports Implemented Self-reported February 28, 2019.

Recommendation

Status of Recommendation

(2.b.) The Energy Office should also develop and implement robust project management and reporting processes by establishing performance measures for all programs and activities.

2022: DBEDT reports **Implemented**

Self-reported April 29, 2022.

2021: Auditor reports **Partially Implemented**

Follow-Up, Report No. 21-05.

2019: DBEDT reports **Implemented**

Self-reported February 28, 2019.

(2.c.) The Energy Office should also develop and implement robust project management and reporting processes by monitoring the progress and status of programs and activities.

2022: DBEDT reports **Implemented**

Self-reported April 29, 2022.

2021: Auditor reports **Partially Implemented**

Follow-Up, Report No. 21-05.

2019: DBEDT reports **Implemented**

Self-reported February 28, 2019.

(2.d.) The Energy Office should also develop and implement robust project management and reporting processes by ensuring an analysis of achievements and impacts on the State's clean energy goals upon project completion.

2022: DBEDT reports **Implemented**

Self-reported April 29, 2022.

2021: Auditor reports **Partially Implemented**

Follow-Up, Report No. 21-05.

2019: DBEDT reports **Implemented**

Self-reported February 28, 2019.

(2.e.) The Energy Office should also develop and implement robust project management and reporting processes by reporting the resultant achievements and impacts in its annual and Act 73 reports clearly and concisely, so that the Legislature and public can evaluate the office's progress toward its goals.

2022: DBEDT reports **Implemented**

Self-reported April 29, 2022.

2021: Auditor reports **Partially Implemented**

Follow-Up, Report No. 21-05.

2019: DBEDT reports **Implemented**

Self-reported February 28, 2019.

(2.f.) The Energy Office should also develop and implement robust project management and reporting processes by establishing written policies and procedures that all program staff are required to follow.

2022: DBEDT reports **Implemented**

Self-reported April 29, 2022.

2021: Auditor reports **Partially Implemented**

Follow-Up, Report No. 21-05.

2019: DBEDT reports **Implemented**

Self-reported February 28, 2019.



REPORT NO. 18-03 *Audit of the Office of Hawaiian Affairs*

Number of Recommendations: **39**

Number of Recommendations
Partially or Fully Implemented: **19**

Percent Partially or Fully
Implemented: **49%**

Audit Recommendations by Status

In Report No. 18-03, we made a total of 39 recommendations to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

IN REPORT NO. 18-03, *Audit of the Office of Hawaiian Affairs*, we found spending on non-competitive Kūlia Initiatives was nearly double what the Office of Hawaiian Affairs (OHA) spent on closely vetted, competitive grants and the Fiscal Reserve lacked a clear policy guiding its use and had been spent down rapidly. We reported CEO Sponsorships were subject to minimal oversight and were often, despite written guidelines, approved based on personal discretion. We also reported rules governing Trustee Allowances were broad and arbitrarily enforced, leading to many instances of questionable spending.

In 2019, we issued a formal request for information to OHA on the status of audit recommendations from Report No. 18-03. The agency reported that all of our recommendations had been at least partially implemented.

In 2021, we conducted an active follow-up into the implementation of our recommendations, and in 2022 we issued Report No. 22-04 entitled, *Follow-Up on Recommendations from Report No. 18-03, Audit of the Office of Hawaiian Affairs*. As a result of that report, we found that 24 out of 39 (62%) of our recommendations had been at least partially implemented.

In 2023, we issued a formal request for information on the status of audit recommendations that had not been fully implemented in Report No. 22-04. The agency reported that of the applicable recommendations, 14 are no longer applicable, and the other eight are at least partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation

Status of Recommendation

(OHA Board of Trustees, 1.a.) OHA Board of Trustees should, in general, require trustees and trustee staff to attend regular training that includes, but is not limited to:

- i. Fiduciary duties and other responsibilities of trustees;
- ii. State Ethics Code, Chapter 84, HRS;
- iii. Sunshine Law, part I of Chapter 92, HRS; and
- iv. Uniform Information Practices Act (Modified), Chapter 92F, HRS.

2023: OHA reports **Partially Implemented**

Self-reported May 1, 2023.

2022: Auditor reports **Partially Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Board of Trustees, 1.b.) OHA Board of Trustees should, in general, ensure that OHA policies and procedures, applicable to trustees and the Administration, align and are consistent with OHA's mission, trustees' fiduciary duties, and State laws.

2023: OHA reports **Implemented**

Self-reported May 1, 2023.

2022: Auditor reports **Partially Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Board of Trustees, 1.c.) OHA Board of Trustees should, in general, develop a clearly defined process by which trustees must hold each other individually accountable for actions that are inconsistent with their collective fiduciary duties and responsibilities to trust beneficiaries and for violations of State laws.

2023: OHA reports **Implemented**

Self-reported May 1, 2023.

2022: Auditor reports **Partially Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Board of Trustees, 1.d.) OHA Board of Trustees should, in general, provide greater transparency into OHA's administration of trust assets, including OHA's fiscal year budgets and actual expenditures, specific information regarding the Grants, Sponsorships, and other funding awarded by OHA, OHA's investment portfolio holdings and returns, and expenditures by trustees using Trustee Allowances. Consider posting such information on OHA's website or some other similarly accessible public portal.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

Recommendation	Status of Recommendation
<p>(OHA Board of Trustees, 1.e.) OHA Board of Trustees should, in general, consider requiring board approval of all Grants, Sponsorships, and other funding awarded by OHA and/or that use Native Hawaiian Trust Fund assets.</p>	<p>2023: OHA reports Implemented Self-reported May 1, 2023.</p>
	<p>2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-04.</p>
	<p>2019: OHA reports Implemented Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 1.f.) OHA Board of Trustees should, in general, require the Administration to develop a master list of all OHA Grants, Sponsorships, and other funding awarded, including the name of the individual, group, or organization receiving the funds, the amount of the award, and the approving or granting entity within OHA (such as the board, CEO, or line of business).</p>	<p>2023: OHA reports Partially Implemented Self-reported May 1, 2023.</p>
	<p>2022: Auditor reports Not Implemented Follow-Up, Report No. 22-04.</p> <p>Our follow-up report noted: “While the Board of Trustees has not required the Administration to develop a master list of all OHA grants, sponsorships and other funding awarded, according to OHA, it has developed an information database system that ensures grants are monitored and evaluated consistently... OHA represents its practice is to run a quarterly report for all grants and contracts, which is documented in OHA’s financial reporting, including variances and budget adjustment parameters for each quarter. The master list provided by OHA in March 2021 included 36 active grants, 26 closed grants, and 11 pending grants and is updated on a weekly and quarterly basis.</p> <p>The master list does not include sponsorships and other funding awarded by OHA, and no information about the approving or granting entity within OHA (such as the Board, CEO, or line of business) is included. In its policies and procedures, the Board should document the requirement that the Administration develop a master list of <i>all</i> OHA grants, sponsorships, and other funding awarded, including the name of the individual, group, or organization receiving the funds, the amount of the award, and the approving or granting entity within OHA (such as the Board, CEO, or line of business). A documented policy would clarify the process and allow the Board and the Administration to hold staff accountable for performing the required procedure.”</p>
	<p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>

Recommendation

Status of Recommendation

(OHA Board of Trustees, 1.g.) OHA Board of Trustees should, in general, consider developing policies regarding the maximum number and maximum total dollar amount of Grants, Sponsorships, and other funding awarded to the same individual, group, or organization during a fiscal year or other determined period.

2023: OHA reports **Partially Implemented**

Self-reported May 1, 2023.

2022: Auditor reports **Partially Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Board of Trustees, 2.a.) OHA Board of Trustees should, with respect to Kūlia Initiatives, determine and clearly define the purpose of Kūlia Initiatives.

2022: Auditor reports **Not Implemented - N/A**

Follow-Up, Report No. 22-04.

Our follow-up report noted: “In response to Report No. 18-03, *Audit of the Office of Hawaiian Affairs*, OHA discontinued the use of Kūlia Initiatives.”

2019: OHA reports **Implemented**

Self-reported March 28, 2019.

(OHA Board of Trustees, 2.b.) OHA Board of Trustees should, with respect to Kūlia Initiatives, review, update, and amend policies related to Kūlia Initiatives, as needed, to align with the defined purposes of Kūlia Initiatives. Such policies and procedures should clearly describe the types of spending for which Kūlia Initiatives are appropriate (as opposed to the purposes of other OHA funding support mechanisms, such as Community and ‘Ahahui Grants).

2022: Auditor reports **Not Implemented - N/A**

Follow-Up, Report No. 22-04.

Our follow-up report noted: “In response to Report No. 18-03, *Audit of the Office of Hawaiian Affairs*, OHA discontinued the use of Kūlia Initiatives.”

2019: OHA reports **Implemented**

Self-reported March 28, 2019.

(OHA Board of Trustees, 2.c.) OHA Board of Trustees should, with respect to Kūlia Initiatives, consider including in OHA’s annual budget a board-determined amount to fund Kūlia Initiatives.

2022: Auditor reports **Not Implemented - N/A**

Follow-Up, Report No. 22-04.

Our follow-up report noted: “In response to Report No. 18-03, *Audit of the Office of Hawaiian Affairs*, OHA discontinued the use of Kūlia Initiatives.”

2019: OHA reports **Implemented**

Self-reported March 28, 2019.

Recommendation	Status of Recommendation
<p>(OHA Board of Trustees, 2.d.) OHA Board of Trustees should, with respect to Kūlia Initiatives, ensure that the purpose and use of Kūlia Initiatives aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustee's fiduciary duties; and (d) State laws.</p>	<p>2022: Auditor reports Not Implemented - N/A Follow-Up, Report No. 22-04.</p> <p>Our follow-up report noted: "In response to Report No. 18-03, <i>Audit of the Office of Hawaiian Affairs</i>, OHA discontinued the use of Kūlia Initiatives."</p> <p>2019: OHA reports Implemented Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 3.a.) OHA Board of Trustees should, with respect to the Fiscal Reserve, determine and clearly define the purpose of the Fiscal Reserve, considering the original intent of the reserve, as well as the board's current intent for maintaining a reserve.</p>	<p>2023: OHA reports Not Implemented - N/A Self-reported May 1, 2023, stating:</p> <p>"There is no longer a Fiscal Reserve, or related withdrawal guidelines in the Native Hawaiian Trust Fund (NHTF). The new Fiscal Stabilization Policy replaces any previously described Fiscal Reserve provisions in the NHTF Spending Policy."</p> <p>2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-04.</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 3.b.) OHA Board of Trustees should, with respect to the Fiscal Reserve, review, update, and amend policies and procedures related to the Fiscal Reserve, including OHA's Spending Policy and Fiscal Reserve Guidelines, as needed, to align with the defined purpose of the Fiscal Reserve. Such policies and procedures should clearly describe the circumstances in and purposes for which the Fiscal Reserve can be used.</p>	<p>2023: OHA reports Not Implemented - N/A Self-reported May 1, 2023, stating:</p> <p>"There is no longer a Fiscal Reserve, or related withdrawal guidelines in the Native Hawaiian Trust Fund (NHTF). The new Fiscal Stabilization Policy replaces any previously described Fiscal Reserve provisions in the NHTF Spending Policy."</p> <p>2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-04.</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>

Recommendation

(OHA Board of Trustees, 3.c.) OHA Board of Trustees should, with respect to the Fiscal Reserve, clarify and clearly define the purpose of the 5 percent spending limit, and determine whether it is necessary to establish a withdrawal rate limit to ensure the health and sustainability of the Native Hawaiian Trust Fund.

Status of Recommendation

2023: OHA reports **Not Implemented - N/A**

Self-reported May 1, 2023, stating:

“There is no longer a Fiscal Reserve, or related withdrawal guidelines in the Native Hawaiian Trust Fund (NHTF). The new Fiscal Stabilization Policy replaces any previously described Fiscal Reserve provisions in the NHTF Spending Policy.”

2022: Auditor reports **Not Implemented**

Follow-Up, Report No. 22-04.

Our follow-up report noted: “While we acknowledge OHA has made progress in this area, the Fiscal Stabilization Policy ... is still a temporary policy and will be revisited once Board policies are completed. According to OHA, the policies being developed will include identifying whether the agency needs a reserve (rainy day) fund and, if so, the type of reserve fund needed.

We note while the interim policy restricts how the Fiscal Stabilization Fund may be used, expenditures from that fund are not included when calculating the annual spending withdrawal amount in the fiscal year in which moneys are expended. That potentially allows OHA to exceed the 5 percent spending limit established in OHA’s Native Hawaiian Trust Fund Spending Policy.”

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

Recommendation	Status of Recommendation
<p>(OHA Board of Trustees, 3.d.) OHA Board of Trustees should, with respect to the Fiscal Reserve, work with the Administration, including OHA's Investment Management staff, to determine and obtain the financial information necessary for the board to assess the short- and long-term impacts to the Native Hawaiian Trust Fund when considering use of the Fiscal Reserve.</p>	<p>2023: OHA reports Not Implemented - N/A Self-reported May 1, 2023, stating:</p> <p>“There is no longer a Fiscal Reserve, or related withdrawal guidelines in the Native Hawaiian Trust Fund (NHTF). The new Fiscal Stabilization Policy replaces any previously described Fiscal Reserve provisions in the NHTF Spending Policy.”</p> <p>2022: Auditor reports Not Implemented Follow-Up, Report No. 22-04.</p> <p>Our follow-up report noted: “The intent of this recommendation was that the Board assess impacts to the Native Hawaiian Trust Fund and OHA’s ability to serve its beneficiaries, current and future, when considering use of the Fiscal Reserve. While the Fiscal Stabilization Fund was created purportedly in response to Report No. 18-03 (and therefore did not exist at the time of the audit), the recommendation is applicable to the Board’s use of the Fiscal Stabilization Fund. Trustees very likely have the same fiduciary duties to OHA’s beneficiaries in their use of the Native Hawaiian Trust Fund and the Fiscal Stabilization Fund. Under the new Fiscal Stabilization Policy, it is our understanding that the Board can transfer up to \$3 million annually from the Native Hawaiian Trust Fund to the Fiscal Stabilization Fund. Any withdrawal from the Native Hawaiian Trust Fund can have short- and long-term impacts to the Native Hawaiian Trust Fund, and Trustees should determine and require the Administration to provide them with the financial information necessary for them to make informed decisions about those impacts to the fund.”</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>

Recommendation

Status of Recommendation

(OHA Board of Trustees, 3.e.) OHA Board of Trustees should, with respect to the Fiscal Reserve, for each action item considering use of the Fiscal Reserve, ensure the Administration clearly includes the specific information as required by the Fiscal Reserve Guidelines and necessary for the board's decision-making.

2023: OHA reports **Not Implemented - N/A**

Self-reported May 1, 2023, stating:

“There is no longer a Fiscal Reserve, or related withdrawal guidelines in the Native Hawaiian Trust Fund (NHTF). The new Fiscal Stabilization Policy replaces any previously described Fiscal Reserve provisions in the NHTF Spending Policy.”

2022: Auditor reports Partially Implemented
Follow-Up, Report No. 22-04.

2019: OHA reports Partially Implemented
Self-reported March 28, 2019.

(OHA Board of Trustees, 3.f.) OHA Board of Trustees should, with respect to the Fiscal Reserve, ensure that the purpose and use of the Fiscal Reserve aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.

2023: OHA reports **Not Implemented - N/A**

Self-reported May 1, 2023, stating:

“There is no longer a Fiscal Reserve, or related withdrawal guidelines in the Native Hawaiian Trust Fund (NHTF). The new Fiscal Stabilization Policy replaces any previously described Fiscal Reserve provisions in the NHTF Spending Policy.”

2022: Auditor reports Partially Implemented
Follow-Up, Report No. 22-04.

2019: OHA reports Partially Implemented
Self-reported March 28, 2019.

(OHA Board of Trustees, 4.a.) OHA Board of Trustees should, with respect to CEO Sponsorships, determine and clearly define the purpose of CEO Sponsorships.

2023: OHA reports **Not Implemented - N/A**

Self-reported May 1, 2023, stating:

“The CEO no longer has the authority to award sponsorship(s), ergo, there are no CEO Sponsorships.”

2022: Auditor reports Not Implemented
Follow-Up, Report No. 22-04.

Our follow-up report noted: “[W]hile there continues to be a moratorium on the CEO Sponsorships, OHA has not taken any other action to address the recommendation and, given that the program has not been discontinued, we consider this recommendation to be not implemented.”

