

November 8, 2019

VIA EMAIL

The Honorable Ronald D. Kouchi  
Senate President  
415 South Beretania Street  
Hawaii State Capitol, Room 409  
Honolulu, Hawaii 96813

VIA EMAIL

The Honorable Scott K. Saiki  
Speaker, House of Representatives  
415 South Beretania Street  
Hawaii State Capitol, Room 431  
Honolulu, Hawaii 96813

Re: Report on the Implementation of State Auditor's Recommendations 2014 - 2017, Report No. 19-15

Dear President Kouchi and Speaker Saiki:

Please find attached Report No. 19-15, *Report on the Implementation of State Auditor's Recommendations 2014 - 2017*, which has also been uploaded to the Legislature's web-based application. This report is being issued pursuant to Section 23-7.5, Hawaii Revised Statutes, and is a report on the follow-up reviews of State departments and agencies' implementation of audit recommendations contained in audits issued in calendar years 2014-2017.

The report is also accessible through our website at:  
<http://files.hawaii.gov/auditor/Reports/2019/19-15.pdf>.

If you or other Legislators would like a printed version of the report, please let me know.

Very truly yours,

Leslie H. Kondo  
State Auditor

LHK:emo

Attachments

ec/attach: Senators  
Representatives  
Carol Taniguchi, Senate Chief Clerk  
Brian Takeshita, House Chief Clerk

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# Report on the Implementation of State Auditor's Recommendations 2014 – 2017

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

**Report No. 19-15**  
November 2019



**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:*  
<http://auditor.hawaii.gov>

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## Foreword

This is a report on the follow-up reviews of State departments and agencies' implementation of audit recommendations contained in audits issued in calendar years 2014–2017. 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 review.

Leslie H. Kondo  
State Auditor



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PHOTO: OFFICE OF THE AUDITOR

## Status of Implementation of Audit Recommendations from Reports Issued 2014 – 2017

*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 2014 to 2017.*

### Introduction

**E**VERY YEAR, we follow up on recommendations made in our audit reports. We ask affected agencies to provide us with the status of their implementation of the recommendations made in our reports 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 its actions fulfilled our recommendations. Our efforts are limited to the 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 that do not relate to our original recommendations.

From 2014 to 2017, we made 141 audit recommendations, of which the affected agencies reported partially or fully implementing 121.

We based our scope and methodology on the United States Government Accountability Office (fka General Accounting Office (GAO)) guidelines, published in *How to Get Action on Audit Recommendations* (1991), as well as the *Government Auditing Standards* and 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 at less cost. Effective follow-up is essential to realizing the full benefits of audit work.

## Audit Recommendations Implementation Reports Issued 2014 – 2017

### Determining progress

The rate of progress of a recommendation's implementation 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 and involve multiple agencies, resulting in a longer implementation period. We recognize ample time should be afforded to agencies implementing recommendations in order 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 of 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

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consistent with the GAO’s experience that action on recommendations usually occurs in the first 3 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. We have determined that, after this time period, further action on recommendations is unlikely. At that point, a new audit may be more appropriate.














On the following pages are 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 [www.auditor.hawaii.gov](http://www.auditor.hawaii.gov).



# Audit Recommendations Implementation Dashboard

No. 14-02	<b>Department of Human Services</b> Audit of the Department of Human Services' Med-QUEST Division and Its Medicaid Program		<b>19 recommendations</b>
No. 14-07	<b>University of Hawai'i / Department of Land and Natural Resources</b> Follow-Up Audit of the Management of Mauna Kea and the Mauna Kea Science Reserve		<b>8 recommendations</b>
No. 14-11	<b>Department of Accounting and General Services</b> Audit of the Hawai'i State Foundation on Culture and the Arts		<b>29 recommendations</b>
No. 14-16	<b>Department of Health</b> Audit of the Department of Health's Glass Advance Disposal Fee Program		<b>9 recommendations</b>
No. 15-07	<b>Research Corporation of the University of Hawai'i</b> Audit of the Research Corporation of the University of Hawai'i		<b>11 recommendations</b>
No. 15-09	<b>Department of Health</b> Procurement Examination of the Department of Health: Lack of Procurement Controls Exposes Health Department to Waste and Abuse		<b>6 recommendations</b>
No. 15-14	<b>State Public Charter School Commission</b> Study of the Public Charter Schools' Governing Boards		<b>8 recommendations</b>
No. 15-18	<b>Department of Transportation</b> Audit of the Department of Transportation's Energy Performance Contracts: Improved Oversight is Needed to Ensure Savings		<b>11 recommendations</b>
No. 15-20	<b>Department of Human Services</b> Audit of the Department of Human Services' KOLEA System: \$155 Million KOLEA Project Does Not Achieve ACA Goals		<b>14 recommendations</b>
No. 16-01	<b>Office of Enterprise Technology Services</b> Report on Selected Executive Branch Departments' Information Technology Expenditures		<b>5 recommendations</b>
No. 16-08	<b>Department of Business, Economic Development and Tourism / Department of Taxation</b> Audit of Hawai'i's Motion Picture, Digital Media, and Film Production Income Tax Credit		<b>9 recommendations</b>
No. 17-05	<b>Department of Agriculture</b> Audit of Hawai'i Department of Agriculture's Plant Quarantine Branch		<b>7 recommendations</b>
No. 17-14	<b>Department of Health</b> Audit of the Disease Outbreak Control Division of the Department of Health		<b>5 recommendations</b>

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

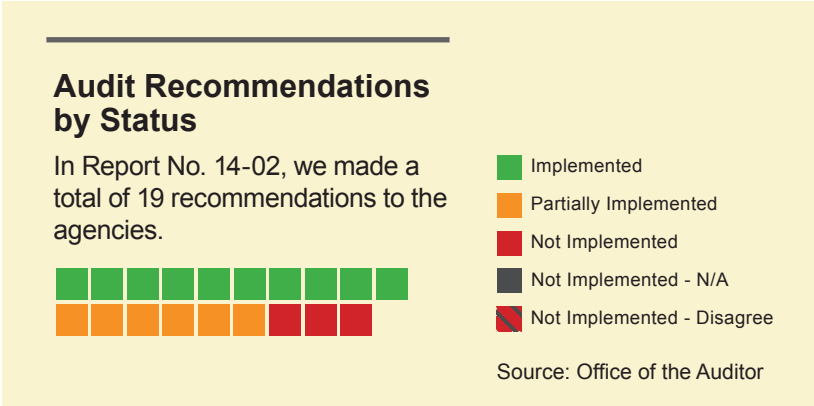
Source: Office of the Auditor



PHOTO: ISTOCK.COM

**REPORT NO. 14-02**  
***Audit of the Department of Human Services' Med-QUEST Division and Its Medicaid Program***

Number of Recommendations:	<b>19</b>
Number of Recommendations Partially or Fully Implemented:	<b>16</b>
Percent Partially or Fully Implemented:	<b>84%</b>



In 2018, we issued a formal request for information to the Department of Human Services' Med-QUEST Division (DHS) on the status of audit recommendations from Report No. 14-02. The agency reported that all but one of our recommendations 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 in yellow.

Earlier this year (2019), we issued Report No. 19-06 entitled, "Follow-Up on Recommendations from Report No. 14-02, Audit of the Department of Human Services' Med-QUEST Division and Its Medicaid Program." As a result of that report, we found that 84%, or 16 of our 19 recommendations had been at least partially implemented.

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## Recommendation

## Status of Recommendation

(1.a.) The Med-QUEST Division should take a proactive role in improving communication of its Medicaid program's performance with the Legislature. Specifically, the division should conduct an informational briefing for interested legislators to gain an understanding of their needs and expectations for information and metrics.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-06.

2018: DHS reports **Implemented**

Self-reported March 30, 2018.

