

FEB 17 2006

SENATE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT FINANCIAL AND MANAGEMENT AUDIT
OF THE HOUSING AND COMMUNITY DEVELOPMENT CORPORATION OF
HAWAII.

1 WHEREAS, the United States Department of Housing and Urban
2 Development provides federal grants to state public housing
3 agencies as part of the Capital Fund Program authorized by Title
4 I of the United States Housing Authority Act of 1937, as
5 amended, 42 U.S.C. 1437 et seq.; and
6

7 WHEREAS, these federal grants are awarded to state public
8 housing agencies for the development, financing, and
9 modernization of public housing projects, vacancy reduction, and
10 management improvements; and
11

12 WHEREAS, HRS §201G-15, Hawaii Revised Statutes, charges the
13 Housing and Community Development Corporation of Hawaii (HCDCH)
14 with the responsibility:
15

16 (1) Of managing and investing federal grants to implement
17 federal housing programs; and
18

19 (2) For administering state housing programs, including
20 public housing; and
21

22 WHEREAS, effective July 1, 2006, the HCDCH will become the
23 Hawaii Public Housing Administration pursuant to Act 196,
24 Session Laws of Hawaii 2005; and
25

26 WHEREAS, a report on the only audit of the HCDCH by the
27 State Auditor was Report No. 01-14, September 2001, which found:
28

29 (1) Deficiencies in the financial accounting and internal
30 control practices of the corporation;
31



- 1 (2) Untimely execution of some contracts resulting in the
- 2 execution of a design consultant contract twenty-three
- 3 months after the funds became available;
- 4
- 5 (3) Failure to implement internal control procedures to
- 6 ensure the accuracy of the calculation of the final
- 7 operating subsidy from the federal government and the
- 8 reconciliation of the final calculation to the
- 9 estimated operating subsidy; and
- 10
- 11 (4) An extremely large number of applicants on the waiting
- 12 list for low-income housing and tenant rental
- 13 assistance programs; and
- 14

15 WHEREAS, a *Honolulu Star Bulletin* article of December 12,

16 2005, stated that funding and maintenance issues hinder state

17 housing, specifically noting that there are some seven hundred

18 sixty empty public units, about half of which need major

19 repairs; and

20

21 WHEREAS, a *Honolulu Advertiser* article of September 26,

22 2006, reported that the U.S. Department of Housing and Urban

23 Development designated the HCDCH as "troubled" and threatened to

24 begin withholding housing money or even take direct control if

25 things did not improve substantially by September 1, 2005; and

26

27 WHEREAS, a complete financial and management audit of the

28 HCDCH is warranted to update the Auditor's report and to report

29 on the progress of HUD's recommendations to the HCDCH for

30 improvement, including findings and recommendations; now,

31 therefore,

32

33 BE IT RESOLVED by the Senate of the Twenty-third

34 Legislature of the State of Hawaii, Regular Session of 2006, the

35 House of Representatives concurring, that the Auditor is

36 requested to perform a financial and management audit of the

37 Housing and Community Development Corporation (to be known as

38 the Hawaii Public Housing Administration on July 1, 2006),

39 including:

- 40
- 41 (1) An assessment whether HCDCH spends the funds available
- 42 to it in an efficient and cost-effective manner to
- 43 reduce the vacancy rate in federally funded public
- 44 housing projects in a timely manner, including an



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1 assessment of HCDCH's financial condition, financial
2 accounting and internal control practices, and
3 implementation of its new information system;
4

5 (2) An assessment and accounting of any actual or
6 potential shortfall in the Capital Fund Program due to
7 cost overruns in the Kalihi Valley Housing Phase 2
8 renovation project; and
9

10 (3) An assessment of the condition of HCDCH's property,
11 and the satisfaction of its residents; and
12

13 BE IT FURTHER RESOLVED that the Auditor is requested to
14 submit a report of its findings and recommendations to the
15 Legislature not later than twenty days prior to the convening of
16 the Regular Session of 2007; and
17

18 BE IT FURTHER RESOLVED that certified copies of this
19 Concurrent Resolution be transmitted to the Governor, the
20 Auditor, and the Executive Director of the Housing and Community
21 Development Corporation of Hawaii.
22
23
24

OFFERED BY:

<u><i>[Signature]</i></u>	<u><i>[Signature]</i></u>
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