2019: OHA reports Partially Implemented
Self-reported March 28, 2019.

Recommendation	Status of Recommendation
<p>(OHA Board of Trustees, 4.b.) OHA Board of Trustees should, with respect to CEO Sponsorships, review, update, and amend policies and procedures related to CEO Sponsorships, as needed, to align with the defined purpose of CEO Sponsorships. Such policies and procedures should clearly describe the circumstances in and purposes for which CEO Sponsorships can be used.</p>	<ul style="list-style-type: none"> <p>2023: OHA reports Not Implemented - N/A Self-reported May 1, 2023, stating: “The CEO no longer has the authority to award sponsorship(s), ergo, there are no CEO Sponsorships.”</p> <p>2022: Auditor reports Not Implemented Follow-Up, Report No. 22-04. Our follow-up report noted: “[W]hile there continues to be a moratorium on the CEO Sponsorships, OHA has not taken any other action to address the recommendation and, given that the program has not been discontinued, we consider this recommendation to be not implemented.”</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 4.c.) OHA Board of Trustees should, with respect to CEO Sponsorships, consider restricting the Administration’s ability to independently adjust the fiscal year budget, once approved by the board, to fund or otherwise support CEO Sponsorships.</p>	<ul style="list-style-type: none"> <p>2023: OHA reports Not Implemented - N/A Self-reported May 1, 2023, stating: “The CEO no longer has the authority to award sponsorship(s), ergo, there are no CEO Sponsorships.”</p> <p>2022: Auditor reports Not Implemented Follow-Up, Report No. 22-04. Our follow-up report noted: “[W]hile there continues to be a moratorium on the CEO Sponsorships, OHA has not taken any other action to address the recommendation and, given that the program has not been discontinued, we consider this recommendation to be not implemented.”</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>

Recommendation

Status of Recommendation

(OHA Board of Trustees, 4.d.) OHA Board of Trustees should, with respect to CEO Sponsorships, ensure that the purpose and use of CEO Sponsorships aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.

2023: OHA reports **Not Implemented - N/A**

Self-reported May 1, 2023, stating:

"The CEO no longer has the authority to award sponsorship(s), ergo, there are no CEO Sponsorships."

2022: Auditor reports **Not Implemented**

Follow-Up, Report No. 22-04.

Our follow-up report noted: "[W]hile there continues to be a moratorium on the CEO Sponsorships, OHA has not taken any other action to address the recommendation and, given that the program has not been discontinued, we consider this recommendation to be not implemented."

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Board of Trustees, 5.a.) OHA Board of Trustees should, with respect to Trustee Allowances, amend the Trustee Allowances policy to restrict the use of Trustee Allowances to expenses incurred by trustees relating to their communication with beneficiaries and the public, as was the original purpose of the Trustee Allowances, and reduce the Trustee Allowances to an amount determined by the board to be reasonably necessary for that purpose.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Board of Trustees, 5.b.) OHA Board of Trustees should, with respect to Trustee Allowances, prohibit the use of Trustee Allowances to provide financial support, direct or otherwise, to individuals, groups, or organizations. Require requests for financial support by individuals, groups, or organizations to be approved by the board and funded through a program other than Trustee Allowances.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Board of Trustees, 5.c.) OHA Board of Trustees should, with respect to Trustee Allowances, work with the Administration to more clearly define procedures related to the use and administration of Trustee Allowances.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

Recommendation	Status of Recommendation
<p>(OHA Board of Trustees, 5.d.) OHA Board of Trustees should, with respect to Trustee Allowances, require trustees to seek reimbursement of expenses; do not disburse the total amount of Trustee Allowances to trustees at the beginning of the fiscal year or otherwise advance any funds to trustees.</p>	<p>2022: Auditor reports Implemented Follow-Up, Report No. 22-04.</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 5.e.) OHA Board of Trustees should, with respect to Trustee Allowances, review and amend, as needed, the sanctions established in the Code of Conduct for violations of Trustee Allowance policies and procedures and establish a process to ensure enforcement of sanctions to appropriately address such violations.</p>	<p>2023: OHA reports Implemented Self-reported May 1, 2023.</p> <p>2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-04.</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 5.f.) OHA Board of Trustees should, with respect to Trustee Allowances, ensure that the purpose and use of Trustee Allowances aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.</p>	<p>2022: Auditor reports Implemented Follow-Up, Report No. 22-04.</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>
<p>(OHA Administration, 1.a.) OHA Administration should, in general, require the Administration to attend regular training that includes, but is not limited to:</p> <ul style="list-style-type: none"> i. Fiduciary duties and other responsibilities of trustees; ii. State Ethics Code, Chapter 84, HRS; iii. Sunshine Law, part I of Chapter 92, HRS; and iv. Uniform Information Practices Act (Modified), Chapter 92F, HRS. 	<p>2023: OHA reports Partially Implemented Self-reported May 1, 2023.</p> <p>2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-04.</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>

Recommendation

Status of Recommendation

(OHA Administration, 1.b.) OHA Administration should, in general, support trustees in performing their fiduciary duties and other responsibilities by, among other things, providing financial documents and other information in a timely manner as requested by individual trustees.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Administration, 2.a.) OHA Administration should, with respect to Kūlia Initiatives, ensure that the board and the Administration adhere to and comply with the board-adopted policies and procedures for Kūlia Initiatives.

2022: Auditor reports **Not Implemented - N/A**

Follow-Up, Report No. 22-04.

Our follow-up report noted: “In response to Report No. 18-03, *Audit of the Office of Hawaiian Affairs*, OHA discontinued the use of Kūlia Initiatives.”

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Administration, 2.b.) OHA Administration should, with respect to Kūlia Initiatives, ensure that OHA’s use of Kūlia Initiatives aligns and is consistent with: (a) OHA’s mission; (b) OHA’s policies and procedures; (c) trustees’ fiduciary duties; and (d) State laws.

2022: Auditor reports **Not Implemented - N/A**

Follow-Up, Report No. 22-04.

Our follow-up report noted: “In response to Report No. 18-03, *Audit of the Office of Hawaiian Affairs*, OHA discontinued the use of Kūlia Initiatives.”

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Administration, 3.a.) OHA Administration should, with respect to the Fiscal Reserve, ensure each proposed use of the Fiscal Reserve is consistent with the Fiscal Reserve Guidelines and the board-stated purpose of the Fiscal Reserve.

2023: OHA reports **Not Implemented - N/A**

Self-reported May 1, 2023, stating:

“There is no longer a Fiscal Reserve, or related withdrawal guidelines in the Native Hawaiian Trust Fund (NHTF). The new Fiscal Stabilization Policy replaces any previously described Fiscal Reserve provisions in the NHTF Spending Policy.”

2022: Auditor reports **Partially Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

Recommendation	Status of Recommendation
<p>(OHA Administration, 3.b.) OHA Administration should, with respect to the Fiscal Reserve, for each requested use of the Fiscal Reserve, provide the board with specific information and recommendations as to whether the board's or the Administration's proposed use of the Fiscal Reserve is consistent with the Fiscal Reserve Guidelines and the purpose of the Fiscal Reserve. Such information may include, but is not limited to, specific financial information regarding the Native Hawaiian Trust Fund balance, projected revenue for the fiscal year, and impact to the Native Hawaiian Trust Fund resulting from the requested use of the Fiscal Reserve.</p>	<p>2023: OHA reports Not Implemented - N/A Self-reported May 1, 2023, stating:</p> <p>“There is no longer a Fiscal Reserve, or related withdrawal guidelines in the Native Hawaiian Trust Fund (NHTF). The new Fiscal Stabilization Policy replaces any previously described Fiscal Reserve provisions in the NHTF Spending Policy.”</p> <p>2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-04.</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>
<p>(OHA Administration, 4.a.) OHA Administration should, with respect to CEO Sponsorships, adhere to Grants Staff recommendations regarding the Administration's requests to fund CEO Sponsorships.</p>	<p>2023: OHA reports Not Implemented - N/A Self-reported May 1, 2023, stating:</p> <p>“The CEO no longer has the authority to award sponsorship(s), ergo, there are no CEO Sponsorships.”</p> <p>2022: Auditor reports Not Implemented Follow-Up, Report No. 22-04.</p> <p>Our follow-up report noted: “[W]hile there continues to be a moratorium on the CEO Sponsorships, OHA has not taken any other action to address the recommendation and, given that the program has not been discontinued, we consider this recommendation to be not implemented.”</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>

Recommendation

Status of Recommendation

(OHA Administration, 4.b.) OHA Administration should, with respect to CEO Sponsorships, if the Administration is allowed to adjust the budget to fund Sponsorships, obtain board approval before doing so, and provide the board with specific information about the proposed funding request to inform trustees' decision-making.

2023: OHA reports **Not Implemented - N/A**

Self-reported May 1, 2023, stating:

“The CEO no longer has the authority to award sponsorship(s), ergo, there are no CEO Sponsorships.”

2022: Auditor reports **Not Implemented**

Follow-Up, Report No. 22-04.

Our follow-up report noted: “[W]hile there continues to be a moratorium on the CEO Sponsorships, OHA has not taken any other action to address the recommendation and, given that the program has not been discontinued, we consider this recommendation to be not implemented.”

2019: OHA reports **Implemented**

Self-reported March 28, 2019.

(OHA Administration, 5.a.) OHA Administration should, with respect to Trustee Allowances, monitor and review trustees' use of Trustee Allowances and ensure expenditures using Trustee Allowances comply with the Trustee Allowances policy.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Administration, 5.b.) OHA Administration should, with respect to Trustee Allowances, establish procedures to more clearly define the Administration's role and procedures for administering and monitoring the use of Trustee Allowances.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

(OHA Administration, 5.c.) OHA Administration should, with respect to Trustee Allowances, report to the board the specific expenditures approved and reimbursed to each trustee using Trustee Allowances.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-04.

2019: OHA reports **Partially Implemented**

Self-reported March 28, 2019.

Recommendation	Status of Recommendation
<p>(OHA Administration, 5.d.) OHA Administration should, with respect to Trustee Allowances, create a formal appeal process for trustees to request a second determination of whether they are entitled to reimbursement of expenses using Trustee Allowances, for instance, through staff whose regular duties do not involve review and approval of Trustee Allowances.</p>	<p>2022: Auditor reports Implemented Follow-Up, Report No. 22-04.</p> <p>2019: OHA reports Partially Implemented Self-reported March 28, 2019.</p>



PHOTO: HAWAII TOURISM AUTHORITY (HTA) / TOR JOHNSON

REPORT NO. 18-04

Audit of the Hawai'i Tourism Authority

Number of Recommendations: **27**

Number of Recommendations
Partially or Fully Implemented: **25**

Percent Partially or Fully
Implemented: **93%**

Audit Recommendations by Status

In Report No. 18-04, we made a total of 27 recommendations to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

IN REPORT NO. 18-04, *Audit of the Hawai'i Tourism Authority*, we found that the Hawai'i Tourism Authority's (HTA) lax oversight of its major contractors did not ensure that public funds were being used effectively and efficiently; deficient procurement and contracting practices undermined accountability and did not ensure best value; and expenses previously classified as "administrative" were shifted to other budget lines to comply with a reduced statutory limit for such expenses.

In 2019 and 2020, we issued formal requests for information to HTA on the status of audit recommendations from Report No. 18-04. In 2020, the agency reported that all our recommendations had been fully implemented.

In 2021, we conducted an active follow-up into the implementation of our recommendations, and

in 2022 we issued Report No. 22-09 entitled, *Follow-Up on Recommendations from Report No. 18-04, Audit of the Hawai'i Tourism Authority*. As a result of that report, we found that 21 out of 27 (78%) of our recommendations had been at least partially implemented.

In 2023, we issued a formal request for information on the status of audit recommendations that had not been fully implemented in Report No. 22-09. The agency reported that of the applicable recommendations, all have now been at least partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation	Status of Recommendation
(1.) HTA should, in general, update internal policies and procedures related to training, compliance reviews, and other quality assurance functions, to ensure they align with HTA's current organizational structure and personnel.	2023: HTA reports Partially Implemented Self-reported September 25, 2023.
	2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-09.
	2020: HTA reports Implemented Self-reported June 18, 2020.
	2019: HTA reports Partially Implemented Self-reported March 29, 2019.
(2.) HTA should, in general, assign a senior manager to oversee HTA's quality assurance function and ensure it is a priority for the Authority. Such oversight should include ensuring HTA's quality assurance plan is updated and properly implemented.	2023: HTA reports Partially Implemented Self-reported September 25, 2023.
	2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-09.
	2020: HTA reports Implemented Self-reported June 18, 2020.
	2019: HTA reports Partially Implemented Self-reported March 29, 2019.
(3.) HTA should, with respect to overall procurement, update internal policies and procedures to clearly identify the HTA management and staff who are responsible for procurement, administration, and oversight of all contracts, and clearly delineate the responsibilities assigned to each.	2023: HTA reports Implemented Self-reported September 25, 2023.
	2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-09.
	2020: HTA reports Implemented Self-reported June 18, 2020.
	2019: HTA reports Partially Implemented Self-reported March 29, 2019.

Recommendation

Status of Recommendation

(4.a.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including requiring pre-solicitation market research to assess, among other things, market competition and estimated cost.

2023: HTA reports **Implemented**

Self-reported September 25, 2023.

2022: Auditor reports Partially Implemented

Follow-Up, Report No. 22-09.

2020: HTA reports Implemented

Self-reported June 18, 2020.

2019: HTA reports Partially Implemented

Self-reported March 29, 2019.

(4.b.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including requiring proposals for each contract, contract amendment, and extension.

2023: HTA reports **Implemented**

Self-reported September 25, 2023.

2022: Auditor reports Partially Implemented

Follow-Up, Report No. 22-09.

2019: HTA reports Implemented

Self-reported March 29, 2019.

(4.c.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including enforcing requirement that contractors provide evidence of a valid Certificate of Vendor Compliance (CVC) prior to contract execution.

2023: HTA reports **Implemented**

Self-reported September 25, 2023.

2022: Auditor reports Partially Implemented

Follow-Up, Report No. 22-09.

2019: HTA reports Implemented

Self-reported March 29, 2019.

(4.d.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including requiring contracts to include specific performance criteria, performance benchmarks, and deliverables that are aligned with the contract objectives.

2023: HTA reports **Implemented**

Self-reported September 25, 2023.

2022: Auditor reports Partially Implemented

Follow-Up, Report No. 22-09.

2019: HTA reports Implemented

Self-reported March 29, 2019.

Recommendation	Status of Recommendation
(4.e.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including requiring contractors to provide regular progress reports.	<div data-bbox="800 363 1252 392">2022: Auditor reports Implemented</div> <div data-bbox="800 405 1122 434">Follow-Up, Report No. 22-09.</div> <div data-bbox="800 468 1195 497">2019: HTA reports Implemented</div> <div data-bbox="800 499 1122 529">Self-reported March 29, 2019.</div>
(4.f.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including evaluating contractor performance against performance criteria.	<div data-bbox="800 663 1209 693">2023: HTA reports Implemented</div> <div data-bbox="800 705 1166 735">Self-reported September 25, 2023.</div> <div data-bbox="800 768 1347 798">2022: Auditor reports Partially Implemented</div> <div data-bbox="800 800 1122 829">Follow-Up, Report No. 22-09.</div> <div data-bbox="800 863 1195 892">2019: HTA reports Implemented</div> <div data-bbox="800 894 1122 924">Self-reported March 29, 2019.</div>
(4.g.) HTA should, with respect to overall procurement, enforce policies and procedures that ensure HTA's actual procurement and contracting practices align with the best interests of the State and foster appropriate use of public funds, including requiring written evaluation of contractor performance before amending, modifying, or extending any contract.	<div data-bbox="800 984 1209 1014">2023: HTA reports Implemented</div> <div data-bbox="800 1026 1166 1056">Self-reported September 25, 2023.</div> <div data-bbox="800 1089 1347 1119">2022: Auditor reports Partially Implemented</div> <div data-bbox="800 1121 1122 1150">Follow-Up, Report No. 22-09.</div> <div data-bbox="800 1184 1195 1213">2019: HTA reports Implemented</div> <div data-bbox="800 1215 1122 1245">Self-reported March 29, 2019.</div>
(5.) HTA should, with respect to overall procurement, retain exclusive ownership of intellectual property created, developed, prepared, or assembled using State funds, absent extraordinary and unique circumstances. Require requests for waiver of the State's ownership of intellectual property to be thoroughly documented and approved by the Department of the Attorney General.	<div data-bbox="800 1314 1209 1344">2023: HTA reports Implemented</div> <div data-bbox="800 1356 1166 1386">Self-reported September 25, 2023.</div> <div data-bbox="800 1419 1347 1449">2022: Auditor reports Partially Implemented</div> <div data-bbox="800 1451 1122 1480">Follow-Up, Report No. 22-09.</div> <div data-bbox="800 1514 1195 1543">2019: HTA reports Implemented</div> <div data-bbox="800 1545 1122 1575">Self-reported March 29, 2019.</div>

Recommendation

Status of Recommendation

(6.) HTA should, with respect to overall procurement, regularly review and evaluate HTA management and staff performance of their respective procurement and contract-related duties and responsibilities.