(1.b.) The Med-QUEST Division should take a proactive role in improving communication of its Medicaid program's performance with the Legislature. Specifically, the division should adopt and implement reporting methods that convey requested Medicaid operational and financial objectives, goals, and key performance indicators.

2019: Auditor reports **Partially Implemented**

Follow-up, Report No. 19-06.

2018: DHS reports **Implemented**

Self-reported March 30, 2018.

(1.c.) The Med-QUEST Division should take a proactive role in improving communication of its Medicaid program's performance with the Legislature. Specifically, the division should provide annual updates on how Hawai'i's enrollment and cost data compare nationally and to other states.

2019: Auditor reports **Partially Implemented**

Follow-up, Report No. 19-06.

2018: DHS reports **Implemented**

Self-reported March 30, 2018.

(2.a.) The Med-QUEST Division should establish a formal fraud and abuse plan that ensures the department's fraud and abuse detection program adheres to federal and state regulations and includes adequate resources to execute the plan. Such a plan should include goals, objectives, and action plans for the fraud and abuse detection and investigation program.

2019: Auditor reports **Partially Implemented**

Follow-up, Report No. 19-06.

2018: DHS reports **Implemented**

Self-reported March 16, 2018.

Recommendation	Status of Recommendation
<p>(2.b.) The Med-QUEST Division should establish a formal fraud and abuse plan that ensures the department’s fraud and abuse detection program adheres to federal and state regulations and includes adequate resources to execute the plan. Such a plan should include the program’s key partners and stakeholders and their respective functions, and fraud and abuse detection and investigation responsibilities and activities.</p>	<ul style="list-style-type: none"> <li data-bbox="740 363 1341 436"> <p>2019: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 19-06.</p> </li> <li data-bbox="740 457 1198 531"> <p>2018: DHS reports <b>Implemented</b> Self-reported March 16, 2018.</p> </li> </ul>
<p>(2.c.) The Med-QUEST Division should establish a formal fraud and abuse plan that ensures the department’s fraud and abuse detection program adheres to federal and state regulations and includes adequate resources to execute the plan. Such a plan should include areas of vulnerability and approaches to address them.</p>	<ul style="list-style-type: none"> <li data-bbox="740 758 1341 831"> <p>2019: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 19-06.</p> </li> <li data-bbox="740 852 1198 926"> <p>2018: DHS reports <b>Implemented</b> Self-reported March 16, 2018.</p> </li> </ul>
<p>(2.d.) The Med-QUEST Division should establish a formal fraud and abuse plan that ensures the department’s fraud and abuse detection program adheres to federal and state regulations and includes adequate resources to execute the plan. Such a plan should include milestones for completion of key action plan activities.</p>	<ul style="list-style-type: none"> <li data-bbox="740 1089 1393 1402"> <p>2019: Auditor reports <b>Not Implemented</b> Follow-up, Report No. 19-06.  In our report, we noted: “DHS has developed a ‘Med-QUEST Division Financial Integrity Staff Work Plan’ for 2018 to address this recommendation. Although the plan indicates whether key action plan activities are ‘completed,’ ‘ongoing,’ or both, our review found that the plan does not include any milestones for completion of those activities.”</p> </li> <li data-bbox="740 1434 1198 1507"> <p>2018: DHS reports <b>Implemented</b> Self-reported March 16, 2018.</p> </li> </ul>

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## Recommendation

## Status of Recommendation

(2.e.) The Med-QUEST Division should establish a formal fraud and abuse plan that ensures the department's fraud and abuse detection program adheres to federal and state regulations and includes adequate resources to execute the plan. Such a plan should include baseline metrics against which the Medicaid fraud and abuse detection and investigation program can be compared to gauge performance and progress.

• **2019: Auditor reports** **Not Implemented**

Follow-up, Report No. 19-06.

In our report, we noted: "DHS has developed a 'Med-QUEST Division Financial Integrity Staff Work Plan' for 2018 to address this recommendation. According to the department, the Financial Integrity Staff use the work plan in conjunction with their investigation and recoupment logs to gauge performance and progress... We reviewed the work plan and both logs, and found that, although the logs contain a history of cases and recoveries, neither the logs nor the work plan contain any baseline metrics to gauge performance or progress."

• **2018: DHS reports** **Implemented**

Self-reported March 16, 2018.

(2.f.) The Med-QUEST Division should establish a formal fraud and abuse plan that ensures the department's fraud and abuse detection program adheres to federal and state regulations and includes adequate resources to execute the plan. Such a plan should include a process and methodology for measuring performance progress toward goals and objectives.

• **2019: Auditor reports** **Not Implemented**

Follow-up, Report No. 19-06.

In our report, we noted: "DHS has developed a 'Med-QUEST Division Financial Integrity Staff Work Plan' for 2018 to address this recommendation. However, based on our review, we found that the plan does not include any process or methodology for measuring performance progress toward goals or objectives."

• **2018: DHS reports** **Implemented**

Self-reported March 16, 2018.

(3.) The Med-QUEST Division should communicate the results of its fraud and abuse detection and investigation program with the Director of the Department of Human Services and the Legislature.

• **2019: Auditor reports** **Implemented**

Follow-up, Report No. 19-06.

• **2018: DHS reports** **Implemented**

Self-reported March 30, 2018.



Recommendation	Status of Recommendation
<p>(4.a.) The Med-QUEST Division should direct and work with the DHS Personnel Office to develop position descriptions for the newly authorized dedicated fraud and abuse detection and investigation positions and reevaluate position descriptions for current Financial Integrity Staff positions to ensure that the duties and responsibilities of each position satisfy federal and state regulatory requirements, best practices, and the division’s needs.</p>	<p>2019: Auditor reports <b>Implemented</b> Follow-up, Report No. 19-06.</p> <p>2018: DHS reports <b>Implemented</b> Self-reported March 16, 2018.</p>
<p>(4.b.) The Med-QUEST Division should direct and work with the DHS Personnel Office to develop position descriptions for the newly authorized dedicated fraud and abuse detection and investigation positions and reevaluate position descriptions for current Financial Integrity Staff positions to ensure that the required skills, qualifications, and experience of the respective positions are consistent with their duties and responsibilities.</p>	<p>2019: Auditor reports <b>Implemented</b> Follow-up, Report No. 19-06.</p> <p>2018: DHS reports <b>Implemented</b> Self-reported March 16, 2018.</p>
<p>(5.) The Med-QUEST Division should prioritize recruitment and hiring of recently authorized Financial Integrity Staff fraud and abuse detection and investigation staff.</p>	<p>2019: Auditor reports <b>Implemented</b> Follow-up, Report No. 19-06.</p> <p>2018: DHS reports <b>Implemented</b> Self-reported March 16, 2018.</p>
<p>(6.) The Med-QUEST Division should develop policies and procedures governing functions related to detecting and remedying fraud and abuse performed by the various department and Med-QUEST Division units. The division should review policies and procedures periodically and update them as needed to reflect revised and new regulatory requirements and best practices. Management should review and approve new and amended policies and procedures in a timely manner.</p>	<p>2019: Auditor reports <b>Implemented</b> Follow-up, Report No. 19-06.</p> <p>2018: DHS reports <b>Implemented</b> Self-reported March 16, 2018.</p>

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## Recommendation

## Status of Recommendation

(7.) The Med-QUEST Division should maintain complete information and perform periodic reconciliations of fraud and abuse detection and investigation activities. This process may include a reconciliation of case referrals, cases accepted and declined, convictions, recoveries, and status of investigations and settlements, fraud and abuse detection and investigation expenditures, and overpayments and fraudulent payments identified. A full accounting of all such indicators will allow the division to better understand the results of its fraud detection and investigation activities (e.g., recoveries and recoveries per dollar expended on fraud detection and investigation) and measure its performance.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-06.

