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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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March 20, 2019

TO: The Honorable Representative Joy A. San Buenaventura, Chair
House Committee on Human Services & Homelessness

FROM: Pankaj Bhanot, Director

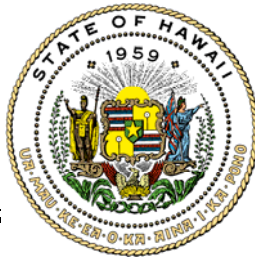
SUBJECT: **HCR 35/HR 38** - REQUESTING THE AUDITOR TO CONDUCT A COMPREHENSIVE AND MANAGEMENT AUDIT OF EACH CONTRACT THAT EXCEEDS \$1,000,000 AND HAS BEEN ENTERED INTO DURING THE PAST FIVE YEARS BETWEEN THE DEPARTMENT OF HUMAN SERVICES AND ANY DOMESTIC VIOLENCE NONPROFIT ORGANIZATION

Hearing: March 22, 2019, 8:30 a.m.
Conference Room 329, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) opposes these resolutions. After a quick review, DHS does not have any contracts, current or in the recent past, that exceed \$1,000,000 to any domestic violence nonprofit organization.

PURPOSE: The resolution requests the Auditor to conduct a comprehensive and management audit of each contract that exceeds \$1,000,000 and has been entered into during the past five years between the Department of Human Services and any domestic violence nonprofit organization.

Thank you for the opportunity to testify on this resolution.



HOUSE COMMITTEE ON HUMAN SERVICES & HOMELESSNESS

The Honorable Joy A. San Buenaventura, Chair
The Honorable Nadine K. Nakamura, Vice Chair

H.C.R. NO. 35, REQUESTING THE AUDITOR TO CONDUCT A COMPREHENSIVE AND MANAGEMENT AUDIT OF EACH CONTRACT THAT EXCEEDS \$1,000,000 AND HAS BEEN ENTERED INTO DURING THE PAST FIVE YEARS BETWEEN THE DEPARTMENT OF HUMAN SERVICES AND ANY DOMESTIC VIOLENCE NONPROFIT ORGANIZATION

H.R. NO. 38, REQUESTING THE AUDITOR TO CONDUCT A COMPREHENSIVE AND MANAGEMENT AUDIT OF EACH CONTRACT THAT EXCEEDS \$1,000,000 AND HAS BEEN ENTERED INTO DURING THE PAST FIVE YEARS BETWEEN THE DEPARTMENT OF HUMAN SERVICES AND ANY DOMESTIC VIOLENCE NONPROFIT ORGANIZATION

Hearing: Friday, March 22, 2019, 8:30 a.m.

The Office of the Auditor has **no position** regarding H.C.R. No. 35 and H.R. No. 38, which require the auditor to conduct a comprehensive and management audit of each contract between the Department of Human Services and a domestic violence nonprofit organization that exceeds \$1,000,000 and has been entered into during the past five years. **However, we offer the following comments.**

H.C.R. No. 35 and H.R. No. 38 require us to conduct a comprehensive management audit that would focus on accountability and oversight of State funding expended pursuant to each contract, including:

1. The percentage of total expenditures under each contract allocated for staff and administrative costs compared to the expenditures for providing services directly to domestic violence victims;
2. Recommendations regarding department contracting practices to improve comprehensive care for domestic violence victims; and
3. Recommendations regarding best contracting practices to increase efficiency by reducing staff and administrative expenditures so that more funds may be expended for the direct benefit of domestic violence victims.

We are concerned that some portions of the work outlined in the measures require specialized expertise and will almost certainly require us to procure a consultant to assist us in performing the audit. Specifically, paragraph (2) requires us to make recommendations regarding

contracting practices to “improve comprehensive care for domestic violence victims.” This task will require our office to retain a qualified expert. For that reason, we request that the committee delete paragraph (2).

Lastly, the resolutions require us to report our findings and recommendations to the legislature no later than 20 days before the 2020 legislative session, yet the resolution requires that the audit include “each contract between the Department of Human Services and a domestic violence nonprofit organization” meeting certain criteria. Because we do not know the magnitude of the audit (*i.e.*, the number of contracts, the number of expenditures, etc.) until we complete our audit planning work, we have no way to gauge whether we can complete the required work before the 2020 legislative session.

Thank you for considering our testimony related to H.C.R. No. 35 and H.R. No. 38.



COMMITTEE ON HUMAN SERVICES & HOMELESSNESS

Rep. Joy A. San Buenaventura, Chair

Rep. Nadine Nakamura, Vice Chair

DATE: Monday, March 11, 2019

TIME: 2:00pm

PLACE: Conference Room 325

Aloha Chair San Buenaventura, Vice Chair Nakamura and members,

The Women's Coalition is in opposition to HCR 35. It is unclear what such a resolution is aiming to find or uncover since nonprofits are already highly monitored, scrutinized and have transparency requirements regarding their finances.

We would like to point out that in human services work it will always be staff and salaries that have the highest expenditures. It is staff who DO the services with victims of domestic violence. The staff cost and hours of conducting such an audit would be detrimental to the services to victims as many agencies are understaffed as it is.

We have watched as our member organizations that address the epidemic of Domestic Violence have struggled to meet the needs of broken and bleeding victims. This measure seems like overkill and feels rather punitive. Conversations around contracting procedures can be done without a mandated audit.

Please defer this measure and instead ask the Women's Legislative Caucus to meet with the organizations to discuss what concerns have prompted this proposal.

Mahalo,

Ann S. Freed
Co-Chair,
Hawaii Women's Coalition