2023: HTA reports Partially Implemented

Self-reported September 25, 2023.

2022: Auditor reports Partially Implemented

Follow-Up, Report No. 22-09.

2020: HTA reports Implemented

Self-reported June 18, 2020.

2019: HTA reports Partially Implemented

Self-reported March 29, 2019.

(7.) HTA should, with respect to overall procurement, require HTA management and staff who have procurement and contract-related responsibilities to receive regular training on the State Procurement Code, Chapter 103D, HRS, and the State Ethics Code, specifically, Section 84-15, HRS.

2022: Auditor reports Implemented

Follow-Up, Report No. 22-09.

2019: HTA reports Implemented

Self-reported March 29, 2019.

(8.) HTA should, with respect to sole source procurements, limit sole source procurement to where a good or service is deemed available from only one source.

2023: HTA reports Implemented

Self-reported September 25, 2023.

2022: Auditor reports Partially Implemented

Follow-Up, Report No. 22-09.

2019: HTA reports Implemented

Self-reported March 29, 2019.

(9.) HTA should, with respect to sole source procurements, require completed documentation to support use of sole source procurement.

2023: HTA reports Implemented

Self-reported September 25, 2023.

2022: Auditor reports Partially Implemented

Follow-Up, Report No. 22-09.

2019: HTA reports Implemented

Self-reported March 29, 2019.

Recommendation	Status of Recommendation
(10.) HTA should, with respect to sole source procurements, require written confirmation and justification of sole source contract pricing.	<ul style="list-style-type: none"> <li data-bbox="800 365 1321 438">2023: HTA reports Partially Implemented Self-reported September 25, 2023. <li data-bbox="800 470 1349 533">2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-09. <li data-bbox="800 564 1195 627">2019: HTA reports Implemented Self-reported March 29, 2019.
(11.) HTA should, with respect to sole source procurements, develop a publicly accessible list of sole source procurement contracts.	<ul style="list-style-type: none"> <li data-bbox="800 684 1252 758">2022: Auditor reports Implemented Follow-Up, Report No. 22-09. <li data-bbox="800 789 1195 852">2020: HTA reports Implemented Self-reported June 18, 2020. <li data-bbox="800 884 1195 947">2019: HTA reports Implemented Self-reported March 29, 2019.
(12.) HTA should, with respect to cost reimbursement contracts, enforce existing contract provisions requiring AEG, and any other contractors who are reimbursed by HTA for costs they incur, to submit receipts and other supporting documentation for each cost invoiced to HTA for reimbursement or other payment.	<ul style="list-style-type: none"> <li data-bbox="800 1037 1321 1110">2023: HTA reports Partially Implemented Self-reported September 25, 2023. <li data-bbox="800 1142 1399 1604">2022: Auditor reports Not Implemented - Disagree Follow-Up, Report No. 22-09. Our follow-up report noted: “HTA believes the procedures put into place, which require review of receipts for a sampling of costs, is sufficient. HTA maintains that several layers of controls are in place, including approval and monitoring of the contractor’s budget, the contractor’s presentation of monthly financial statements to the HTA Board, reconciliation of AEG invoices to their monthly financial statement prior to reimbursement, and the financial statement audit required of the contractor. HTA asserts that, given these procedures, inspecting receipts of every cost incurred is not reasonable.” <li data-bbox="800 1646 1195 1709">2019: HTA reports Implemented Self-reported March 29, 2019.

Recommendation

Status of Recommendation

(13.) HTA should, with respect to cost reimbursement contracts, develop and implement procedures to review and evaluate receipts and supporting documentation submitted for each cost that AEG, and any other contractors who are reimbursed by HTA for costs they incur, invoices HTA for reimbursement or other payment.

2023: HTA reports **Partially Implemented**

Self-reported September 25, 2023.

2022: Auditor reports **Not Implemented - Disagree**

Follow-Up, Report No. 22-09.

Our follow-up report noted: “HTA believes the procedures put into place, which require review of receipts for a sampling of costs, is sufficient. HTA added that it is not reasonable to inspect all receipts for every cost incurred, and maintains that several layers of controls are in place, including approval and monitoring of the contractor’s budget, the contractor’s presentation of monthly financial statements to the HTA Board, reconciliation of AEG invoices to their monthly financial statement prior to reimbursement, and the financial statement audit required of the contractor.”

2019: HTA reports **Implemented**

Self-reported March 29, 2019.

(14.) HTA should, with respect to major contractors (AEG and HVCB), develop and implement procedures to include additional monitoring and more frequent evaluation of contractors’ performance.

2023: HTA reports **Implemented**

Self-reported September 25, 2023.

2022: Auditor reports **Partially Implemented**

Follow-Up, Report No. 22-09.

2020: HTA reports **Implemented**

Self-reported June 18, 2020.

2019: HTA reports **Partially Implemented**

Self-reported March 29, 2019.

Recommendation	Status of Recommendation
<p>(15.) HTA should, with respect to major contractors (AEG and HVCB), require compliance with all material contract terms, including but not limited to HTA's prior written approval of all subcontracts.</p>	<p>2023: HTA reports Implemented Self-reported September 25, 2023.</p>
	<p>2022: Auditor reports Not Implemented Follow-Up, Report No. 22-09.</p> <p>Our follow-up report noted: "Although HTA has adopted policies and procedures to strengthen contract administration, it appears the Authority has yet to develop a system to actively manage contracts to ensure contractors comply with contract terms. However, HTA does include this requirement as part of the State's General Conditions attached to and made part of HTA contracts. Although HTA also said it plans to add the requirement for subcontractors to be approved by HTA to its procedures, the Authority cannot assure compliance with this recommendation."</p>
	<p>2019: HTA reports Implemented Self-reported March 29, 2019.</p>
<p>(16.) HTA should, with respect to major contractors (AEG and HVCB), require requests for written approval to subcontract to include, at a minimum: (1) an explanation of the need for the goods or services to be subcontracted; (2) a statement regarding subcontractor's qualifications to provide the goods or services; (3) a summary of process used to procure the goods or services, including the material terms of bids or other responses to provide the goods or services; and (4) the reason(s) for the selection of the subcontractor, including information used to determine the reasonableness of the subcontract amount.</p>	<p>2023: HTA reports Implemented Self-reported September 25, 2023.</p>
	<p>2022: Auditor reports Partially Implemented Follow-Up, Report No. 22-09.</p>
	<p>2019: HTA reports Implemented Self-reported March 29, 2019.</p>

Recommendation

Status of Recommendation

(17.) HTA should, with respect to major contractors (AEG and HVCB), for current subcontracts without HTA's prior written approval, require justification for the subcontracts, including but not limited to the information required for approval to subcontract. For current subcontracts deemed unnecessary, unreasonable, or otherwise contrary to the State's best interest, consider requiring the goods or services to be re-procured.

2023: HTA reports **Implemented**

Self-reported September 25, 2023.

2022: Auditor reports Not Implemented

Follow-Up, Report No. 22-09.

Our follow-up report noted: "In responding to the recommendation, HTA cited the adoption of the previously-mentioned subcontractor approval form as a requirement for existing subcontracts related to the AEG and major marketing area contracts. HTA further stated that the President and CEO determined that it was not in the best interest of the State to re-bid/re-procure the goods/services provided by the subcontractors identified in the audit.

As HTA did not provide any other justification of the continued use of these subcontractors, we deem this recommendation to be not implemented."

2019: HTA reports Implemented

Self-reported March 29, 2019.

(18.) HTA should, with respect to major contractors (AEG and HVCB), determine whether "agreements" and "arrangements" for goods or services relating to AEG's performance of the contract, including with AEG affiliates or related organizations, are subcontracts, requiring prior written consent.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-09.

2019: HTA reports Implemented

Self-reported March 29, 2019.

(19.) HTA should, with respect to major contractors (AEG and HVCB), consult with the Department of the Attorney General regarding the concession services agreement between AEG and Levy, specifically about action required to remedy AEG's failure to competitively procure the concession services as required by law.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-09.

2019: HTA reports Implemented

Self-reported March 29, 2019.

Recommendation	Status of Recommendation
<p>(20.) HTA should, with respect to the limit on administrative expenses, seek clarification from the Legislature regarding the term “administrative expenses,” as used in section 201B-11(c)(1), HRS, through legislation to define the term, including the specific types of expenses that are included within that term.</p>	<ul style="list-style-type: none"> 2022: Auditor reports Not Implemented - N/A Follow-Up, Report No. 22-09. Our follow-up report noted: “HTA said the Tourism Special Fund was repealed by the Legislature in 2021, and therefore this recommendation is no longer relevant.” 2020: HTA reports Implemented Self-reported June 18, 2020. 2019: HTA reports Partially Implemented Self-reported March 29, 2019.
<p>(21.) HTA should, with respect to the limit on administrative expenses, until the Legislature provides clarification of the term, request a formal legal opinion from the Attorney General as to the meaning of the term “administrative expenses,” as used in section 201B-11(c)(1), HRS, that HTA can apply in developing its budget and to monitor its use of the Tourism Special Fund.</p>	<ul style="list-style-type: none"> 2022: Auditor reports Not Implemented - N/A Follow-Up, Report No. 22-09. Our follow-up report noted: “HTA said that this recommendation was no longer relevant as the Tourism Special Fund was no longer in existence, repealed pursuant to Act 1, 2021 Legislative Special Session.” 2020: HTA reports Implemented Self-reported June 18, 2020. 2019: HTA reports Partially Implemented Self-reported March 29, 2019.



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REPORT NO. 18-05

Audit of the Public Utilities Commission

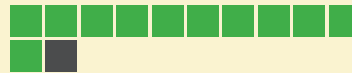
Number of Recommendations: **12**

Number of Recommendations
Partially or Fully Implemented: **11**

Percent Partially or Fully
Implemented: **92%**

Audit Recommendations by Status

In Report No. 18-05, we made a
total of 12 recommendations to the
agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

IN REPORT NO. 18-05, *Audit of the Public Utilities Commission*, we found that the Public Utilities Commission (PUC) document, “Goals and Objectives of the Commission,” was missing action plans and performance measures to link goals and objectives to the commission’s actual work and activities; that PUC did not address critical issues facing the commission such as staff retention, an archaic document management system, and inconsistent docket processing; and that despite spending \$2.8 million on a computerized document management system, PUC’s docket efficiency needs remained unmet.

In 2019 and 2020, we issued formal requests for information to PUC on the status of audit recommendations from Report No. 18-05. The agency reported that all of our recommendations had been at least partially implemented.

In 2021, we conducted an active follow-up into the implementation of our recommendations and issued Report No. 21-08 entitled, *Follow-Up on Recommendations from Report No. 18-05, Audit of the Public Utilities Commission*. As a result of that report, we found that 10 out of 12 (83%) of our recommendations had been at least partially implemented.

In 2022 and 2023, we issued formal requests for information on the status of audit recommendations that had not been fully implemented in the follow-up report, Report No. 21-08. The agency reported that of the applicable recommendations, all are now fully implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation	Status of Recommendation
(1.a.) The Public Utilities Commission should, with respect to strategic planning, develop and implement a formal written strategic planning process that includes involving internal and external stakeholders.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-08. 2020: PUC reports Implemented Self-reported July 16, 2020. 2019: PUC reports Partially Implemented Self-reported March 29, 2019.
(1.b.) The Public Utilities Commission should, with respect to strategic planning, develop and implement a multi-year strategic plan, separate from the annual report, and ensure the PUC's routine self-evaluation of the plan including the assessment of achieved objectives and goals.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-08. 2020: PUC reports Implemented Self-reported July 16, 2020. 2019: PUC reports Partially Implemented Self-reported March 29, 2019.
(1.c.) The Public Utilities Commission should, with respect to strategic planning, ensure that the strategic plan specifically includes a well-defined mission statement and vision statement which clearly articulates short- and long-term objectives, detailed action plans to achieve specific objectives, prioritized goals, performance measurements identifying target milestones, and the ability to monitor and track progress towards achieving the strategic plan.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-08. 2020: PUC reports Partially Implemented Self-reported July 16, 2020. 2019: PUC reports Partially Implemented Self-reported March 29, 2019.
(1.d.) The Public Utilities Commission should, with respect to strategic planning, ensure that the strategic plan is communicated to internal and external stakeholders.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-08. 2020: PUC reports Partially Implemented Self-reported July 16, 2020. 2019: PUC reports Partially Implemented Self-reported March 29, 2019.

Recommendation

Status of Recommendation

(1.e.) The Public Utilities Commission should, with respect to strategic planning, ensure that the strategic plan specifically addresses PUC's role in facilitating larger State goals, including the State's goal of 100 percent renewable energy by 2045.

- **2021: Auditor reports** **Implemented**
Follow-Up, Report No. 21-08.
- **2020: PUC reports** **Implemented**
Self-reported July 16, 2020.
- **2019: PUC reports** **Partially Implemented**
Self-reported March 29, 2019.

(1.f.) The Public Utilities Commission should, with respect to strategic planning, develop and implement multi-year strategic workforce, retention, and succession plans that align with the PUC's strategic plan.

- **2022: PUC reports** **Implemented**
Self-reported June 27, 2022.
- **2021: Auditor reports** **Partially Implemented**
Follow-Up, Report No. 21-08.
- **2020: PUC reports** **Implemented**
Self-reported July 16, 2020.
- **2019: PUC reports** **Partially Implemented**
Self-reported March 29, 2019.

(1.g.) The Public Utilities Commission should, with respect to strategic planning, perform annual formal performance evaluations of all employees.

- **2023: PUC reports** **Implemented**
Self-reported June 30, 2023.
- **2022: PUC reports** **Partially Implemented**
Self-reported June 27, 2022.
- **2021: Auditor reports** **Not Implemented**
Follow-Up, Report No. 21-08.

Our follow-up report noted: "[N]otwithstanding the inclusion of the PUC's updated employee performance review process in the 2020-2022 PUC Strategic Plan, data provided by the PUC does not support that annual formal performance evaluations of all employees were performed in 2019 or in 2020."
- **2019: PUC reports** **Implemented**
Self-reported March 29, 2019.

Recommendation	Status of Recommendation
(1.h.) The Public Utilities Commission should, with respect to strategic planning, conduct and document exit interviews.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-08. 2019: PUC reports Implemented Self-reported March 29, 2019.
(2.a.) The Public Utilities Commission should, with respect to docket processing, develop, establish, and implement official policies and procedures over the docket process.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-08. 2019: PUC reports Implemented Self-reported March 29, 2019.
(2.b.) The Public Utilities Commission should, with respect to docket processing, document, clarify, and communicate the roles and responsibilities of docket team members.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-08. 2019: PUC reports Implemented Self-reported March 29, 2019.
(3.a.) The Public Utilities Commission should, with respect to information technology (IT), develop and implement an IT strategy that aligns with the PUC's strategic plan and current needs, and which involves internal and external stakeholders, including the consumer advocate.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-08. 2020: PUC reports Implemented Self-reported July 16, 2020. 2019: PUC reports Partially Implemented Self-reported March 29, 2019.

Recommendation

(3.b.) The Public Utilities Commission should, with respect to information technology (IT), complete the Request for Information as soon as possible to avoid additional maintenance costs for the current system.

Status of Recommendation

• **2021: Auditor reports** **Not Implemented - N/A**

Follow-Up, Report No. 21-08.

Our follow-up report noted: “Although the PUC did not issue a [Request for Information] as initially intended and as recommended in Report No. 18-05, the [Request for Proposal] and contract for a feasibility study as well as the PUC’s strategic plans to replace [Document Management System] appear to meet the original intent of the recommended [Request for Information]. Accordingly, we concluded circumstances have changed such that this recommendation is no longer applicable.”