2018: DHS reports **Implemented**

Self-reported March 16, 2018.

(8.a.) The Med-QUEST Division should adopt strategies or plans to combat fraud, waste, and abuse by utilizing its new eligibility system and eligibility criteria under the federal Patient Protection and Affordable Care Act of 2010 (also known as Obamacare) to improve program integrity, limit eligibility errors, and facilitate reporting and monitoring.

2019: Auditor reports **Partially Implemented**

Follow-up, Report No. 19-06.

2018: DHS reports **Partially Implemented**

Self-reported March 14, 2018.

(8.b.i.) The Med-QUEST Division should adopt strategies or plans to combat fraud, waste, and abuse by enhancing its capacity to utilize its data analysis capabilities effectively by ensuring that all fraud detection and investigation staff receive training on how to identify and generate Surveillance and Utilization Review Subsystem and Data Warehouse reports needed to effectively fulfill their respective fraud detection data analysis and investigations functions, including those necessary for referring cases of suspected or potential fraud to the Department of the Attorney General's Medicaid Fraud Control Unit.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-06.

2018: DHS reports **Implemented**

Self-reported March 16, 2018.

Recommendation	Status of Recommendation
<p>(8.b.ii.) The Med-QUEST Division should adopt strategies or plans to combat fraud, waste, and abuse by enhancing its capacity to utilize its data analysis capabilities effectively by reevaluating fraud and abuse reporting requirements for the managed care plans to ensure that the Financial Integrity Staff receives the information needed to better analyze managed care data.</p>	<p>2019: Auditor reports <b>Implemented</b> Follow-up, Report No. 19-06.</p> <p>2018: DHS reports <b>Implemented</b> Self-reported March 16, 2018.</p>
<p>(8.c.) The Med-QUEST Division should adopt strategies or plans to combat fraud, waste, and abuse by meeting regularly with and providing training to managed care organizations to improve fraud and abuse detection coordination efforts to ensure that fraud and abuse is identified and that preliminary investigations are occurring as required by contract.</p>	<p>2019: Auditor reports <b>Implemented</b> Follow-up, Report No. 19-06.</p> <p>2018: DHS reports <b>Implemented</b> Self-reported March 16, 2018.</p>

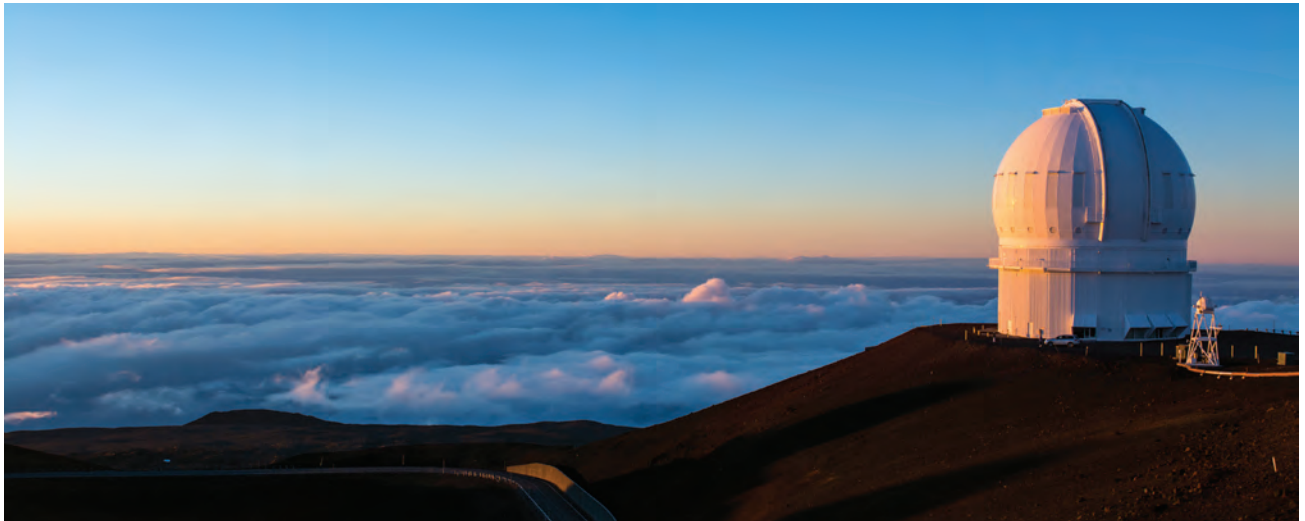
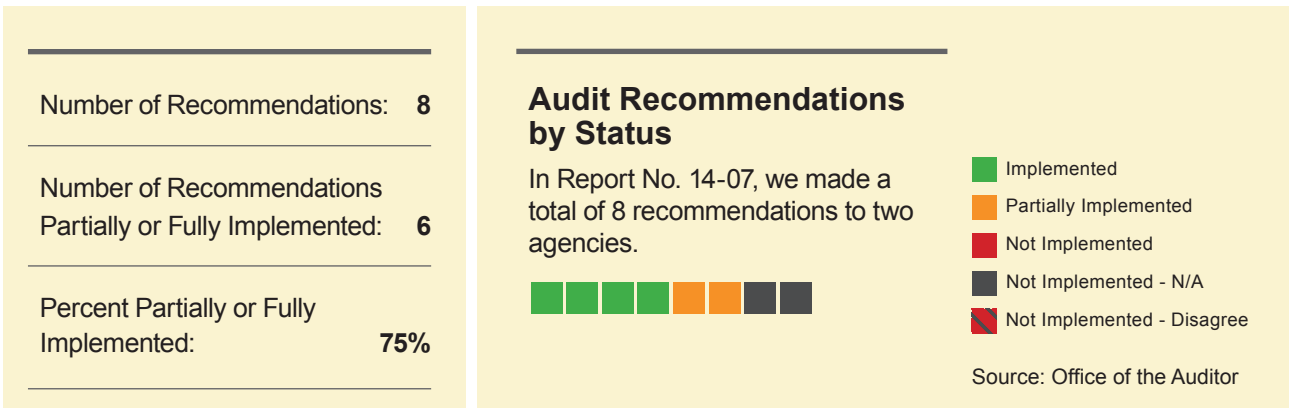


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**REPORT NO. 14-07**  
***Follow-Up Audit of the Management of Mauna Kea  
 and the Mauna Kea Science Reserve***



**IN 2017**, we conducted an active follow-up into the implementation of our recommendations to the University of Hawai‘i (UH) and Department of Land and Natural Resources (DLNR), and issued Report No. 17-06 entitled, “*Follow-Up on Recommendations from Report No. 14-07, Follow-Up Audit of the Management of Mauna Kea and the Mauna Kea Science Reserve.*” As a result of that review, we found that 50%, or 4 of our 8 recommendations had been at least partially implemented.

In 2018, we issued a formal request for information on the status of audit recommendations that we reported had not been fully implemented in the follow-up report, Report No. 17-06. UH reported that, of the recommendations made to them, 3 had been fully implemented, and 3 had been implemented in part.

Earlier this year (2019), we issued another formal request for information on the status of audit recommendations that had not yet been fully implemented. DLNR reported that, of the recommendations made to them, 100%, or 1 recommendation, had been partially implemented. UH reported that, of the 3 recommendations noted as partially implemented in their last written response, 1 recommendation has now been fully implemented, 1 recommendation is still implemented in part, and 1 recommendation is no longer applicable.

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 in yellow.

