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# SENATE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT A 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 (HUD) provides federal grants to state public  
3 housing agencies as part of the Capital Fund Program authorized  
4 by Title I of the United States Housing Authority Act of 1937,  
5 as 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, sections 201G-15 and 201G-15.5 and part II,  
13 chapter 201G, Hawaii Revised Statutes, charge the Housing and  
14 Community Development Corporation of Hawaii (HCDCH) with the  
15 responsibility:

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

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

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

26  
27 WHEREAS, an audit of the HCDCH by the State Auditor, Report  
28 No. 01-14, September 2001, found:

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



- 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  
 16 December 12, 2005, stated that funding and maintenance issues  
 17 hinder state housing, specifically noting that there are some  
 18 seven hundred sixty empty public units, about half of which need  
 19 major repairs; and

20  
 21 WHEREAS, a Honolulu Advertiser article of  
 22 September 26, 2004, reported that the U.S. Department of Housing  
 23 and Urban Development designated the HCDCH as "troubled" and  
 24 threatened to begin withholding housing money or even take  
 25 direct control if things did not improve substantially by  
 26 September 1, 2005; and

27  
 28 WHEREAS, a complete financial and management audit of the  
 29 HCDCH is warranted to update the Auditor's report and to report  
 30 on the progress of the HCDCH in meeting HUD's recommendations  
 31 for improvement, including findings and recommendations; now,  
 32 therefore,

33  
 34 BE IT RESOLVED by the Senate of the Twenty-third  
 35 Legislature of the State of Hawaii, Regular Session of 2006, the  
 36 House of Representatives concurring, that commencing after  
 37 January 31, 2007, the Auditor is requested to perform a  
 38 financial and management audit of the Housing and Community  
 39 Development Corporation of Hawaii (to be known as the Hawaii  
 40 Public Housing Administration on July 1, 2006), including:

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



1 housing projects in a timely manner, including an  
2 assessment of HCDCH's financial condition, financial  
3 accounting and internal control practices, and  
4 implementation of its new information system;

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

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

13  
14 BE IT FURTHER RESOLVED that the Auditor is requested to  
15 submit a report of its findings and recommendations to the  
16 Legislature not later than twenty days prior to the convening of  
17 the Regular Session of 2008; and

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