• **2020: PUC reports Implemented**

Self-reported July 16, 2020.

• **2019: PUC reports Partially Implemented**

Self-reported March 29, 2019.



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REPORT NO. 18-08

Audit of the Office of Hawaiian Affairs' Competitive Grants and Report on the Implementation of 2013 Audit Recommendations

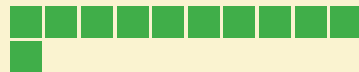
Number of Recommendations: **11**

Number of Recommendations Partially or Fully Implemented: **11**

Percent Partially or Fully Implemented: **100%**

Audit Recommendations by Status

In Report No. 18-08, we made a total of 11 recommendations to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

IN REPORT NO. 18-08, *Audit of the Office of Hawaiian Affairs' Competitive Grants and Report on the Implementation of 2013 Audit Recommendations*, we found that the Office of Hawaiian Affairs (OHA) did not consistently meet the statutory requirements to monitor and evaluate 'Ahahui Grants, but predominantly met monitoring and evaluation requirements for Community Grants.

In 2019, we issued a formal request for information to OHA on the status of audit recommendations from Report No. 18-08. The agency reported that all of our recommendations had been fully implemented.

In 2021, we conducted an active follow-up into the implementation of our recommendations and issued Report No. 21-10 entitled, *Follow-Up on*

Recommendations from Report No. 18-08, Audit of the Office of Hawaiian Affairs' Competitive Grants and Report on the Implementation of 2013 Audit Recommendations. As a result of that report, we found that 11 out of 11 (100%) of our recommendations had been at least partially implemented.

In 2022, we issued a formal request for information on the status of the audit recommendation that had not been fully implemented in Report No. 21-10. The agency reported that the applicable recommendation had been fully implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation

Status of Recommendation

(1.a.) OHA should improve its overall administration and reporting of grants by ensuring that all grants are awarded and administered consistent with the requirements set forth in Section 10-17, HRS.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-10.

2019: OHA reports **Implemented**

Self-reported August 20, 2019.

(1.b.) OHA should improve its overall administration and reporting of grants by developing and documenting a process to ensure a complete list of grants is properly maintained and reported. As part of this process, OHA should consider establishing a master list of all grants, and reconciling TAP's grant records against the grant records of fiscal and other OHA divisions.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-10.

2019: OHA reports **Implemented**

Self-reported August 20, 2019.

(2.a.) OHA should improve its administration of 'Ahahui Grants by monitoring, tracking, and documenting grantees' compliance with grant agreement terms and conditions, submission of required grant documents, and achievement of applicable performance measures for use in future grant application reviews and award decisions.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-10.

2019: OHA reports **Implemented**

Self-reported August 20, 2019.

(2.b.) OHA should improve its administration of 'Ahahui Grants by formally evaluating the information gathered from grantee final reports and OHA staff attendance reports to determine whether events met criteria and should be funded in the future.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-10.

2019: OHA reports **Implemented**

Self-reported August 20, 2019.

(2.c.) OHA should improve its administration of 'Ahahui Grants by requiring OHA personnel to attend 'Ahahui Grant-funded events to monitor and evaluate the events to ensure grants are used consistent with the purpose and intent of the grant, and achieved the expected results; and ensuring that staff reports are submitted by the established deadline.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-10.

2019: OHA reports **Implemented**

Self-reported August 20, 2019.

Recommendation	Status of Recommendation
(2.d.) OHA should improve its administration of 'Ahahui Grants by clarifying and documenting the responsibilities and processes for monitoring and evaluating all 'Ahahui Grants, and updating existing policies and procedures as necessary.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-10. 2019: OHA reports Implemented Self-reported August 20, 2019.
(2.e.) OHA should improve its administration of 'Ahahui Grants by implementing a formal, documented system to ensure that grant files are complete and contain all necessary documents, including grantee final reports and OHA staff attendance reports, such as a checklist for each grant.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-10. 2019: OHA reports Implemented Self-reported August 20, 2019.
(3.a.) OHA should improve its administration of Community Grants by monitoring, tracking, and documenting grantees' compliance with grant agreement terms and conditions, submission of required grant documents, and achievement of applicable performance measures for use in future grant application reviews and award discussions.	<ul style="list-style-type: none"> 2022: OHA reports Implemented Self-Reported September 30, 2022. 2021: Auditor reports Partially Implemented Follow-Up, Report No. 21-10. 2019: OHA reports Implemented Self-reported August 20, 2019.
(3.b.) OHA should improve its administration of Community Grants by monitoring the scheduling and performance of on-site visits to ensure that visits are conducted annually and results are communicated to grantees in a timely manner.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-10. 2019: OHA reports Implemented Self-reported August 20, 2019.
(3.c.) OHA should improve its administration of Community Grants by clarifying and documenting the responsibilities and processes for monitoring and evaluating all Community Grants, and updating existing policies and procedures as necessary.	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-10. 2019: OHA reports Implemented Self-reported August 20, 2019.

Recommendation

Status of Recommendation

(3.d.) OHA should improve its administration of Community Grants by implementing a formal, documented system to ensure that grant files are complete and contain all necessary documents, including on-site monitoring reports, such as a checklist for each grant.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-10.

2019: OHA reports **Implemented**

Self-reported August 20, 2019.



PHOTO: OFFICE OF THE AUDITOR

REPORT NO. 18-09

Audit of the Department of the Attorney General's Asset Forfeiture Program

Number of Recommendations: **7**

Number of Recommendations
Partially or Fully Implemented: **6**

Percent Partially or Fully
Implemented: **86%**

Audit Recommendations by Status

In Report No. 18-09, we made a total of 7 recommendations to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

IN REPORT NO. 18-09, *Audit of the Department of the Attorney General's Asset Forfeiture Program*, we found that administrative rules describing the procedures and practice requirements for asset forfeiture had not been adopted, and consequently, the Department of the Attorney General (ATG) was providing informal, piecemeal guidance to law enforcement agencies and the public. We also found a lack of internal policies and procedures and that the program manager did not guide and oversee day-to-day activities and financial management.

In 2019 and 2020, we issued formal requests for information to the ATG on the status of audit recommendations from Report No. 18-09. The agency reported that all of our recommendations had been at least partially implemented.

In 2021, we conducted an active follow-up into the implementation of our recommendations,

and issued Report No. 21-09 entitled, *Follow-Up on Recommendations from Report No. 18-09, Audit of the Department of the Attorney General's Asset Forfeiture Program*. As a result of that report, we found that four out of seven (57%) of our recommendations had been at least partially implemented.

In 2022, we issued a formal request for information on the status of audit recommendations that had not been fully implemented in Report No. 21-09. The agency reported that of the applicable recommendations, four had been fully implemented, and one was not implemented because they disagreed with it.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation

Status of Recommendation

(1.) The Department of the Attorney General should promulgate administrative rules necessary to provide direction to county prosecutors, police departments, and those seeking remission or mitigation.

2021: Auditor reports **Implemented**

Follow-Up, Report No. 21-09.

2020: ATG reports **Implemented**

Self-reported July 13, 2020.

2019: ATG reports **Partially Implemented**

Self-reported September 4, 2019.

(2.) The Department of the Attorney General should develop clear internal policies and procedures to ensure that petitions for administrative forfeiture are processed timely and consistently, that forfeited property and program funds are appropriately managed, and that proceeds from the sale of forfeited property are used for purposes intended by the Legislature.

2022: ATG reports **Implemented**

Self-reported August 31, 2022.

2021: Auditor reports **Not Implemented**

Follow-Up, Report No. 21-09.

Our follow-up report noted the department referred us to various statutes and documents that it considered to be written policies and procedures addressing this recommendation. However, our analysis concluded that these documents did not include written guidance for department staff and did not address the specific areas covered by this recommendation.

2020: ATG reports **Implemented**

Self-reported September 4, 2019.

(3.a.) The Department of the Attorney General should strengthen internal controls to provide transparency and accountability for forfeited property and program funds by establishing basic accounting policies and procedures to properly account for program revenues and expenditures.

2022: ATG reports **Implemented**

Self-reported August 31, 2022.

2021: Auditor reports **Partially Implemented**

Follow-Up, Report No. 21-09.

2020: ATG reports **Implemented**

Self-reported September 4, 2019.

Recommendation	Status of Recommendation
<p>(3.b.) The Department of the Attorney General should strengthen internal controls to provide transparency and accountability for forfeited property and program funds by maintaining a complete listing of forfeited property with estimated values for each property; and properly accounting for transactions for each property auctioned, destroyed, or kept for use by law enforcement.</p>	<ul style="list-style-type: none"> 2022: ATG reports Implemented Self-reported August 31, 2022. 2021: Auditor reports Not Implemented Follow-Up, Report No. 21-09. Our follow-up report noted: “Although estimated values of property seized and estimated values of property forfeited are included in the program’s most recent annual report, a ready inventory of property pending forfeiture is still not maintained. The department also does not keep complete lists of items that have been destroyed or otherwise disposed of. Without a process to ensure that the department maintains a complete and up-to-date inventory of forfeited property, including property held by the county police departments, the department likely continues to be unable to accurately account for the property that has been forfeited to the State.” 2019: ATG reports Implemented Self-reported September 4, 2019.
<p>(3.c.) The Department of the Attorney General should strengthen internal controls to provide transparency and accountability for forfeited property and program funds by assigning the periodic and annual reconciliation of and reporting on the Criminal Forfeiture Fund to the department’s fiscal section.</p>	<ul style="list-style-type: none"> 2022: ATG reports Implemented Self-reported August 31, 2022. 2021: Auditor reports Partially Implemented Follow-Up, Report No. 21-09. 2020: ATG reports Implemented Self-reported July 13, 2020. 2019: ATG reports Partially Implemented Self-reported September 4, 2019.
<p>(3.d.) The Department of the Attorney General should strengthen internal controls to provide transparency and accountability for forfeited property and program funds by preparing a short- and long-term forecast of revenues and expenditures of the Criminal Forfeiture Fund to ensure self-sustainability.</p>	<ul style="list-style-type: none"> 2021: Auditor reports Implemented Follow-Up, Report No. 21-09. 2019: ATG reports Implemented Self-reported September 4, 2019.

Recommendation

(3.e.) The Department of the Attorney General should strengthen internal controls to provide transparency and accountability for forfeited property and program funds by ensuring the department complies with Act 104, Session Laws of Hawai‘i 1996, which requires the allocation of 20 percent of moneys deposited into the Criminal Forfeiture Fund be used to support drug abuse education, prevention, and rehabilitation programs.

Status of Recommendation

• **2022: ATG reports** **Not Implemented - Disagree**

Self-reported August 31, 2022, stating:

“This recommendation is not required under the law and we therefore, have not implemented it. Although one of the original purposes of H.B. 2729, 18th Leg., Reg. Sess. (Haw. 1996) was to require that 20 percent of moneys deposited into Criminal Forfeiture Fund be allocated for drug abuse education, prevention and rehabilitation programs, that requirement was specifically deleted by the legislature.”

• **2021: Auditor reports Not Implemented**

Follow-Up, Report No. 21-09.

Our follow-up report noted: “The department said it has not addressed this recommendation and is still exploring options to address the finding. Meanwhile, no disbursements pursuant to Act 104 have occurred.”

• **2020: ATG reports Partially Implemented**

Self-reported July 13, 2020.

• **2019: ATG reports Partially Implemented**

Self-reported September 4, 2019.



PHOTO: ISTOCK.COM

REPORT NO. 18-18

Audit of the Office of Health Care Assurance's Adult Residential Care Homes Program

Number of Recommendations: **9**

Number of Recommendations
Partially or Fully Implemented: **7**

Percent Partially or Fully
Implemented: **78%**

Audit Recommendations by Status

In Report No. 18-18, we made a total of 9 recommendations to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

IN REPORT NO. 18-18, *Audit of the Office of Health Care Assurance's Adult Residential Care Homes Program*, we found that the Office of Health Care Assurance's (OHCA) license renewal process for adult residential care homes was unorganized and undisciplined, and that OHCA did not consistently enforce care homes' compliance with quality of care standards and plans to correct noted deficiencies.

In 2019, 2020, and 2022, we issued formal requests for information to the Department of Health (DOH) on the status of audit recommendations from Report No. 18-18. By 2022, the agency reported that eight of our recommendations had been at least partially implemented; and one recommendation which the agency disagreed with was not implemented.

In 2023, we conducted an active follow-up into the implementation of our recommendations, and issued Report No. 23-08 entitled, *Follow-Up on Recommendations from Report No. 18-18, Audit of the Office of Health Care Assurance's Adult Residential Care Homes Program*. As a result of that report, we found that seven of the nine recommendations (78%) had been at least partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation

Status of Recommendation

(1.) OHCA should complete its annual inspection process, including OHCA's acceptance of a care home's Plan of Correction and confirmation that deficiencies have been corrected, before renewing a care home's license.

2023: Auditor reports **Partially Implemented**

Follow-Up, Report No. 23-08.

2019: DOH reports **Implemented**

Self-reported December 3, 2019.

(2.) OHCA should use provisional licenses only as stipulated in Chapter 11-100.1, Hawai'i Administrative Rules, including to allow a care home to operate while it addresses and corrects deficiencies identified during a relicensing inspection.

2023: Auditor reports **Implemented**

Follow-Up, Report No. 23-08.

2019: DOH reports **Implemented**

Self-reported December 3, 2019.

(3.) OHCA should discontinue the use of short-term licenses, which are not defined by statute or administrative rules.

2023: Auditor reports **Not Implemented - N/A**

Follow-Up, Report No. 23-08.

Our follow-up report noted: "We determined that our recommendation was flawed, and for that reason, we deem the implementation status to be 'Not Applicable.'"

2019: DOH reports **Not Implemented - Disagree**

Self-reported December 3, 2019, stating:

"Use of short-term licenses, including their purpose, is described in the policy and procedure (P&P) titled 'State Licensing and Renewal Inspection Process and Timelines.' Staff were trained on the policy in December 2018. Use of short-term licenses may be used for non-enforcement reasons to bridge the license to their original license renewal date. Examples of non-enforcement reasons for short-term licenses are described in the policy and procedure. A short term license is not a provisional license."

(4.) OHCA should establish policies and procedures to verify or otherwise confirm that care homes have implemented approved Plans of Correction to correct deficiencies identified during inspections or unannounced visits, including policies and procedures to conduct follow-up visits for certain types of deficiencies.

2023: Auditor reports **Partially Implemented**

Follow-Up, Report No. 23-08.

2019: DOH reports **Implemented**

Self-reported December 3, 2019.

Recommendation	Status of Recommendation
<p>(5.) OHCA should conduct at least one unannounced visit for each care home as required by Section 321-15.6, HRS, not as a substitute for an annual inspection, and should consider conducting more unannounced visits for each care home per year to verify that the care home is implementing its Plan of Correction and/or the care home is adequately providing care for its residents.</p>	<ul style="list-style-type: none"> 2023: Auditor reports Implemented Follow-Up, Report No. 23-08. 2019: DOH reports Implemented Self-reported December 3, 2019.
<p>(6.) OHCA should develop a centralized data management system for management and staff to review and update information as well as monitor inspections and licenses.</p>	<ul style="list-style-type: none"> 2023: Auditor reports Partially Implemented Follow-Up, Report No. 23-08. 2022: DOH reports Partially Implemented Self-reported February 11, 2022. 2020: DOH reports Partially Implemented Self-reported December 14, 2020. 2019: DOH reports Partially Implemented Self-reported December 3, 2019.
<p>(7.) OHCA should develop policies and procedures to guide the relicensing process, including clear deadlines by which staff must, for example, issue Statements of Deficiencies to the licensee, review Plans of Correction, and complete inspections, to ensure timely license renewal.</p>	<ul style="list-style-type: none"> 2023: Auditor reports Implemented Follow-Up, Report No. 23-08. 2019: DOH reports Implemented Self-reported December 3, 2019.
<p>(8.) OHCA should promulgate administrative rules that describe the types of violations for which it may consider assessing a monetary fine or other action, including suspending or revoking a care home's license.</p>	<ul style="list-style-type: none"> 2023: Auditor reports Not Implemented Follow-Up, Report No. 23-08. Our follow-up report noted: "While OHCA has drafted administrative rules related to enforcement, the draft rules have not been promulgated." 2019: DOH reports Implemented Self-reported December 3, 2019.