Recommendation	Status of Recommendation
<p>(1.a.) The University of Hawai’i should adopt administrative rules governing public and commercial activities as soon as possible, but no later than 2017.</p>	<ul style="list-style-type: none"> <li data-bbox="786 361 1273 436"> <b>2019: UH reports Partially Implemented</b>                      Self-reported August 28, 2019.                 </li> <li data-bbox="786 470 1279 537"> <b>2018: UH reports Partially Implemented</b>                      Self-reported August 30, 2018.                 </li> <li data-bbox="786 571 1338 638"> <b>2017: Auditor reports Partially Implemented</b>                      Follow-up, Report No. 17-06.                 </li> </ul>
<p>(1.b.) The University of Hawai’i should obtain UH Board of Regents’ approval for the conditions and fee schedule included in commercial tour use permits issued by UH-Hilo via a Board of Regents open public meeting pursuant to Chapter 92, HRS.</p>	<ul style="list-style-type: none"> <li data-bbox="786 697 1182 772"> <b>2019: UH reports Implemented</b>                      Self-reported August 28, 2019.                 </li> <li data-bbox="786 806 1279 873"> <b>2018: UH reports Partially Implemented</b>                      Self-reported August 30, 2018.                 </li> <li data-bbox="786 907 1279 974"> <b>2017: Auditor reports Not Implemented</b>                      Follow-up, Report No. 17-06.                 </li> </ul>
<p>(1.c.) The University of Hawai’i should determine whether unauthorized fees collected since FY2007 should be returned to commercial tour operators.</p>	<ul style="list-style-type: none"> <li data-bbox="786 1033 1182 1108"> <b>2018: UH reports Implemented</b>                      Self-reported August 30, 2018.                 </li> <li data-bbox="786 1142 1325 1243"> <b>2017: Auditor reports in Not Implemented - Disagree</b>                      Follow-up, Report No. 17-06.                 </li> </ul>
<p>(1.d.) The University of Hawai’i should complete Comprehensive Management Plan (CMP) management actions, whose implementation under the CMP implementation plan is schedules as “immediate,” as soon as possible, but no later than the end of 2016.</p>	<ul style="list-style-type: none"> <li data-bbox="786 1306 1182 1381"> <b>2018: UH reports Implemented</b>                      Self-reported August 30, 2018.                 </li> <li data-bbox="786 1415 1338 1478"> <b>2017: Auditor reports Partially Implemented</b>                      Follow-up, Report No. 17-06.                 </li> </ul>
<p>(1.e.) The University of Hawai’i should further its efforts to renew general leases for UH-managed lands on Mauna Kea by continuing to work with DLNR and proceeding with the EIS process under Chapter 343, HRS.</p>	<ul style="list-style-type: none"> <li data-bbox="786 1566 1182 1642"> <b>2018: UH reports Implemented</b>                      Self-reported August 30, 2018.                 </li> <li data-bbox="786 1675 1338 1747"> <b>2017: Auditor reports Partially Implemented</b>                      Follow-up, Report No. 17-06.                 </li> </ul>

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## Recommendation

## Status of Recommendation

(1.f.) The University of Hawai'i should renegotiate with existing sublessees to amend subleases to include provisions that address stewardship issues, as modeled by the provisions in the 2014 TMT sublease, following execution of the new general leases for UH-managed lands on Mauna Kea.

• **2019: UH reports** **Not Implemented - N/A**

Self-reported August 28, 2019, stating:

“The recommendation is not currently implementable. It requires interference with existing contractual (master lease and subleases) rights and obligations binding through 2033, based on an unmet precondition that UH satisfy all regulatory and environmental requirements for a new land authorization.”

• **2018: UH reports** **Partially Implemented**

Self-reported August 30, 2018.

• **2017: Auditor reports** **Not Implemented**

Follow-up, Report No. 17-06.

(2.a.) The Department of Land and Natural Resources should continue working with UH to renew the general leases for the UH-managed lands on Mauna Kea and ensure the leases are substantially in the form DLNR's Land Division recommended for approval by the land board.

• **2019: DLNR reports** **Partially Implemented**

Self-reported August 22, 2019.

• **2017: Auditor reports** **Partially Implemented**

Follow-up, Report No. 17-06.

(2.b.) The Department of Land and Natural Resources should use additional stewardship-related conditions contained within the TMT observatory permit as a template in all new observatory permits issued for the summit of Mauna Kea.

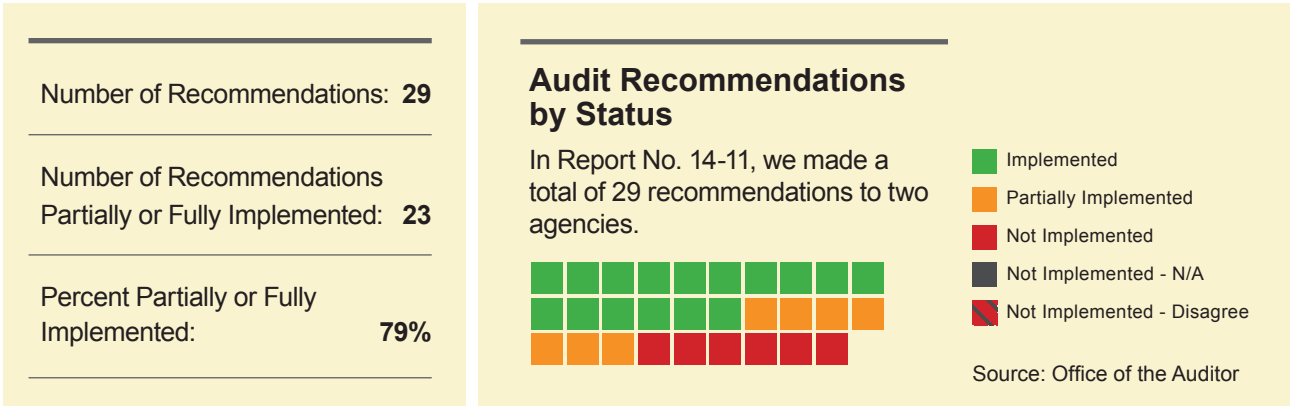
• **2017: Auditor reports** **Not Implemented - N/A**

In our report, we noted: “The TMT observatory permit has been voided. As a result, this recommendation cannot be addressed until the ongoing contested TMT case is fully resolved.”



PHOTO: HAWAII STATE FOUNDATION ON CULTURE AND THE ARTS

**REPORT NO. 14-11**  
***Audit of the Hawai'i State Foundation on Culture and the Arts***



**EARLIER THIS YEAR (2019)**, we issued Report No. 19-02 entitled, “*Follow-Up on Recommendations from Report No. 14-11, Audit of the Hawai'i State Foundation on Culture and the Arts.*” As a result of that report, we found that 79%, or 23 of our 29 recommendations to the Department of Business, Economic Development and Tourism’s State Foundation on Culture and the Arts (SFCA) 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 in yellow.

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## Recommendation

## Status of Recommendation

(1.a.i.) The State Foundation on Culture and the Arts commission should adopt a strategic plan that conforms to Act 100, Session Laws of Hawai'i (SLH) 1999, requirements by including targeted, measurable objectives.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-02.

2018: SFCA reports **Implemented**

Self-reported March 30, 2018.

(1.a.ii.) The State Foundation on Culture and the Arts commission should adopt a strategic plan that contains action plans for each objective detailing how, when and by whom each objective will be achieved.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-02.

2018: SFCA reports **Implemented**

Self-reported March 30, 2018.

(1.a.iii.) The State Foundation on Culture and the Arts commission should adopt a strategic plan that accounts for organizational changes needed to ensure fulfillment of all mandated duties and maximizes special fund revenues.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-02.

2018: SFCA reports **Implemented**

Self-reported March 30, 2018.

(1.a.iv.) The State Foundation on Culture and the Arts commission should adopt a strategic plan that utilizes surplus Works of Art Special Fund moneys.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-02.

2018: SFCA reports **Implemented**

Self-reported March 30, 2018.

(1.b.) The State Foundation on Culture and the Arts commission should evaluate and document whether Section 103-8.5, HRS, needs to be amended to allow for broader use of the Works of Art Special Fund.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-02.

2018: SFCA reports **Implemented**

Self-reported March 30, 2018.

(1.c.) The State Foundation on Culture and the Arts commission should evaluate and document whether Chapter 9 (Foundation on Culture and the Arts), HRS, needs updating; and if so, propose legislative changes, if appropriate. This should include seeking to eliminate statutory duties that are no longer performed.

2019: Auditor reports **Not Implemented**

Follow-up, Report No. 19-02.

In our report, we noted: “[O]ur review showed that meaningful progress towards implementing the recommendation has not yet been achieved. The Foundation will use the strategic plan adopted for FY2019-FY2023 as a basis for addressing this recommendation.”

2018: SFCA reports **Partially Implemented**

Self-reported March 30, 2018.



Recommendation	Status of Recommendation
<p>(1.d.) The State Foundation on Culture and the Arts commission should ensure that its decisions and actions are publicly advertised, openly conducted, and properly documented in conformance with the sunshine law, Chapter 92 (Public Agency Meetings and Records), HRS.</p>	<ul style="list-style-type: none"> <li data-bbox="751 363 1341 436"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2019: Auditor reports</b> <span style="background-color: #f4a460; padding: 2px 5px;">Partially Implemented</span>                      Follow-up, Report No. 19-02.                 </li> <li data-bbox="751 470 1214 543"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2018: SFCA reports Implemented</b>                      Self-reported March 30, 2018.                 </li> </ul>
<p>(1.e.) The State Foundation on Culture and the Arts commission should utilize its Planning and Budgeting Committee as a resource to regularly discuss and propose planning and budgeting policies and actions by ensuring the committee holds regular meetings, and by tasking the committee with responsibility for developing the foundation's strategic plan and matters related to its effective implementation.</p>	<ul style="list-style-type: none"> <li data-bbox="751 632 1252 705"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2019: Auditor reports</b> <span style="background-color: #2e8b57; color: white; padding: 2px 5px;">Implemented</span>                      Follow-up, Report No. 19-02.                 </li> <li data-bbox="751 739 1214 812"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2018: SFCA reports Implemented</b>                      Self-reported March 30, 2018.                 </li> </ul>
<p>(1.f.) The State Foundation on Culture and the Arts commission should adopt bylaws and a handbook of policy decisions.</p>	<ul style="list-style-type: none"> <li data-bbox="751 1022 1308 1306"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2019: Auditor reports</b> <span style="background-color: #c00000; color: white; padding: 2px 5px;">Not Implemented</span>                      Follow-up, Report No. 19-02.                       In our report, we noted: “We found that the Commission formed an Investigative Committee to review all existing Foundation and departmental policies in FY2015. However, the Commission had not adopted bylaws or a handbook of policy decisions as of the date of our review.”                 </li> <li data-bbox="751 1346 1325 1419"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2018: SFCA reports Partially Implemented</b>                      Self-reported March 30, 2018.                 </li> </ul>
<p>(1.g.) The State Foundation on Culture and the Arts commission should adopt and implement policies to ensure that the foundation is accountable for program performance and achievement of strategic goals.</p>	<ul style="list-style-type: none"> <li data-bbox="751 1472 1341 1545"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2019: Auditor reports</b> <span style="background-color: #f4a460; padding: 2px 5px;">Partially Implemented</span>                      Follow-up, Report No. 19-02.                 </li> <li data-bbox="751 1579 1325 1652"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2018: SFCA reports Partially Implemented</b>                      Self-reported March 30, 2018.                 </li> </ul>
<p>(1.h.) The State Foundation on Culture and the Arts commission should amend its written policy to specify the maximum period that a state agency can retain relocatable artwork for display.</p>	<ul style="list-style-type: none"> <li data-bbox="751 1703 1252 1776"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2019: Auditor reports</b> <span style="background-color: #2e8b57; color: white; padding: 2px 5px;">Implemented</span>                      Follow-up, Report No. 19-02.                 </li> <li data-bbox="751 1810 1214 1883"> <span style="font-size: 2em; vertical-align: middle;">⋮</span> <b>2018: SFCA reports Implemented</b>                      Self-reported March 30, 2018.                 </li> </ul>

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## Recommendation

## Status of Recommendation

(2.a.) The foundation’s executive director should, regarding the strategic management of the organization, propose to the commission recommendations to the Legislature for inclusion in the foundation’s annual report that suggest foundation actions to promote and further culture, arts, history, and the humanities.

**2019: Auditor reports** **Implemented**

Follow-up, Report No. 19-02.

**2018: SFCA reports** **Implemented**

Self-reported March 30, 2018.

(2.b.) The foundation’s executive director should, regarding the strategic management of the organization, develop and implement procedures to ensure that strategic plan progress reports include performance measures that are based on objectives provided by commissioners, and are in keeping with Act 100, SLH 1999, and best practices.

**2019: Auditor reports** **Implemented**

Follow-up, Report No. 19-02.

**2018: SFCA reports** **Implemented**

Self-reported March 30, 2018.

(2.c.) The foundation’s executive director should, regarding the strategic management of the organization, adopt a formal training program for staff and commissioners that includes duties under both Chapters 9 and 92, HRS.

**2019: Auditor reports** **Not Implemented**

Follow-up, Report No. 19-02.

In our report, we noted: “[T]he Foundation has yet to adopt a formal training program for staff and commissioners that includes duties under both Chapters 9 and 92, HRS.”

**2018: SFCA reports** **Implemented**

Self-reported March 30, 2018.

(2.d.) The foundation’s executive director should, regarding the Works of Art Special Fund, evaluate and document whether there is a need to propose legislative changes that address enforcement of requirements under Section 103-8.5 (Works of Art Special Fund), HRS, which may include penalties for non-compliance and requirements for agencies to develop and implement internal policies and procedures to ensure compliance.

**2019: Auditor reports** **Partially Implemented**

Follow-up, Report No. 19-02.

**2018: SFCA reports** **Implemented**

Self-reported March 30, 2018.

Recommendation	Status of Recommendation
<p>(2.e.) The foundation’s executive director should, regarding the Works of Art Special Fund, develop and implement policies and procedures for monitoring compliance with Section 103-8.5, HRS. The foundation should also consider coordinating compliance monitoring efforts with the Department of Budget and Finance.</p>	<p>2019: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 19-02.</p>
	<p>2018: SFCA reports <b>Partially Implemented</b> Self-reported March 30, 2018.</p>
<p>(2.f.) The foundation’s executive director should, regarding the Works of Art Special Fund, work with the Department of Accounting and General Services to resolve the issue of transfers into the Works of Art Special Fund that were disallowed due to faulty interpretation of the Work of Art Special Fund law and to identify and track amounts still due to the fund.</p>	<p>2019: Auditor reports <b>Implemented</b> Follow-up, Report No. 19-02.</p>
	<p>2018: SFCA reports <b>Implemented</b> Self-reported March 30, 2018.</p>
<p>(2.g.) The foundation’s executive director should, regarding maximizing public access to the foundation’s APP collection, adopt procedures to better facilitate enforcement of the foundation’s artwork rotation policy.</p>	<p>2019: Auditor reports <b>Implemented</b> Follow-up, Report No. 19-02.</p>
	<p>2018: SFCA reports <b>Implemented</b> Self-reported March 30, 2018.</p>
<p>(2.h.) The foundation’s executive director should, regarding maximizing public access to the foundation’s APP collection, enforce the foundation’s policy that all active display sites must have complete and accurate display site surveys on file prior to executing future or renewed artwork loan agreements.</p>	<p>2019: Auditor reports <b>Implemented</b> Follow-up, Report No. 19-02.</p>
	<p>2018: SFCA reports <b>Implemented</b> Self-reported March 30, 2018.</p>
<p>(2.i.i.) The foundation’s executive director should, regarding protection of the foundation’s digital assets, include on the foundation’s website all agreed-to notifications listed in its non-exclusive licenses, specifically, a notification to users that the contents displayed may only be used for personal, education, and non-commercial use.</p>	<p>2019: Auditor reports <b>Implemented</b> Follow-up, Report No. 19-02.</p>
	<p>2018: SFCA reports <b>Implemented</b> Self-reported March 30, 2018.</p>

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## Recommendation

## Status of Recommendation

(2.i.ii.) The foundation's executive director should, regarding protection of the foundation's digital assets, include on the foundation's website all agreed-to notifications listed in its non-exclusive licenses, specifically, a notification to users that nothing may be reproduced without the permission of the foundation and the copyright holder.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-02.