Recommendation

(9.) OHCA should implement policies and take all measures necessary to comply with the posting requirements of Section 321-1.8, HRS, including posting all approved Plans of Correction for relicensing inspections. OHCA should also consider posting unanswered Statements of Deficiencies for care homes that do not submit a Plan of Correction within the ten-day deadline and Plans of Correction resulting from unannounced visits that identified deficiencies.

Status of Recommendation

2023: Auditor reports **Partially Implemented**

Follow-Up, Report No. 23-08.

2019: DOH reports **Implemented**

Self-reported December 3, 2019.



COVER PHOTO: DEPARTMENT OF LAND AND NATURAL RESOURCES

REPORT NO. 19-01

Audit of the Department of Land and Natural Resources' Land Conservation Fund

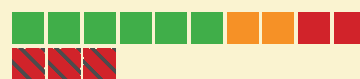
Number of Recommendations: **13***

Number of Recommendations Partially or Fully Implemented: **8**

Percent Partially or Fully Implemented: **62%**

Audit Recommendations by Status

In Report No. 19-01, we made a total of 13 recommendations* to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

*In Report No. 19-01, we offered 12 recommendations to the Department of Land and Natural Resources' Legacy Land Conservation Program and Commission, including two separate recommendations that were part of Recommendation No. 3. In the follow-up Report No. 22-11, we assessed the program's implementation of each part of Recommendation No. 3 separately. For that reason, we are now reporting on 13 recommendations (previously 12).

IN REPORT NO. 19-01, *Audit of the Department of Land and Natural Resources' Land Conservation Fund*, we found that the Department of Land and Natural Resources (DLNR) and its Division of Forestry and Wildlife (DOFAW) have struggled to properly manage the Legacy Land Conservation Program, hampering its effectiveness. We also found that DOFAW sought and/or obtained funding from the Land Conservation Fund for its own projects outside of the Legacy Land Conservation Program's grant award process.

In 2020, we issued a formal request for information to DLNR on the status of audit recommendations from Report No. 19-01. The agency reported that 11 of our recommendations had been at least partially implemented.

In 2021, we issued another formal request for information on the status of audit recommendations that

had been noted as Partially Implemented or Not Implemented in DLNR's 2020 written responses. The agency reported that of the applicable recommendations, one had been fully implemented, two were still partially implemented, and one was still not implemented.

In 2022, we conducted an active follow-up into the implementation of our recommendations and issued Report No. 22-11 entitled, *Follow-Up on Recommendations from Report No. 19-01, Audit of the Department of Land and Natural Resources' Land Conservation Fund*. As a result of that report, we found that eight out of 13 (62%) of our recommendations had been at least partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation

Status of Recommendation

(Program, 1.) The Legacy Land Conservation Program should prepare and implement a Resource Land Acquisition Plan to comply with Section 173A-3, HRS.

2022: Auditor reports **Partially Implemented**

Follow-Up, Report No. 22-11.

2021: DLNR reports **Partially Implemented**
Self-reported March 1, 2021.

2020: DLNR reports **Partially Implemented**
Self-reported February 28, 2020.

(Program, 2.) The Legacy Land Conservation Program should develop and implement written policies and procedures – including internal controls – governing the grant award and blanket encumbrance processes to ensure that project contracts are executed on time and blanket encumbered funds do not lapse.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-11.

2020: DLNR reports **Implemented**
Self-reported February 28, 2020.

(Program, 3, Part 1.) The Legacy Land Conservation Program should develop clear and well-defined policies and procedures between the Legacy Land Conservation Program and DOFAW regarding distribution of Land Conservation Fund moneys.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-11.

2020: DLNR reports **Implemented**
Self-reported February 28, 2020.

Recommendation	Status of Recommendation
(Program, 3, Part 2.) DOFAW should follow Section 173A-5, HRS, and submit a grant application to receive funding rather than submit a budgetary request.	<ul style="list-style-type: none"> 2022: Auditor reports Not Implemented - Disagree Follow-Up, Report No. 22-11. Our follow-up report noted: “The Legacy Land Conservation Program stated its belief that the department, on behalf of DOFAW, is allowed to submit budgetary requests for the acquisition of land and that it therefore disagrees with this part of Recommendation 3. The program further argues that the Legislature has shown support for the department by appropriating moneys through budgetary requests from the Land Conservation Fund for acquisitions.” 2020: DLNR reports Not Implemented - Disagree Self-reported February 28, 2020, stating: “...the Department—like many other State agencies—is authorized to submit a budgetary request for the acquisition of interests in land. As further evidence of legislative support for a State agency to submit a budgetary request for an appropriation from the Land Conservation Fund for resource land acquisition, the 2019 Legislature appropriated a total of \$1,100,000 from the Land Conservation Fund for two Department land acquisitions, as requested by the Department through the Executive Budget Request Process.”
(Program, 4.) The Legacy Land Conservation Program should work with the DLNR fiscal office to request the Department of Accounting and General Services to return the \$684,526 in administrative fees erroneously paid to it in FY2016 and FY2017.	<ul style="list-style-type: none"> 2022: Auditor reports Implemented Follow-Up, Report No. 22-11. 2020: DLNR reports Implemented Self-reported February 28, 2020.
(Program, 5.) The Legacy Land Conservation Program should maintain a record of the transfer of funds to and from the DLNR trust account and report these transactions to the Governor and the Legislature in the program’s annual report as required by Section 173A-5(1)(2), HRS.	<ul style="list-style-type: none"> 2022: Auditor reports Implemented Follow-Up, Report No. 22-11. 2020: DLNR reports Implemented Self-reported February 28, 2020.

Recommendation

Status of Recommendation

(Program, 6.) The Legacy Land Conservation Program should review personnel spending and position assignments and implement changes as needed to ensure that Land Conservation Fund moneys are used only for administrative and other costs directly related to the Legacy Land Conservation Program.

2022: Auditor reports **Not Implemented - Disagree**

Follow-Up, Report No. 22-11.

Our follow-up report noted: “The program entertained three different alternatives to address Recommendation 6...

...

The program justified rejecting these scenarios in favor of the status quo in which the Land Conservation Fund Program Development Specialist is 100% funded from the Land Conservation Fund. The program based its determination on the fact that several individuals within the Land Division whose positions are funded through sources other than the Land Conservation Fund work on Legacy Land Conservation Program activities, resulting in ‘well over 1.0 FTE of staff services that directly benefit the Legacy Land Conservation Program.’”

2021: DLNR reports Implemented

Self-reported March 1, 2021.

2020: DLNR reports Partially Implemented

Self-reported February 28, 2020.

(Program, 7.) The Legacy Land Conservation Program should maintain a centralized file system and establish a records retention policy for all awarded projects, including pending, completed, and discontinued projects.

2022: Auditor reports **Partially Implemented**

Follow-Up, Report No. 22-11.

2021: DLNR reports Partially Implemented

Self-reported March 1, 2021.

2020: DLNR reports Partially Implemented

Self-reported February 28, 2020.

(Program, 8.) The Legacy Land Conservation Program should implement a policy that places a reasonable limit on the time a project, whether proposed by State, county, or nonprofit organization, can remain pending.

2022: Auditor reports **Not Implemented - Disagree**

Follow-Up, Report No. 22-11.

Our follow-up report noted: “Although the program requires board approval for projects that have not been completed after five years and requires appropriate justification for delays, projects can remain active indefinitely.”

2020: DLNR reports Implemented

Self-reported February 28, 2020.

Recommendation	Status of Recommendation
<p>(Program, 9.) The Legacy Land Conservation Program should provide commissioners with background information and history on each applicant, including how many grants they have received from the Legacy Land Conservation Program, how long it has taken them to complete projects, and any outstanding or discontinued projects – a practice employed by the Federal Forest Legacy Program to help its panelists make final decisions on project recommendations.</p>	<ul style="list-style-type: none"> • 2022: Auditor reports Implemented Follow-Up, Report No. 22-11. • 2020: DLNR reports Implemented Self-reported February 28, 2020.
<p>(Program, 10.) The Legacy Land Conservation Program should post Commission meeting minutes in compliance with the Sunshine Law.</p>	<ul style="list-style-type: none"> • 2022: Auditor reports Not Implemented Follow-Up, Report No. 22-11. Our follow-up report noted: “Because the Commission is continuing to struggle with posting meeting minutes within 40 days after the meeting as required by the Sunshine Law, we deem this recommendation to be not implemented.” • 2020: DLNR reports Implemented Self-reported February 28, 2020.

Recommendation

Status of Recommendation

(Program, 11.) The Legacy Land Conservation Program should promulgate administrative rules to implement the above recommendations.

2022: Auditor reports **Not Implemented**

Follow-Up, Report No. 22-11.

Our follow-up report noted: “As the program has not yet implemented administrative rules, we deem this recommendation to be not implemented.”

2021: DLNR reports **Not Implemented**

Self-reported March 1, 2021, stating:

“If certain legislative measures introduced during the 2021 session are enacted, then it may be necessary to initiate rulemaking soon thereafter to conform with new statutory requirements.”

2020: DLNR reports **Not Implemented**

Self-reported February 28, 2020, stating:

“We anticipate that after completing our implementation of other audit recommendations, the Program will vet a conceptual rulemaking proposal with Division administrators, the Department Chairperson, the Department of the Attorney General, and the Legacy Land Conservation Commission to help decide a future course of action.”

(Commission, 1.) The Legacy Land Conservation Commission should limit the amount of the grants that it recommends be funded from the Land Conservation Fund to the anticipated balance of the amount appropriated by the Legislature for the fiscal year. The Commission should not recommend awards that exceed the anticipated balance of the current fiscal year appropriation.

2022: Auditor reports **Implemented**

Follow-Up, Report No. 22-11.

2020: DLNR reports **Implemented**

Self-reported February 28, 2020.



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REPORT NO. 19-12

Audit of the Department of Land and Natural Resources' Special Land and Development Fund

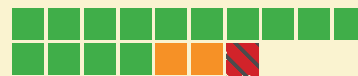
Number of Recommendations: **17**

Number of Recommendations
Partially or Fully Implemented: **16**

Percent Partially or Fully
Implemented: **94%**

Audit Recommendations by Status

In Report No. 19-12, we made a total of 17 recommendations to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

IN REPORT NO. 19-12, *Audit of the Department of Land and Natural Resources' Special Land and Development Fund*, we found that the Department of Land and Natural Resources' (DLNR) Land Division is lacking in both its management of public lands and its administration of the Special Land and Development Fund (SLDF). We found the Land Division does not have a strategic plan for the long-term management of its public lands, an asset management plan, nor clear and coherent policies or procedures to guide day-to-day operations and that the absence of long-range planning left staff without expertise, resources, or options to actively and effectively manage its land portfolio. We noted DLNR does not accurately account for moneys in the SLDF and underreported cash balances to the 2018 Legislature by more than \$1.5 million. We also reported it has allowed more than \$1.5 million to sit idle in the SLDF for more than five years.

In 2020, we issued a formal request for information to DLNR on the status of audit recommendations from

Report No. 19-12. The agency reported that 16 of our recommendations had been at least partially implemented, and the one recommendation not implemented they disagreed with.

In 2021, we issued another formal request for information on the status of audit recommendations that had been noted as Partially Implemented in DLNR's 2020 written responses. The agency reported that of the applicable recommendations, seven were still partially implemented.

In 2022, we issued another formal request for information on the status of audit recommendations that had been noted as Partially Implemented in DLNR's 2021 written responses. The agency reported that of the applicable recommendations, five had been fully implemented, and two were still partially implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation

Status of Recommendation

(Land Board, 1.) The Land Board should provide training for Land Board members about fiduciary responsibilities and obligations as trustees, including responsibilities related to the management and holding of state lands for the benefit of the State and promoting the development and utilization of public trust lands to their highest economic and social benefits. See In Re Water Use Permit Applications, 94 Haw. 97 (2000).

2022: DLNR reports **Implemented**

Self-reported July 27, 2022.

2021: DLNR reports **Partially Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Partially Implemented**

Self-reported July 30, 2020.

(Land Board, 2.) The Land Board should require DLNR and the Land Division to develop a long-range asset management/strategic plan that provides direction to the department and the Land Division as to the management of all leases, RPs, and public lands managed by the division.

2022: DLNR reports **Partially Implemented**

Self-reported July 27, 2022.

2021: DLNR reports **Partially Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Partially Implemented**

Self-reported July 30, 2020.

(Land Board, 3.) The Land Board should reconsider caps on annual rent adjustments for all rents below fair-market rates. Instead, the Land Board should review rent readjustments on a case-by-case basis.

2021: DLNR reports **Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Implemented**

Self-reported July 30, 2020.

(Land Division, 1.) The Land Division should prepare a long-range asset management/strategic plan that includes criteria for assessment based on benchmarks and other measurable objectives. The plan should address all leases, RPs, and public lands managed by the Land Division.

2022: DLNR reports **Partially Implemented**

Self-reported July 27, 2022.

2021: DLNR reports **Partially Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Partially Implemented**

Self-reported July 30, 2020.

(Land Division, 2.a.) The Land Division should develop and document policies and procedures for monitoring of leases and RPs.

2022: DLNR reports **Implemented**

Self-reported July 27, 2022.

2021: DLNR reports **Partially Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Partially Implemented**

Self-reported July 30, 2020.

Recommendation	Status of Recommendation
(Land Division, 2.b.) The Land Division should develop and document policies and procedures for periodic and regular reviews of RP rents.	<ul style="list-style-type: none"> 2021: DLNR reports Implemented Self-reported July 27, 2021. 2020: DLNR reports Implemented Self-reported July 30, 2020.
(Land Division, 2.c.) The Land Division should develop and document policies and procedures for verification of required receipts to validate substantial property improvements required for 10-year lease extensions.	<ul style="list-style-type: none"> 2022: DLNR reports Implemented Self-reported July 27, 2022. 2021: DLNR reports Partially Implemented Self-reported July 27, 2021. 2020: DLNR reports Partially Implemented Self-reported July 30, 2020.
(Land Division, 2.d.) The Land Division should develop and document policies and procedures for timely and effective collection of lease and RP rents.	<ul style="list-style-type: none"> 2021: DLNR reports Implemented Self-reported July 27, 2021. 2020: DLNR reports Implemented Self-reported July 30, 2020.
(Land Division, 3.) The Land Division should establish guidelines and requirements for periodic and regular inspections of leases and RPs to ensure that lessees are adequately maintaining improvements on the properties. If additional staff is needed to reasonably carry out these duties, a workload analysis should be performed to justify more positions.	<ul style="list-style-type: none"> 2022: DLNR reports Implemented Self-reported July 27, 2022. 2021: DLNR reports Partially Implemented Self-reported July 27, 2021. 2020: DLNR reports Partially Implemented Self-reported July 30, 2020.
(Land Division, 4.) The Land Division should perform close-out inspections for leases and RPs upon termination of leases or RPs based on updates to the Land Division guidelines. Inspections should include looking for specific issues such as the presence of hazardous materials, as well as documenting any unauthorized dismantling or removal of property that should revert to the State.	<ul style="list-style-type: none"> 2021: DLNR reports Implemented Self-reported July 27, 2021. 2020: DLNR reports Implemented Self-reported July 30, 2020.

Recommendation

(Land Division, 5.) The Land Division should explore strategies to better market and manage its properties, which may include contracting private-sector brokers and property managers. We suggest the division consult with the State Procurement Office and other state agencies, such as the Hawai'i Public Housing Authority, which contract for similar services. The division should also seek legislative assistance through statutory amendments if necessary, for example, to assess rent premiums when the Land Board decides to extend leases.

(Land Division, 6.) The Land Division should seek to hire people with professional expertise or develop and implement a training program to prepare land agents for the transition from ground leases to space leases, perform property management functions, and conduct in-house evaluations whenever external appraisals are not cost-effective.

Status of Recommendation

2021: DLNR reports **Implemented**

Self-reported July 27, 2021.

2020: DLNR reports **Implemented**

Self-reported July 30, 2020.