2018: SFCA reports **Implemented**

Self-reported March 30, 2018.

(2.i.iii.) The foundation's executive director should, regarding protection of the foundation's digital assets, include on the foundation's website all agreed-to notifications listed in its non-exclusive licenses, specifically, an overall copyright notice.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-02.

2018: SFCA reports **Implemented**

Self-reported March 30, 2018.

(2.j.) The foundation's executive director should, regarding protection of the foundation's digital assets, establish policies and procedures within the foundation's digital asset management plan regarding usage by both third parties and foundation staff.

2019: Auditor reports **Partially Implemented**

Follow-up, Report No. 19-02.

2018: SFCA reports **Partially Implemented**

Self-reported March 30, 2018.

(2.k.) The foundation's executive director should, regarding protection of the foundation's digital assets, establish policies and procedures that ensure active monitoring of the foundation's photographic material requests.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-02.

2018: SFCA reports **Implemented**

Self-reported March 30, 2018.

Recommendation	Status of Recommendation
<p>(3.a.i.) The Department of Accounting and General Services should develop and issue a new comptroller’s memo that provides updated and more detailed guidance for complying with Section 103-8.5, HRS, and ensure all agencies are aware of the statutory requirements. Revisions to the memo should include expanding and clarifying the guidance on which type of construction projects are subject to the 1 percent Works of Art Special Fund requirement. This should include a definition of “sitework” and guidance on how to interpret the term and identifying what is classified as sitework. It should also include defining the type of work that constitutes renovations, modernization, or other changes to an existing building.</p>	<p>2019: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 19-02.</p> <p>2018: DAGS reports <b>Partially Implemented</b> Self-reported March 29, 2018.</p>
<p>(3.a.ii.) The Department of Accounting and General Services should develop and issue a new comptroller’s memo that provides updated and more detailed guidance for complying with Section 103-8.5, HRS, and ensure all agencies are aware of the statutory requirements. Revisions to the memo should include added guidance on the treatment of appropriations subsequently reallocated between cost elements via allotment advices rather than legislative acts.</p>	<p>2019: Auditor reports <b>Not Implemented</b> Follow-up, Report No. 19-02.</p> <p>In our report, we noted: “DAGS has developed a draft State Comptroller’s memorandum..., and is currently working with B&amp;F to finalize it. However, based on our review the memo currently does not include additional guidance on the treatment of appropriations subsequently reallocated between cost elements via allotment advices rather than legislative acts.”</p> <p>2018: DAGS reports <b>Partially Implemented</b> Self-reported March 29, 2018.</p>

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## Recommendation

## Status of Recommendation

(3.a.iii.) The Department of Accounting and General Services should develop and issue a new comptroller’s memo that provides updated and more detailed guidance for complying with Section 103-8.5, HRS, and ensure all agencies are aware of the statutory requirements. Revisions to the memo should include develop and implement new reporting requirements for agencies receiving construction appropriations to ensure that the foundation receives all information necessary for monitoring compliance with Works of Art Special Fund assessments.

**2019: Auditor reports** **Not Implemented**

Follow-up, Report No. 19-02.

In our report, we noted: “DAGS has developed a draft State Comptroller’s memorandum..., and is currently working with B&F to finalize it. However, based on our review the memo currently does not include new reporting requirements for agencies receiving construction appropriations.”

**2018: DAGS reports** **Partially Implemented**

Self-reported March 29, 2018.

(3.a.iv.) The Department of Accounting and General Services should develop and issue a new comptroller’s memo that provides updated and more detailed guidance for complying with Section 103-8.5, HRS, and ensure all agencies are aware of the statutory requirements. Revisions to the memo should include added or revised DAGS’ criteria and procedures as necessary to address any other common compliance issues that the Department of Budget and Finance has identified as part of its monitoring efforts.

**2019: Auditor reports** **Not Implemented**

Follow-up, Report No. 19-02.

In our report, we noted: “DAGS has developed a draft State Comptroller’s memorandum..., and is currently working with B&F to finalize it. However, based on our review the memo currently does not include additional or revised DAGS’ criteria or procedures to address other common compliance issues that B&F has identified as part of its monitoring efforts.”

**2018: DAGS reports** **Partially Implemented**

Self-reported March 29, 2018.

(3.b.) The Department of Accounting and General Services should evaluate and document whether it is feasible to create automated controls in the state accounting system that require a management override in order to process capital improvement project allotment requests that do not include work of art assessments.

**2019: Auditor reports** **Partially Implemented**

Follow-up, Report No. 19-02.

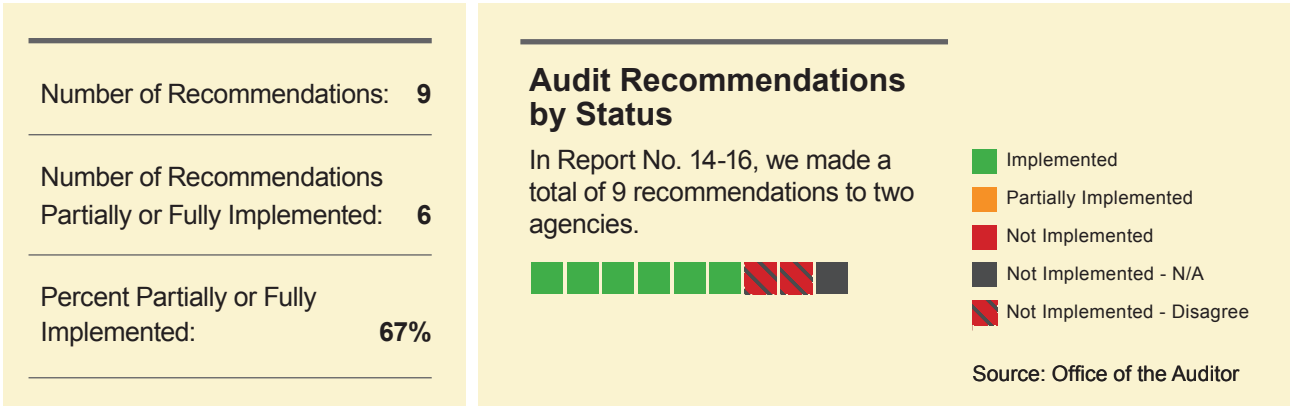
**2018: DAGS reports** **Partially Implemented**

Self-reported March 29, 2018.



PHOTO: ISTOCK.COM

**REPORT NO. 14-16**  
***Audit of the Department of Health's Glass Advance Disposal Fee Program***



**IN 2017**, we conducted an active follow-up into the implementation of our recommendations to the Department of Health (DOH), and issued Report No. 17-04 entitled, “*Follow-Up on Recommendations from Report No. 14-16, Audit of the Department of Health’s Glass Advance Disposal Fee Program.*” As a result of that report, we found that 44%, or 4 of our 9 recommendations had been at least partially implemented.

In 2018, we issued a formal request for information on the status of audit recommendations that had not been fully implemented in the follow-up report, Report No. 17-04. The agency reported that 3 of our recommendations had been implemented in full, 1 recommendation had been implemented in

part, 1 recommendation had not been implemented, and 2 recommendations had not been implemented because they disagreed with the recommendation.

Earlier this year (2019), we issued another formal request for information on the status of audit recommendations that the agency had indicated as partially implemented or not implemented. The agency reported that the recommendations noted as partially and/or not implemented in their last response had now 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 in yellow.

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## Recommendation

## Status of Recommendation

(1.a.) The Department of Health should work with the Legislature to update the State’s waste disposal goals to ensure the goals are measurable and revised when necessary.

2019: DOH reports **Implemented**

Self-reported August 1, 2019.

2018: DOH reports **Not Implemented**

Self-reported August 31, 2018.

2017: Auditor reports **Not Implemented**

Follow-up, Report No. 17-04.

(1.b.) The Department of Health should work with the Legislature to clarify whether the purpose of the glass advance disposal fee is to fully or partially fund county glass collection programs.

2018: DOH reports **Not Implemented - Disagree**

Self-reported August 31, 2018, stating:

“The Department of Health believes the legislative history from the 1994 legislative committee reports and the express language from the glass container recovery law, completely removed the counties’ ability to fund their glass disposal programs by prohibiting the collection of any assessment or fee on glass containers imported into the State.”

2017: Auditor reports **Not Implemented - Disagree**

Follow-up, Report No. 17-04.

(1.c.) The Department of Health should adopt administrative rules that include, but are not limited to, recycling goals for non-deposit glass, performance measures for the glass ADF, a schedule when counties are notified of ADF allocations and formalizing contracts, reporting requirements and supporting documents, and a process for returning unspent ADF funds at the end of annual contract periods.

2018: DOH reports **Not Implemented - Disagree**

Self-reported August 31, 2018, stating:

“The Department of Health (DOH) believes that it does not have the authority to promulgate rules... Even if there was no HRS § 342G-82(b), and the DOH had the authority to promulgate rules, the DOH believes that adopting administrative rules to include recycling goals for non-deposit glass is not administratively and financially practical for either the State or the importers of glass containers respectively... There are no practical options to measure the recycling rate for contaminated non-deposit glass. Therefore establishing a recycling goal would not serve the desired goal to measure improvement... Finally, since the DOH utilizes a reimbursement method of payment, where the counties submit invoices to DOH for the glass containers collected, the counties do not have any unspent funds. Therefore a process to return unspent funds is not applicable.”

2017: Auditor reports **Not Implemented - Disagree**

Follow-up, Report No. 17-04.



Recommendation	Status of Recommendation
<p>(1.d.) The Department of Health should adopt written procedures for the glass ADF program that include, but are not limited to, contract administration, accounting, enforcement and compliance, and the collection and compilation of glass ADF data presented in annual reports to the Legislature.</p>	<p>2018: DOH reports <b>Implemented</b> Self-reported August 31, 2018.</p> <p>2017: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 17-04.</p>
<p>(1.e.) The Department of Health should revise the scope of services in its contracts with counties to include requiring supporting documents for costs such as administrative costs and incentive rates.</p>	<p>2017: Auditor reports <b>Implemented</b> Follow-up, Report No. 17-04.</p>
<p>(1.f.) The Department of Health should, if it elects to retain reimbursement as the preferred method of payment, coordinate with counties to establish a new method for calculating ADF allocations that is timely and accurate.</p>	<p>2018: DOH reports <b>Implemented</b> Self-reported August 31, 2018.</p> <p>2017: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 17-04.</p>
<p>(1.g.) The Department of Health should require the City and County of Honolulu to return unspent ADF funds that were allocated in previous years, taking into account the reserve ADF funds the county used in FY2012 at the department's request.</p>	<p>2017: Auditor reports <b>Not Implemented - N/A</b> Follow-up, Report No. 17-04.</p> <p>In our report, we noted: "This recommendation is no longer applicable as a portion of the City and County of Honolulu's ADF program was temporarily suspended in FY2014 due to the lack of funding provided by DOH. According to the City and County of Honolulu, the unspent ADF funds were depleted in FY2010 and FY2012 when the City did not receive allocations from DOH."</p>
<p>(1.h.) The Department of Health should suspend allocations of glass ADF funding to Kaua'i County until the department reaffirms whether the buyback program required for counties to receive glass ADF funds is satisfied by participation in the deposit beverage container 5¢ redemption system.</p>	<p>2018: DOH reports <b>Implemented</b> Self-reported August 31, 2018.</p> <p>2017: Auditor reports <b>Not Implemented</b> Follow-up, Report No. 17-04.</p>

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## Recommendation

(1.i.) The Department of Health should continue with intended plans to request from the 2015 Legislature funds to update the State's integrated waste management plan and additional staff to adequately administer the glass ADF.

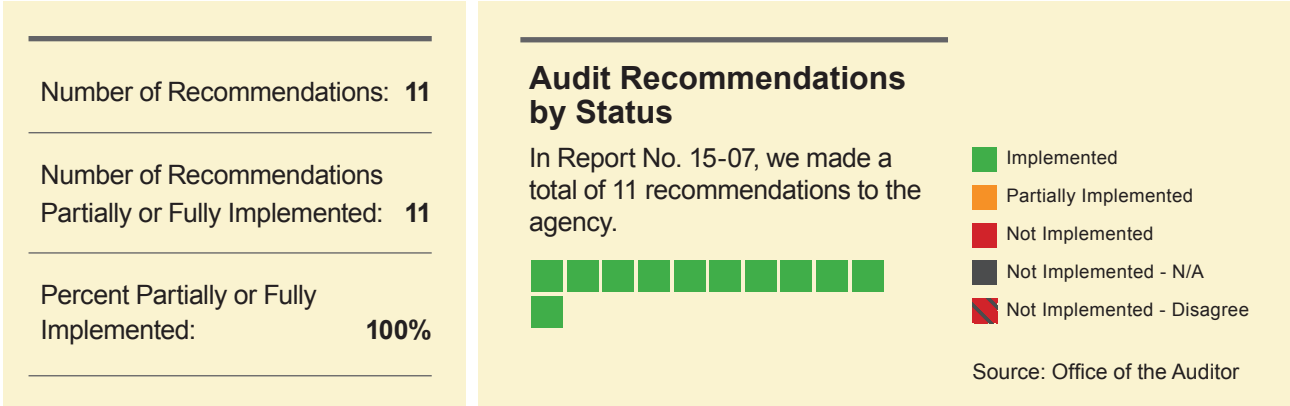
## Status of Recommendation

- **2019: DOH reports **Implemented****  
Self-reported August 1, 2019.
- **2018: DOH reports Partially Implemented**  
Self-reported August 31, 2018.
- **2017: Auditor reports Partially Implemented**  
Follow-up, Report No. 17-04.



PHOTO: RCUH HAWAII

**REPORT NO. 15-07**  
***Audit of the Research Corporation of the University of Hawai'i***



**IN 2018**, we conducted an active follow-up into the implementation of our recommendations to the Research Corporation of the University of Hawai'i (RCUH), and issued Report No. 18-10 entitled, *“Follow-Up on Recommendations from Report No. 15-07, Audit of the Research Corporation of the University of Hawai'i.”* As a result of that report, we found that 100%, or all 11 of our recommendations had been 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 in yellow.

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## Recommendation

## Status of Recommendation

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(1.a.) The Research Corporation of the University of Hawai‘i’s Board of Directors should adopt a mission that more accurately reflects the corporation’s statutory responsibility to initiate and promote research and development statewide. If the board no longer thinks RCUH can fulfill its broad mandate, it should request that the Legislature redefine the agency’s role.

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-10.

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(1.b.) The Research Corporation of the University of Hawai‘i’s Board of Directors should adopt a strategic plan that conforms to Act 100, SLH 1999, requirements by containing proper objectives and accounts for organizations changes needed to ensure fulfillment of all mandated duties.