2021: DLNR reports **Not Implemented - Disagree**

Self-reported July 27, 2021, stating:

“Land Division presently manages only one multi-tenanted building under space leases (revocable permits), and the Land Board has approved the public auction of that property to a master lessee who will then manage the spaces. Land Division would need a much larger budget and ceiling to assume the cost of maintaining and directly managing improved properties in its portfolio, many of which are more than 50 years old. Directly managing such buildings increases the State’s exposure to liability for tort claims commonly associated with property management (e.g., slip-and-fall claims). In recent years, Land Division has been unsuccessful in its requests to the Legislature for capital improvement funds and even for ceiling increases in the expenditure of SLDF monies to invest in State properties. Prospects for obtaining such funds in the future are not good. In addition, the State accounting system does not easily accommodate holding accounts required for deposit of common area charges from tenants to be paid to public utility companies such as for water, sewer, electrical and telecommunications. For these reasons, DLNR disagrees that transforming Land Division into a space leasing agency is desirable or economically feasible.”

2020: DLNR reports **Not Implemented - Disagree**

Self-reported July 30, 2020, stating: See above.

Recommendation	Status of Recommendation
(DLNR, 1.) The Department of Land and Natural Resources should establish policies and procedures to accurately account for and report the activities of the SLDF to the Legislature.	<ul style="list-style-type: none"> 2021: DLNR reports Implemented Self-reported July 27, 2021. 2020: DLNR reports Implemented Self-reported July 30, 2020.
(DLNR, 2.) The Department of Land and Natural Resources should review the 400-series special fund accounts to determine whether the unexpended and unencumbered balances remaining in these accounts should be transferred to other SLDF accounts or transferred back to the origination fund. Considering the amount of SLDF cash disbursements and transfers to other DLNR special fund accounts, we further recommend that DLNR review each of the SLDF accounts to ascertain whether these accounts continue to meet the criteria of a special fund. Specifically, there should be a clear link between the programs and the sources of revenue. If not, these accounts should be subject to the State's general fund budget and appropriation process.	<ul style="list-style-type: none"> 2021: DLNR reports Implemented Self-reported July 27, 2021. 2020: DLNR reports Implemented Self-reported July 30, 2020.
(DLNR, 3.) The Department of Land and Natural Resources should reconcile cash receipts recorded in SLIMS to FAMIS on a monthly basis.	<ul style="list-style-type: none"> 2021: DLNR reports Implemented Self-reported July 27, 2021. 2020: DLNR reports Implemented Self-reported July 30, 2020.
(DLNR, 4.) The Department of Land and Natural Resources should determine with the Department of Budget and Finance whether revenues from ceded lands, net of amounts remitted to OHA, should be transferred to the State's general fund on a regular basis.	<ul style="list-style-type: none"> 2021: DLNR reports Implemented Self-reported July 27, 2021. 2020: DLNR reports Implemented Self-reported July 30, 2020.

Recommendation

(DLNR, 5.) The Department of Land and Natural Resources should establish and adhere to formal written procedures for the collection of all percentage rent due from lessees. These procedures should address the timely receipt of sales audit reports or certified statements of gross receipts and percentage rent payments for all leases with percentage rent clauses, as well as appropriate actions to be taken for lessees failing to submit required sales audit reports or certified statement of gross receipts, and if applicable, percentage rent payments. In addition, these procedures should include documentation requirements for DLNR's review and approval of certified statement of gross receipts provided by lessees.

Status of Recommendation

• **2022: DLNR reports** **Implemented**

Self-reported July 27, 2022.

• **2021: DLNR reports** **Partially Implemented**

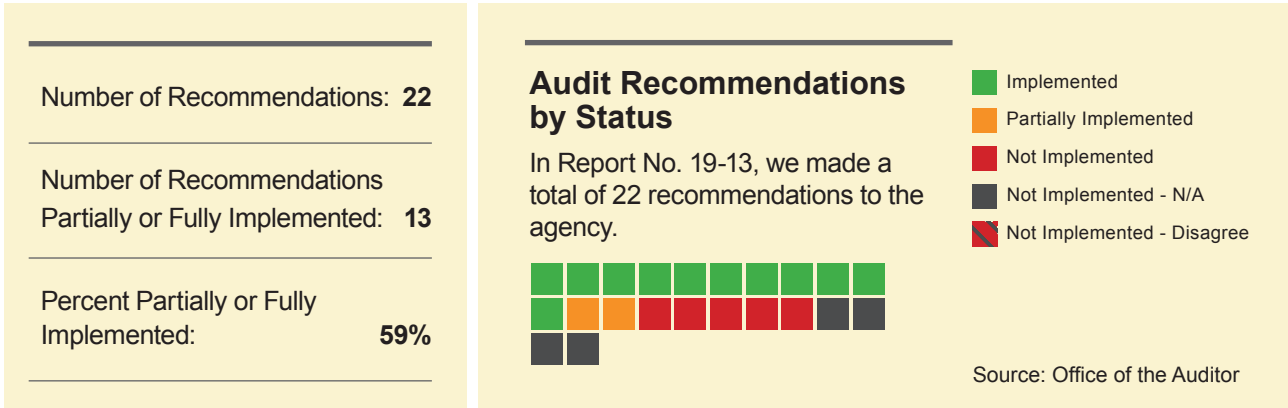
Self-reported July 27, 2021.

• **2020: DLNR reports** **Partially Implemented**

Self-reported July 30, 2020.



REPORT NO. 19-13
Audit of the Department of Education's Administration of School Impact Fees



IN REPORT NO. 19-13, *Audit of the Department of Education's Administration of School Impact Fees*, we examined the administration of the school impact fee law, which applies to all builders of new residential units in designated school impact districts. The report found that the Department of Education (DOE) has no written policies and procedures for the selection of potential school impact districts, the factors that should be considered in determining the size of potential districts, or oversight and review of the process. We reported DOE does not begin assessing school impact fees immediately upon the Board of Education's designation of a school impact district, sometimes waiting months before beginning collection. We noted DOE has not promulgated administrative rules to prescribe the process it intends the counties to

follow before issuing building permits for new residential construction in an impact fee district.

In 2020, 2021, 2022, and 2023, we issued formal requests for information to DOE on the status of audit recommendations from Report No. 19-13. The agency initially reported that five recommendations had been at least partially implemented, 13 recommendations had not been implemented, and four recommendations were considered moot by the Board of Education and would not be implemented. By their 2023 response, DOE had at least partially implemented 13 recommendations, with five still not implemented.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.

Recommendation

Status of Recommendation

(DOE, 1.) The Department of Education should undertake a comprehensive evaluation of its implementation and administration of the school impact fee law, including an assessment of the appropriate staffing and other resources necessary to implement and administer the law.

• **2021: DOE reports** **Implemented**

Self-reported October 28, 2021.

• **2020: DOE reports Not Implemented**

Self-reported October 30, 2020, stating:

“A comprehensive evaluation of the school impact fee program commenced in February 2020, with the hiring of a new Assistant Superintendent for the Office of Facilities and Operations. A preliminary evaluation and situation analysis by the planning department of the Office of Facilities and Operations (OFO) were made available to the Assistant Superintendent in October 2020.

Effective November 30, 2020, the OFO will initiate the development of a comprehensive plan for the school impact fee program.”

(DOE, 2.a.) The Department of Education should create written policies and procedures to guide and direct staff’s and management’s implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the stage in the development process at which a proposed new residential project should be included in the DOE’s consideration of classroom capacity requirements. We found the decision to recommend designation of a school impact district (and its boundaries) was left to the discretion of a land use planner who relied heavily on the City and County of Honolulu’s vision of transit-oriented residential development projects that were purely conceptual, without specific developers, development plans, or even land commitments for those projects. The policies and procedures should include criteria and other objective factors to be considered in evaluating when designation of a school impact district is appropriate.

• **2021: DOE reports** **Implemented**

Self-reported October 28, 2021.

• **2020: DOE reports Not Implemented**

Self-reported October 30, 2020, stating:

“As of October 2020, written policies and procedures have not been drafted. Based on the evaluation noted in Recommendation No. 1, the Department will draft written policies and procedures to guide and direct Department personnel in the implementation and administration of the school impact fee law.

Subject to concurrence by the appropriate offices and agencies and approval of the Superintendent, OFO intended to implement said policies and procedures by March 1, 2021.”

Recommendation	Status of Recommendation
<p>(DOE, 2.b.) The Department of Education should create written policies and procedures to guide and direct staff's and management's implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the factors that determine the size and composition of a proposed impact fee district. Without a consistent process or documented framework, some of the department's district designations appear questionable or even arbitrary: For instance, the expansive and diverse Leeward O'ahu district encompasses five school complexes (41 schools) with varying rates of past and projected student enrollment growth. Meanwhile, the KAM district boundaries are based on smaller elementary school service areas; as a result, the impact fee district includes only 10 of the 15 elementary schools in the Farrington and McKinley complexes.</p>	<ul style="list-style-type: none"> • 2021: DOE reports Implemented Self-reported October 28, 2021. • 2020: DOE reports Not Implemented Self-reported October 30, 2020, stating: "As of October 2020, written policies and procedures have not yet been created. Based on the evaluation noted in Recommendation No. 1, the OFO will draft written policies and procedures to guide Department personnel in the implementation and administration of the school impact fee law. These policies and procedures will be measured against the findings and recommendations in existing school impact fee districts (Central and West Maui, Leeward O'ahu, and Kalihi to Ala Moana) to maintain consistency in the implementation and management of the program. Subject to concurrence of the appropriate offices and agencies and approval of the Superintendent, the Department intends to implement said policies and procedures by May 3, 2021."
<p>(DOE, 2.c.) The Department of Education should create written policies and procedures to guide and direct staff's and management's implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the collection, tracking, and accounting of lands dedicated to or that will be dedicated to the DOE under the school impact fee law, fees in lieu of land dedication, and construction component fees.</p>	<ul style="list-style-type: none"> • 2021: DOE reports Implemented Self-reported October 28, 2021. • 2020: DOE reports Partially Implemented Self-reported October 30, 2020.

Recommendation

(DOE, 2.d.) The Department of Education should create written policies and procedures to guide and direct staff's and management's implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the tracking and accounting of transfers and expenditures of lands and moneys paid under Fair Share agreements and the school impact fee law.

(DOE, 2.e.) The Department of Education should create written policies and procedures to guide and direct staff's and management's implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the use of moneys received by the DOE under Fair Share agreements and the school impact fee law. Under the school impact fee law, fees collected within an impact fee district can be spent only within the same district. We found that, with only one exception, the impact fee districts designated by the Board of Education encompass multiple school complexes. We raised concerns about whether the DOE can use school impact fees from a specific development in a school complex within the same impact fee district that is unaffected by the additional public school students created by the development.

Status of Recommendation

2021: DOE reports **Implemented**

Self-reported October 28, 2021.

2020: DOE reports **Partially Implemented**

Self-reported October 30, 2020.

2021: DOE reports **Implemented**

Self-reported October 28, 2021.

2020: DOE reports **Not Implemented**

Self-reported October 30, 2020, stating:

“As of October 2020, written policies and procedures have not been created. Based on the evaluation noted in Recommendation No. 1, the OFO will draft written policies and procedures to guide and direct the Department on the use of money received under the fair share agreements and the school impact fee program. The Department agrees that the current policy regarding the use of school impact fees may not serve its intended purpose as currently structured and needs to be adjusted.

Subject to concurrence by the appropriate offices and agencies and with Superintendent's approval, the Department intends to implement said policies and procedures by May 3, 2021.”

Recommendation	Status of Recommendation
<p>(DOE, 2.f.) The Department of Education should create written policies and procedures to guide and direct staff's and management's implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address the use and updating of cost factors (including "recent conditions") in school impact fee calculations.</p>	<ul style="list-style-type: none"> • 2021: DOE reports Implemented Self-reported October 28, 2021. • 2020: DOE reports Not Implemented Self-reported October 30, 2020, stating: "As of October 2020, written policies and procedures have not yet been created. Based on the evaluation noted in Recommendation No. 1, the OFO will draft written policies and procedures on the use and updating of cost factors (including recent conditions and land appraisals) in school impact fee calculations. The OFO is currently undergoing a transition in leadership for this work in progress. Subject to concurrence by the appropriate offices and agencies and with Superintendent's approval, the Department intends to implement said policies and procedures by May 3, 2021."
<p>(DOE, 2.g.) The Department of Education should create written policies and procedures to guide and direct staff's and management's implementation and administration of the school impact fee law. Documented policies and procedures are some of the controls necessary for the DOE to ensure effective and efficient implementation and administration of the law in accordance with the statute, legislative intent, and constitutional requirements. At minimum, policies and procedures should address management's responsibilities in overseeing and approving staff's implementation and administration of the school impact fee law.</p>	<ul style="list-style-type: none"> • 2021: DOE reports Implemented Self-reported October 28, 2021. • 2020: DOE reports Not Implemented Self-reported October 30, 2020, stating: "As of October 2020, written policies and procedures have not been created. Based on the evaluation noted in Recommendation No. 1, the OFO will draft written policies and procedures detailing the Department's responsibilities in overseeing and approving staff recommendations and the effective implementation and administration of the school impact fee law. Subject to concurrence by the appropriate offices and agencies and with Superintendent's approval, the Department intends to implement said policies and procedures by May 3, 2021."

Recommendation

Status of Recommendation

(DOE, 3.) The Department of Education should obtain written legal guidance from the Department of the Attorney General as to the constitutional restrictions associated with impact fees, including nexus and rough proportionality requirements. The legal guidance should specifically consider whether impact fee districts encompassing multiple school complexes satisfy constitutional requirements, considering Section 302A-1608(a), HRS, allows the department to use school impact fees anywhere within the impact fee district and does not restrict the department's use of school impact fees collected from a residential developer to the school complex in which the development is situated.

2022: DOE reports **Implemented**

Self-reported October 27, 2022.

2021: DOE reports **Partially Implemented**

Self-reported October 28, 2021.

2020: DOE reports **Partially Implemented**

Self-reported October 30, 2020.

(DOE, 4.) The Department of Education should work with the Department of the Attorney General to establish the legal basis and the resultant policies for the collection of school impact fees from builders of new residential construction effective upon designation of the impact fee district.

2022: DOE reports **Implemented**

Self-reported October 27, 2022.

2021: DOE reports **Partially Implemented**

Self-reported October 28, 2021.

2020: DOE reports **Partially Implemented**

Self-reported October 30, 2020.

Recommendation	Status of Recommendation
<p>(DOE, 5.) The Department of Education should assess whether certain provisions in the school impact fee law, for example the land valuation procedures, are applicable to the constraints and requirements of district designation and district-wide fee setting, particularly in the urban setting. If needed, pursue amendment of the statute.</p>	<ul style="list-style-type: none"> <div data-bbox="800 363 1305 394"> 2023: DOE reports Partially Implemented </div> <div data-bbox="800 407 1136 438">Self-reported October 25, 2023.</div> <div data-bbox="800 470 1312 501">2022: DOE reports Partially Implemented</div> <div data-bbox="800 504 1136 535">Self-reported October 27, 2022.</div> <div data-bbox="800 567 1252 598">2021: DOE reports Not Implemented</div> <div data-bbox="800 600 1222 632">Self-reported October 28, 2021, stating:</div> <div data-bbox="800 651 1386 869"> <p>“To date, an assessment on land valuation procedures has not been initiated. As part of the Department’s ongoing assessment of the Program, an analysis will be done to identify whether the land valuation procedures are applicable to the constraints and requirements of district designation and district wide fee setting, particularly in the urban setting.</p> </div> <div data-bbox="800 890 1370 984"> <p>The Department intends to complete this analysis and make a determination whether an amendment to the statutes is required by January 15, 2022.”</p> </div> <div data-bbox="800 1016 1252 1047">2020: DOE reports Not Implemented</div> <div data-bbox="800 1050 1222 1081">Self-reported October 30, 2020, stating:</div> <div data-bbox="800 1100 1370 1289"> <p>“As of October 2020, a comprehensive assessment on land valuation procedures and other methodologies to determine applicable fees across existing districts has not been initiated. This specific review will be addressed as part of the OFO’s comprehensive review of the program.</p> </div> <div data-bbox="800 1310 1370 1434"> <p>Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to implement said policies and procedures by May 3, 2021.”</p> </div>

Recommendation

Status of Recommendation

(DOE, 6.) The Department of Education should assess whether the “urban exceptions” made for the KAM district ensure fees collected for urban schools are relevant to that district and equitable to those collected for suburban schools. If needed, pursue amendment of the statute.

• **2023: DOE reports** **Partially Implemented**

Self-reported October 25, 2023.

• **2022: DOE reports** **Partially Implemented**

Self-reported October 27, 2022.

• **2021: DOE reports** **Not Implemented**

Self-reported October 28, 2021, stating:

“To date, an assessment of the ‘urban exception’ has not been initiated. As part of the Department’s ongoing assessment of the Program, an analysis will be done to ensure whether fees collected for urban schools are equitable to fees collected for suburban schools.

The Department intends to complete this analysis and make a determination whether an amendment to the statutes is required by July 1, 2022.”

• **2020: DOE reports** **Not Implemented**

Self-reported October 30, 2020, stating:

“As of October 2020, an assessment of the ‘urban exceptions’ has not been initiated. As part of its comprehensive assessment of the school impact fee program, the Department will include an analysis of the differences, if any, between urban and suburban districts.

Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to determine whether an amendment to the law is necessary.”

(DOE, 7.) The Department of Education should develop an expenditure plan for existing funds, including documented policies and procedures for ensuring that expenditures are made in accordance with existing Fair Share Agreements and the school impact fee law.

• **2021: DOE reports** **Implemented**

Self-reported October 28, 2021.

• **2020: DOE reports** **Partially Implemented**

Self-reported October 30, 2020.

Recommendation	Status of Recommendation
<p>(DOE, 8.a.) The Department of Education should ensure proper maintenance of records of land contributions for Fair Share and the school impact fee program. Records should be regularly updated and accessible to both management and the public. Promulgate administrative rules necessary to provide direction to developers, county permitting agencies, and the public as to how the DOE interprets and intends to implement the school impact fee law. At minimum, the administrative rules should address the specific information the DOE expects the county permitting offices to provide to the department regarding the applicants for county subdivision approvals and county building permits, including the form of the information, the timing of delivery of the information, and the method by which the counties should transmit the information.</p>	<ul style="list-style-type: none"> <div data-bbox="800 363 1271 396"> 2023: DOE reports Not Implemented </div> <div data-bbox="800 407 1393 577"> <p>Self-reported October 25, 2023, stating:</p> <p>“Pursuant to Act 72, Session Laws of Hawaii (SLH) 2020, and as of October 17, 2023, the Department is in consultation and coordination with the School Facilities Authority to establish administrative rules.”</p> </div> <div data-bbox="800 611 1252 644"> 2022: DOE reports Not Implemented </div> <div data-bbox="800 644 1393 785"> <p>Self-reported October 27, 2022, stating:</p> <p>“Pursuant to Act 72 (2020), the Department is in consultation and coordination with the School Facilities Authority to establish administrative rules.”</p> </div> <div data-bbox="800 819 1252 852"> 2021: DOE reports Not Implemented </div> <div data-bbox="800 852 1393 1304"> <p>Self-reported October 28, 2021, stating:</p> <p>“The Department will begin to draft administrative rules by the end of this year, with anticipated adoption by December 31, 2022.</p> <p>The approved policies and procedures to implement and administer the Program and fair share contributions will provide the basis in the drafting of administrative rules.</p> <p>The approved policies and procedures includes the process established between the counties, with school impact districts, and the Department regarding the form of information, the timing of delivery of the information, and the method by which the counties should transmit the information.”</p> </div> <div data-bbox="800 1337 1252 1371"> 2020: DOE reports Not Implemented </div> <div data-bbox="800 1371 1393 1896"> <p>Self-reported October 30, 2020, stating:</p> <p>“The OFO has begun drafting written policies and procedures to guide and direct staff and management’s collection, tracking, and accounting of lands dedicated to the Department under the school impact fee law, fees in lieu of land dedication and construction component fees.</p> <p>The OFO has drafted basic procedures for processing of building permits and collection of school impact fees for internal use.</p> <p>However, the Department has not yet promulgated the recommended administrative rules.</p> <p>Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to draft and initiate rule-making by the latter half of 2021.”</p> </div>

Recommendation

(DOE, 8.b.) The Department of Education should ensure proper maintenance of records of land contributions for Fair Share and the school impact fee program. Records should be regularly updated and accessible to both management and the public. Promulgate administrative rules necessary to provide direction to developers, county permitting agencies, and the public as to how the DOE interprets and intends to implement the school impact fee law. At minimum, the administrative rules should address when and how applicants must pay the school impact fees, including the process and procedure by which the department or the county building departments intend to collect the fees.

Status of Recommendation

2023: DOE reports **Not Implemented**

Self-reported October 25, 2023, stating:

“Pursuant to Act 72, Session Laws of Hawaii (SLH) 2020, and as of October 17, 2023, the Department is in consultation and coordination with the School Facilities Authority to establish administrative rules.”

2022: DOE reports **Not Implemented**

Self-reported October 27, 2022, stating:

“Pursuant to Act 72 (2020), the Department is in consultation and coordination with the School Facilities Authority to establish administrative rules.”

2021: DOE reports **Not Implemented**

Self-reported October 28, 2021, stating:

“The Department will begin to draft administrative rules by the end of this year, with anticipated adoption by December 31, 2022.

The approved policies and procedures to implement and administer the Program and fair share contributions will provide the basis in the drafting of administrative rules.

The approved policies and procedures includes when and how the Department or county building department intends to collect school impact fees.”

2020: DOE reports **Not Implemented**

Self-reported October 30, 2020, stating:

“The OFO has drafted basic procedures for processing of building permits and collection of school impact fees for internal use.

However, the Department has not promulgated administrative rules for external entities to track Department involvement in the building permit process, imposition and collection of school impact fees, coordination with respective county building and permitting departments, and appeals.

Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to draft and initiate rule-making by the latter half of 2021.”

Recommendation	Status of Recommendation
<p>(DOE, 8.c.) The Department of Education should ensure proper maintenance of records of land contributions for Fair Share and the school impact fee program. Records should be regularly updated and accessible to both management and the public. Promulgate administrative rules necessary to provide direction to developers, county permitting agencies, and the public as to how the DOE interprets and intends to implement the school impact fee law. At minimum, the administrative rules should address if the department intends to allow developers to pay all or portions of the school impact fee subsequent to the issuance of county subdivision approval or county building permits, and the process by which payment shall be made, including the timing of the payment.</p>	<ul style="list-style-type: none"> <li data-bbox="800 363 1399 583"> <p>2023: DOE reports Not Implemented Self-reported October 25, 2023, stating:</p> <p>“Pursuant to Act 72, Session Laws of Hawaii (SLH) 2020, and as of October 17, 2023, the Department is in consultation and coordination with the School Facilities Authority to establish administrative rules.”</p> <li data-bbox="800 611 1399 793"> <p>2022: DOE reports Not Implemented Self-reported October 27, 2022, stating:</p> <p>“Pursuant to Act 72 (2020), the Department is in consultation and coordination with the School Facilities Authority to establish administrative rules.”</p> <li data-bbox="800 821 1399 1310"> <p>2021: DOE reports Not Implemented Self-reported October 28, 2021, stating:</p> <p>“The Department will begin to draft administrative rules by the end of this year, with anticipated adoption by December 31, 2022.</p> <p>The approved policies and procedures to implement and administer the Program and fair share contributions will provide the basis in the drafting of administrative rules.</p> <p>The approved policies and procedures includes whether the Department intends to allow developers to pay all or portions of the school impact fees subsequent to the issuance of a county building permit, and the process by which payments shall be made, including the timing of payments.”</p> <li data-bbox="800 1337 1399 1856"> <p>2020: DOE reports Not Implemented Self-reported October 30, 2020, stating:</p> <p>“The OFO has drafted basic procedures for processing of building permits and collection of school impact fees for internal use.</p> <p>However, the Department has not promulgated administrative rules for external entities to track Department involvement in the building permit process, imposition and collection of school impact fees, coordination between the Department and respective county building and permitting departments, and appeals.</p> <p>Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to draft and initiate rule-making by the latter half of 2021.”</p>

Recommendation

(DOE, 8.d.) The Department of Education should ensure proper maintenance of records of land contributions for Fair Share and the school impact fee program. Records should be regularly updated and accessible to both management and the public. Promulgate administrative rules necessary to provide direction to developers, county permitting agencies, and the public as to how the DOE interprets and intends to implement the school impact fee law. At minimum, the administrative rules should address the process and procedures by which a developer can contest or appeal the imposition of school impact fees on the developer's project.

Status of Recommendation

2023: DOE reports **Not Implemented**

Self-reported October 25, 2023, stating:

"Pursuant to Act 72, Session Laws of Hawaii (SLH) 2020, and as of October 17, 2023, the Department is in consultation and coordination with the School Facilities Authority to establish administrative rules."

2022: DOE reports **Not Implemented**

Self-reported October 27, 2022, stating:

"Pursuant to Act 72 (2020), the Department is in consultation and coordination with the School Facilities Authority to establish administrative rules."

2021: DOE reports **Not Implemented**

Self-reported October 28, 2021, stating:

"The Department will begin to draft administrative rules by the end of this year, with anticipated adoption by December 31, 2022.

The approved policies and procedures to implement and administer the Program and fair share contributions will provide the basis in the drafting of administrative rules.

The approved policies and procedures includes how a developer can contest or appeal the imposition of school impact fees on a developer's project."

2020: DOE reports **Not Implemented**

Self-reported October 30, 2020, stating:

"The OFO has drafted basic procedures for processing of building permits and collection of school impact fees for internal use. The process to establish administrative rules has not been initiated.

Subject to concurrence by the appropriate offices and agencies and with Superintendent's approval, the Department intends to draft and initiate rule-making for the benefit of outside parties by the latter half of 2021."

Recommendation	Status of Recommendation
<p>(DOE, 8.e.) The Department of Education should ensure proper maintenance of records of land contributions for Fair Share and the school impact fee program. Records should be regularly updated and accessible to both management and the public. Promulgate administrative rules necessary to provide direction to developers, county permitting agencies, and the public as to how the DOE interprets and intends to implement the school impact fee law. At minimum, the administrative rules should address the process and procedures by which the DOE will inform the county building departments that a developer has satisfied the school impact fee requirement.</p>	<ul style="list-style-type: none"> <li data-bbox="800 363 1393 575"> <p>2023: DOE reports Not Implemented Self-reported October 25, 2023, stating: “Pursuant to Act 72, Session Laws of Hawaii (SLH) 2020, and as of October 17, 2023, the Department is in consultation and coordination with the School Facilities Authority to establish administrative rules.”</p> <li data-bbox="800 611 1393 785"> <p>2022: DOE reports Not Implemented Self-reported October 27, 2022, stating: “Pursuant to Act 72 (2020), the Department is in consultation and coordination with the School Facilities Authority to establish administrative rules.”</p> <li data-bbox="800 821 1393 1251"> <p>2021: DOE reports Not Implemented Self-reported October 28, 2021, stating: “The Department will begin to draft administrative rules by the end of this year, with anticipated adoption by December 31, 2022. The approved policies and procedures to implement and administer the Program and fair share contributions will provide the basis in the drafting of administrative rules. The approved policies and procedures includes how the Department will inform the county building departments that a developer has satisfied the school impact fee requirement.”</p> <li data-bbox="800 1287 1393 1860"> <p>2020: DOE reports Not Implemented Self-reported October 30, 2020, stating: “Although the OFO has drafted basic procedures for processing of building permits and collection of school impact fees for internal use, the process to establish administrative rules has not been initiated or drafted to provide direction to developers, county permitting agencies, and the public as to how the Department interprets and intends to implement the school impact fee law. Subject to concurrence by the appropriate offices and agencies and with Superintendent’s approval, the Department intends to draft and initiate rule-making on the process and procedures by which the Department will inform the county building departments that a developer has satisfied the school impact fee requirement by the latter half of 2021.”</p>

Recommendation

Status of Recommendation

(Board, 1.) The Board of Education should require the department to submit a written report that provides a comprehensive evaluation of its implementation and administration of the school impact fee law. This report should include the department's findings and conclusions, specific actions that the department intends to implement to address our recommendations, other changes the department intends to make, and copies of policies and procedures. The report should also include a timeframe for implementation and note any additional resources the department feels may be necessary for successful implementation.

2020: BOE reports **Not Implemented - N/A**

Self-reported December 9, 2020, stating:

“[I]t is unlikely that the Board will implement any of the report’s recommendations as the governance structure and legal context surrounding school impact fees have changed.”

(Board, 2.) The Board of Education should direct the DOE to implement the recommendations necessary to address and correct the audit findings.

2020: BOE reports **Not Implemented - N/A**

Self-reported December 9, 2020, stating:

“[I]t is unlikely that the Board will implement any of the report’s recommendations as the governance structure and legal context surrounding school impact fees have changed.”

(Board, 3.) The Board of Education should direct the DOE to report at least quarterly on the status of its implementation of the recommendations necessary to address and correct the audit findings.

2020: BOE reports **Not Implemented - N/A**

Self-reported December 9, 2020, stating:

“[I]t is unlikely that the Board will implement any of the report’s recommendations as the governance structure and legal context surrounding school impact fees have changed.”

(Board, 4.) The Board of Education should for each school impact district considered by the board, obtain the Department of the Attorney General’s opinion, in writing, that the school impact district satisfies constitutional requirements, including nexus and proportionality requirements, prior to designation of the district.

2020: BOE reports **Not Implemented - N/A**

Self-reported December 9, 2020, stating:

“[I]t is unlikely that the Board will implement any of the report’s recommendations as the governance structure and legal context surrounding school impact fees have changed.”

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Recommendation

Status of Recommendation

(1.) ADC should update and revise its mission statement to reflect the corporation's purpose more completely as intended by the Legislature to address, among other things, facilitating the development of Hawai'i-based agricultural enterprises and strategies to promote, market, and distribute Hawai'i-grown agricultural crops and value-added products in local, national, and international markets.

2023: ADC reports **Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Implemented**

Self-reported March 4, 2022.

(2.) ADC should develop goals, objectives, policies, and priority guidelines that articulate and outline an agribusiness development strategy.

2023: ADC reports **Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Implemented**

Self-reported March 4, 2022.

(3.) ADC should develop an inventory of agricultural lands with adequate water resources that are or will become available due to the downsizing of the sugar and pineapple industries or for any other reason that can be used to meet present and future agricultural production needs.

2023: ADC reports **Partially Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Partially Implemented**

Self-reported March 4, 2022.

(4.) ADC should develop an inventory of agricultural infrastructure that was or will be abandoned by the sugar and pineapple industries or by any other organization involved in the production of agricultural products such as irrigation systems, drainage systems, processing facilities, and other accessory facilities.

2023: ADC reports **Partially Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Partially Implemented**

Self-reported March 4, 2022.

Recommendation	Status of Recommendation
<p>(5.) ADC should prepare an analysis of imported agricultural products and the potential for increasing local production to replace imported products in a manner that complements existing local producers and increases Hawai‘i’s agricultural self-sufficiency.</p>	<p>2023: ADC reports Not Implemented - N/A</p> <p>Self-reported March 16, 2023*, stating:</p> <p>“163D-5(a)(3) was amended and the language was removed.</p> <p>The task of analyzing the replacement of imported foods with local foods was removed from the Hawaii Agribusiness Plan. However, incentivizing farmers to attain USDA Good Agricultural Practices certification and to grow products that consumers want in affordable and sustainable ways, and which retailers will then sell, is a prerequisite to large scale local production. (Local farmers’ markets and Community Supported Agriculture have been available for a while, but have been unable to replace the large retail stores that import produce.)”</p> <p>*Original response was dated February 14, 2023, but an amended response was sent via email on March 16, 2023.</p> <p>2022: ADC reports Not Implemented</p> <p>Self-reported March 4, 2022, stating:</p> <p>“There is currently legislation that proposes to substantially change ADC’s focus, including whether ADC should be tasked with analyzing imports or exports or both.”</p>

Recommendation

(6.) ADC should develop financial and other programs (such as advisory, consultative, training, and educational) to promote and facilitate the development of diversified agriculture and agricultural enterprises.

Status of Recommendation

2023: ADC reports **Not Implemented**

Self-reported February 14, 2023, stating:

“Some of this task is duplicative of the Agricultural Loan program within the Department of Agriculture. The University of Hawaii extension service has staff and crop specialist on all the counties who visit farmers including the farmers on ADC property. The ADC works with the Natural Resources Conservation service as part of our leasing process and they provide expertise in soil management and may provide funding for some of their practices.

Because farming is a business, permitting and licensing functions and related training are already managed by various county, state, and federal offices.

The ADC is working to add staff to provide financial expertise, Accountant IV and V. We will work to add education training programs for farmer use by using and adapting existing materials from other departments or exterior sources. The tasks are ongoing and although filling the vacant positions will help to assemble these resources, we plan to use existing staff until the positions are filled.”

2022: ADC reports **Not Implemented**

Self-reported March 4, 2022, stating:

“With respect to financial programs, see Detailed Response to Recommendation No. 5. Additionally, this task is duplicative of the Agricultural Loan program within the Department of Agriculture.

With respect to ‘other program (such as advisory, consultative, training, and educational)’, these types of activities benefit, and likely would be used, if at all, by small farmers. With respect to small farmers, see Detailed Response to Recommendation No. 5. With respect to large farmers, ADC’s large farmers are typically owned or controlled by national or international corporate entities who likely have their own programs.”

Recommendation	Status of Recommendation
<p>(7.) ADC should develop feasible strategies for the promotion, marketing, and distribution of Hawai'i agricultural crops and value-added products in local, national, and international markets.</p>	<ul style="list-style-type: none"> <p>2023: ADC reports Not Implemented - N/A</p> <p>Self-reported March 16, 2023*, stating:</p> <p>“163D-5(a)(5) was amended and the language was removed.</p> <p>This work is produced by other departments and divisions and ADC plans to make use of existing studies to support the industry. DBEDT has resources to support ADC if there is a need to update studies.”</p> <p>*Original response was dated February 14, 2023, but an amended response was sent via email on March 16, 2023.</p> <p>2022: ADC reports Not Implemented</p> <p>Self-reported March 4, 2022, stating:</p> <p>“See Detailed Response to Recommendation No. 5.”</p>
<p>(8.) ADC should develop strategies to ensure the provision of adequate air and surface transportation services and associated facilities to support the agricultural industry in meeting local, national, and international market needs.</p>	<ul style="list-style-type: none"> <p>2023: ADC reports Not Implemented - N/A</p> <p>Self-reported March 16, 2023*, stating:</p> <p>“163D-5(a)(5) was amended and the language was removed.</p> <p>ADC has reached out to work with the foreign trade zone to support agricultural product aggregation and storage sites near transportation hubs and will continue to work with them.”</p> <p>*Original response was dated February 14, 2023, but an amended response was sent via email on March 16, 2023.</p> <p>2022: ADC reports Not Implemented</p> <p>Self-reported March 4, 2022, stating:</p> <p>“See Detailed Response to Recommendation No. 5. Additionally, ADC has previously commissioned a transportation study whose findings remain applicable today.”</p>

Recommendation

Status of Recommendation

(9.) ADC should develop proposals to improve data collection and the timely presentation of information on market demands and trends that can be used to plan future harvests and production.

2023: ADC reports **Not Implemented - N/A** *

Self-reported March 16, 2023**, stating:

“163D-5(a)(8) was amended and the language was removed.

This task is duplicative of work that is, or should be, conducted by USDA, CTAHR and HDOA.”

*Response indicated status as both “Not Implemented – N/A” and “Not Implemented – Disagree”. Based on our review of the Detailed Response, we believe “Not Implemented – N/A” is the intended response.

**Original response was dated February 14, 2023, but an amended response was sent via email on March 16, 2023.

2022: ADC reports **Not Implemented - Disagree**

Self-reported March 4, 2022, stating:

“See Detailed Responses to Recommendation Nos. 5 and 6. Additionally, this task is duplicative of work that is, or should be, conducted by CTAHR and HDOA.”

(10.) ADC should develop strategies for federal and state legislative actions that will promote the development and enhancement of Hawai‘i’s agricultural industries.

2023: ADC reports **Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Implemented**

Self-reported March 4, 2022.

(11.) ADC should prepare, and revise as required, the Hawai‘i Agribusiness Plan.

2023: ADC reports **Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Implemented**

Self-reported March 4, 2022.

Recommendation	Status of Recommendation
<p>(12.) ADC should prepare short- and long-range strategic plans to facilitate development of Hawai'i-based agricultural enterprises to grow and export agricultural crops and value-added products.</p>	<p>• 2023: ADC reports Not Implemented Self-reported February 14, 2023, stating: “ADC has been in discussion with Office of Planning within DBEDT to contract the strategic planning process with ADC. ADC was approved \$90K to contract a planner. After talking with planning companies it was determined that working with DBEDT office of special planning is best suited for this type of work. ADC is developing a scope of work and OP will be working with ADC on this planning process for ADC managed property.”</p> <p>• 2022: ADC reports Not Implemented Self-reported March 4, 2022, stating: “See Detailed Response to Recommendation No. 5.”</p>
<p>(13.) ADC should, for each project, prepare or coordinate the preparation of business and agricultural development plans, as required by Section 163D-7, HRS.</p>	<p>• 2023: ADC reports Not Implemented Self-reported February 14, 2023, stating: “With the approval of the ADC board, the ADC has leased agriculture lands to farmers who present their farming plan to the board for review. The ADC does not provide a plan for farmers to follow. ADC works with a farmer to understand the needs and if possible support the farmer with the infrastructure to successfully prep, plant, harvest and market a crop. The ADC has worked to add infrastructure to vacant land and with the support of consultants and contractors installed a network of reservoirs and main waterlines and this work continues.”</p> <p>• 2022: ADC reports Not Implemented Self-reported March 4, 2022, stating: “ADC is currently developing the infrastructure, similar to being in the midst of construction of building. Development plans for the use of the infrastructure should be developed. Out-sourcing assistance for this task will be required in the near future.”</p>

Recommendation

Status of Recommendation

(14.) ADC should evaluate retaining consultants and other outside technical assistance to develop a current Hawai'i Agribusiness Plan, short- and long-term strategic plans, business and agricultural development plans, and other tasks necessary to carry out the purposes of Chapter 163D, HRS.

• **2023: ADC reports** **Implemented**

Self-reported February 14, 2023.

• **2022: ADC reports** **Implemented**

Self-reported March 4, 2022.

(15.) ADC should obtain and document approval by the Board of Agriculture for agricultural projects, agricultural development plans, and project facility programs, before implementation, as required by Section 163D-8.5, HRS.

• **2023: ADC reports** **Not Implemented - N/A**

Self-reported March 16, 2023*, stating:

"163D-8.5 was repealed.

The ADC board reviews and determines if a project is approved or not."

*Original response was dated February 14, 2023, but an amended response was sent via email on March 16, 2023.

• **2022: ADC reports** **Implemented**

Self-reported March 4, 2022.

(16.) ADC should obtain from the Board of Agriculture its policies and procedures for approval of ADC's projects under Section 163D-8.5, HRS, including any delegations of authority.

• **2023: ADC reports** **Not Implemented - N/A**

Self-reported March 16, 2023*, stating:

"163D-8.5 was repealed.

The Department of Agriculture Chair, along with the Department of Land and Natural Resources and Department of Business, Economic Development and Tourism designees all sit on both the ADC board and the Department board. Additionally, the Department of the Attorney General has assured us that our current practice complies with Chapter 163D."

*Original response was dated February 14, 2023, but an amended response was sent via email on March 16, 2023.

• **2022: ADC reports** **Implemented & Not Implemented**

Self-reported March 4, 2022, stating:

"See Detailed Response to Recommendation No. 5. Additionally, the Department of Agriculture Chair, and the Department of Land and Natural Resources and Department of Business, Economic Development and Tourism designees sit on both the ADC board and the Department board. Finally, the Department of the Attorney General is in accord with ADC's method of compliance."

Recommendation	Status of Recommendation
<p>(17.) ADC should, twenty days before each legislative session, submit a report of the corporation's plans and activities to the Legislature and Governor, as required by Section 163D-19, HRS.</p>	<p>2023: ADC reports Implemented Self-reported February 14, 2023.</p> <p>2022: ADC reports Implemented Self-reported March 4, 2022.</p>
<p>(18.a.) ADC should develop written policies and procedures relating but not limited to ADC Board oversight. The policies and procedures should address, among other things, the matters or types of matters that must be presented to the Board for information, consideration, and/or action; criteria establishing the actions which the Executive Director may authorize without the Board's approval, including powers delegated by the Board to the Executive Director, if any, as well as the process to periodically review the delegated authority; and the recordation of actions taken by the Board, which may include, among other things, confirmation of the Board's approvals, approvals with amendments, rejections, and/or deferrals.</p>	<p>2023: ADC reports Implemented Self-reported February 14, 2023.</p> <p>2022: ADC reports Partially Implemented Self-reported March 4, 2022.</p>
<p>(18.b.) ADC should develop written policies and procedures relating but not limited to land and other ADC-owned property disposition application processes. The policies and procedures should address, among other things, the internal processes for evaluating applications for use of ADC-owned property (license, permit, right of entry, etc.), including criteria upon which applications are evaluated; and checklists to document completion of each step of the process, receipt of required information, and timely communication with the applicant.</p>	<p>2023: ADC reports Implemented Self-reported February 14, 2023.</p> <p>2022: ADC reports Partially Implemented Self-reported March 4, 2022.</p>

Recommendation

Status of Recommendation

(18.c.) ADC should develop written policies and procedures relating but not limited to property management. The policies and procedures should address, among other things, the process to confirm the receipt of all required documentation and other information, such as certificates or other evidence of compliance with federal and state requirements, performance bonds or other security, certificates or other evidence of insurance; for inspection of ADC properties, including the information or types of information that should be documented and the frequency of inspections; for enforcement of license/permit/right-of-entry terms and conditions, including, issuance of notices of default; to evaluate the need for and type of security measures for a specific parcel; and to document completion of required processes or activities.

2023: ADC reports **Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Partially Implemented**

Self-reported March 4, 2022.

(18.d.) ADC should develop written policies and procedures relating but not limited to file and document management. The policies and procedures should address, among other things, the types of documents retained by ADC and organization of those documents; staff responsibility for performing each file and document management task; document retention; and reporting of any release of personal information.

2023: ADC reports **Partially Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Partially Implemented**

Self-reported March 4, 2022.

(19.) ADC should create an electronic database that includes, among other things, an inventory of the corporation's lands, improvements, and other assets. The database should include all information reasonably necessary to manage those assets, such as the material terms of licenses, permits, rights of entry, and other agreements to use or occupy ADC assets; and should allow ADC to generate reports necessary for management of its assets, such as current tenant lists, vacancy rates, rent rolls, rent reopening dates, and license, permit, or right of entry termination dates.

2023: ADC reports **Partially Implemented**

Self-reported March 16, 2023*.

*Status submitted March 16, 2023, but response dated March 4, 2022.

2022: ADC reports **Partially Implemented**

Self-reported March 4, 2022.

Recommendation	Status of Recommendation
(20.) ADC should create a filing system (or electronic document management system) that maintains documents in an organized manner and allows for the efficient retrieval of documents and/or files.	<p>• 2023: ADC reports Partially Implemented Self-reported February 14, 2023.</p> <p>• 2022: ADC reports Partially Implemented Self-reported March 4, 2022.</p>
(21.) ADC should evaluate the retention of a private property management company to manage some or all of ADC's properties.	<p>• 2023: ADC reports Not Implemented - Disagree Self-reported February 14, 2023, stating:</p> <p>“Hiring a consultant whose job can be performed by a union position requires exemption approvals. Prior property managers out-sourced by ADC via contract were not able to do all things that a property manager typically does because the scope of work of the property manager had to accommodate the fact that the vendor would not be doing union-type of work. ADC questions how other departments are able to outsource property management work without exemptions.</p> <p>The better solution is to create a property manager position within ADC. This would help ADC with its property management responsibilities while not violating collective bargaining agreements with the State.”</p> <p>• 2022: ADC reports Implemented Self-reported March 4, 2022.</p>

Recommendation

(22.) ADC should promulgate administrative rules to address, among other things, the application process for the use of ADC lands and other assets, including ADC's process for evaluating applications; ADC's administration and enforcement of the terms and conditions of licenses, permits, rights of entry, and other conveyance instruments, including those relating to inspections, notices of default, termination, eviction, and appeal rights; criteria and other procedures to create subsidiaries; criteria and other procedures to coventure, i.e., to invest in qualified securities of an agricultural enterprise, and to make direct investment in an agricultural enterprise; criteria and other procedures to apply and qualify for allowances and grants; criteria and other procedures to exercise ADC's right of withdrawal from licenses, permits, and rights of entry; and criteria and other procedures to apply and qualify for rent credits.

(23.) ADC should evaluate the need to procure insurance against loss in connection with ADC-owned properties.

Status of Recommendation

2023: ADC reports **Implemented** *

Self-reported February 14, 2023.

*Response indicated status as both "Implemented" and "Not Implemented – Disagree". Based on our review of the Detailed Response, we believe "Implemented" is the intended response.

2022: ADC reports **Not Implemented & Not Implemented - Disagree**

Self-reported March 4, 2022.

"Detailed Response" section of self-reporting form was left blank.

2023: ADC reports **Not Implemented - Disagree**

Self-reported February 14, 2023, stating:

"The State of Hawaii is self-insured. All property owned by ADC is included in its inventory, and is afforded coverage. Additionally, all ADC tenants are required to carry liability, and if applicable, property insurance, to name ADC as an additional insured under their policies, and to provide proof of insurance on an annual basis. To the extent that a tenant has an extraordinary activity being conducted on ADC property, ADC can require additional riders as conditions of a tenant's tenure."

2022: ADC reports **Not Implemented - Disagree**

Self-reported March 4, 2022, stating: See above.

Recommendation	Status of Recommendation
(24.) ADC should obtain an opinion from the State Procurement Office as to whether the corporation's practice of offering negotiated rent credits to tenants and prospective tenants in exchange for services in common areas, unoccupied properties, or properties occupied by other tenants, such as road and reservoir construction, and/or materials is permitted under the Hawai'i Procurement Code.	<ul style="list-style-type: none"> 2023: ADC reports Implemented Self-reported February 14, 2023. 2022: ADC reports Not Implemented - Disagree Self-reported March 4, 2022, stating: "ADC has requested advice from the Department of the Attorney General on this recommendation."
(25.) ADC should attend training on the Hawai'i Procurement Code, Chapter 103D, HRS.	<ul style="list-style-type: none"> 2023: ADC reports Implemented Self-reported March 16, 2023*. *Status submitted March 16, 2023, but response dated March 4, 2022. 2022: ADC reports Implemented Self-reported March 4, 2022.
(26.) ADC should fill vacant staff positions with qualified persons in a timely manner.	<ul style="list-style-type: none"> 2023: ADC reports Implemented Self-reported February 14, 2023. 2022: ADC reports Implemented Self-reported March 4, 2022.
(27.) ADC should develop and document annual performance goals and measures for each staff.	<ul style="list-style-type: none"> 2023: ADC reports Implemented Self-reported February 14, 2023. 2022: ADC reports Implemented Self-reported March 4, 2022.
(28.) ADC should evaluate each staff's performance annually and document that evaluation.	<ul style="list-style-type: none"> 2023: ADC reports Implemented Self-reported February 14, 2023. 2022: ADC reports Implemented Self-reported March 4, 2022.

Recommendation

Status of Recommendation

(29.) The Board of Directors should develop and document annual goals and performance measures for the Executive Director that allow the Board to evaluate the Executive Director's work, annually, to ensure compliance by the corporation with statutory requirements and achievement of its statutory purposes, among other things.

2023: ADC reports **Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Implemented**

Self-reported March 4, 2022.

(30.) The Board of Directors should evaluate the Executive Director's performance annually based on the annual goals, performance measures, and other relevant criteria; document that evaluation.

2023: ADC reports **Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Implemented**

Self-reported March 4, 2022.

(31.) The Board of Directors should document the specific authority delegated to the Executive Director, including, but not limited to, the types of access and use of ADC property for which the Executive Director can approve without notice to or approval by the Board; and the rent credits and other amendments to Board-approved contract terms for which the Executive Director can approve without notice to or approval by the Board.

2023: ADC reports **Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Implemented**

Self-reported March 4, 2022.

(32.) The Board of Directors should attend training on the State's open meetings law (the Sunshine Law), Part I of Chapter 92, HRS.

2023: ADC reports **Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Implemented**

Self-reported March 4, 2022.

(33.) The Board of Directors should ensure that the Board's minutes sufficiently document "[t]he substance of all matters proposed, discussed, or decided," among other things, as required by Section 92-9(a) (3), HRS.

2023: ADC reports **Implemented**

Self-reported February 14, 2023.

2022: ADC reports **Implemented**

Self-reported March 4, 2022.