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-10.

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(1.c.) The Research Corporation of the University of Hawai‘i’s Board of Directors should adopt and implement strategic planning and performance reporting policies and procedures.

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-10.

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(1.d.) The Research Corporation of the University of Hawai‘i’s Board of Directors should explicitly identify the corporation’s executive director as being responsible for developing and implementing a strategic plan.

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-10.

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(1.e.) The Research Corporation of the University of Hawai‘i’s Board of Directors should develop and update policies to ensure projects are accepted in conformance with Chapter 304A, HRS the UH/RCUH Internal Agreement, and the State/RCUH Master Agreement.

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-10.

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(2.a.) The corporation’s executive director should implement a training program for board members that familiarizes them with their oversight roles and responsibilities.

**2018: Auditor reports** **Implemented**

Follow-up, Report No. 18-10.

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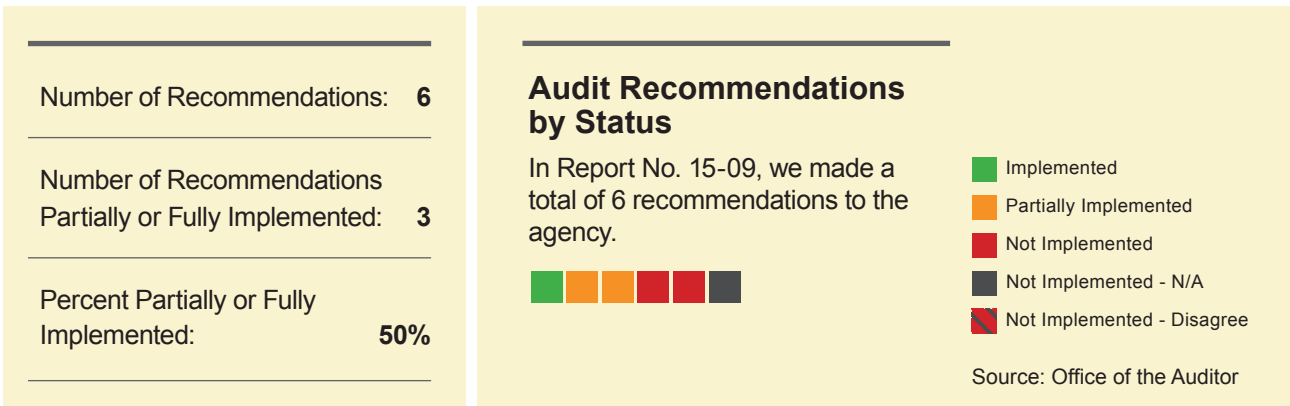
Recommendation	Status of Recommendation
<p>(2.b.) The corporation's executive director should develop, adopt, and report on performance measures for assessing RCUH's accomplishments of its goals, objectives, and mission.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-10.</p>
<p>(2.c.) The corporation's executive director should consider and document whether added resources are needed to review incoming projects to determine whether they fall under the scope of RCUH services, and to monitor ongoing projects.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-10.</p>
<p>(2.d.) The corporation's executive director should develop and implement procedures that include:</p> <ul style="list-style-type: none"> <li>i. Detailed guidance for monitoring all projects;</li> <li>ii. Ensuring periodic review of direct projects; and</li> <li>iii. Reviewing and approving projects.</li> </ul>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-10.</p>
<p>(2.e.) The corporation's executive director should ensure that requirements of the State/RCUH master agreement are complied with by agencies requesting services.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-10.</p>
<p>(2.f.) The corporation's executive director should request the Department of the Attorney General issue a written opinion on whether certain state agencies are exempted from the State/RCUH Master Agreement.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-10.</p>



PHOTO: ISTOCK.COM

**REPORT NO. 15-09**

***Procurement Examination of the Department of Health:  
Lack of Procurement Controls Exposes Health Department  
to Waste and Abuse***



**IN 2018**, we conducted an active follow-up into the implementation of our recommendations to the Department of Health (DOH), and issued Report No. 18-13 entitled, “Follow-Up on Recommendations from Report No. 15-09, Procurement Examination of the Department of Health: Lack of Procurement Controls Exposes Health Department to Waste and Abuse.” As a result of that report, we found that 50%, or 3 of our 6 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 in yellow.

Recommendation	Status of Recommendation
<p>(1.a.i.) The Department of Health should improve its procurement practices by increasing organizational oversight over procurements. Depending on the nature and type of contract, method of procurement, complexity of procurement, composition and technical knowledge of the evaluation committee and staff involved in the procurement, and risks of fraud, transparency, and noncompliance related to the procurement, the Administrative Services Office should provide greater oversight over departmental procurements by defining what oversight responsibilities the ASO will provide, including determining the level of review and approval required for solicitations and awards that are deemed high risk; determining whether an evaluation committee has the appropriate knowledge, expertise, and composition reflective of the complexity and dollar value of the procurement; determining the level of review and approval required for significant contract modifications; identifying what its technical support will be and what role the State Procurement Office should have in conjunction with ASO oversight; notifying departmental divisions, branches, and offices of any procurement violations or noncompliance; and enforcing any corrective actions.</p>	<p>2018: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 18-13.</p>
<p>(1.a.ii.) The Department of Health should improve its procurement practices by increasing organizational oversight over procurements. Depending on the nature and type of contract, method of procurement, complexity of procurement, composition and technical knowledge of the evaluation committee and staff involved in the procurement, and risks of fraud, transparency, and noncompliance related to the procurement, the department should develop a periodic, systematic review of procurement activities to monitor and promote compliance and ensure that all employees involved in procurements adhere to key requirements, including contract administration.</p>	<p>2018: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 18-13.</p>

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## Recommendation

## Status of Recommendation

(1.b.i.) The Department of Health should improve its procurement practices by clarifying roles, responsibilities, and procedures for procurements by developing and implementing a department-specific procurement policy and procedures manual that defines roles, responsibilities, authority, and accountability for each step in the procurement process. The manual should include specific guidelines, instructions, and standards for acquisitions of products and services. It should explain how to handle key issues and mistakes in the procurement, contract administration, and quality assurance processes, detailing procurement controls and oversight responsibilities. The manual should be formally approved by management and periodically reviewed and updated.

2018: Auditor reports **Not Implemented**

Follow-up, Report No. 18-13.

In our report, we noted: “[A]s of the time of our follow-up, the evidence provided did not support meaningful movement towards implementation of this recommendation.”

(1.b.ii.) The Department of Health should improve its procurement practices by clarifying roles, responsibilities, and procedures for procurements by identifying and communicating what constitutes a high risk procurement that should be referred to ASO for guidance. Risk factors include contracts where the procurer does not have technical expertise or past experience with what is being procured, unusual contract terms or circumstances, and bid protests.

2018: Auditor reports **Not Implemented**

Follow-up, Report No. 18-13.

In our report, we noted: “Although the four preliminary questions [to assess the level of risk of anticipated procurement efforts] are an initial step to identify and communicate what constitutes a high-risk assessment, the preliminary questions alone do not represent a meaningful movement towards implementation of [this recommendation].”

(2.) The director of health should ensure that staff involved in procurements are adequately trained and appropriately supervised.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-13.

(3.) The department should review its procurement of the Grant Thornton/PKF contract. If the department determines that a procurement violation has occurred, it must report this violation to the SPO and rectify its process to ensure such a violation does not occur in future.

2018: Auditor reports **Not Implemented - N/A**

Follow-up, Report No. 18-13.

In our report, we noted: “Despite DOH’s consultation with the State Procurement Office, DOH’s inability to provide all the necessary documentation has and will continue to prevent the State Procurement Office from conducting a meaningful review to determine if a procurement violation occurred.”



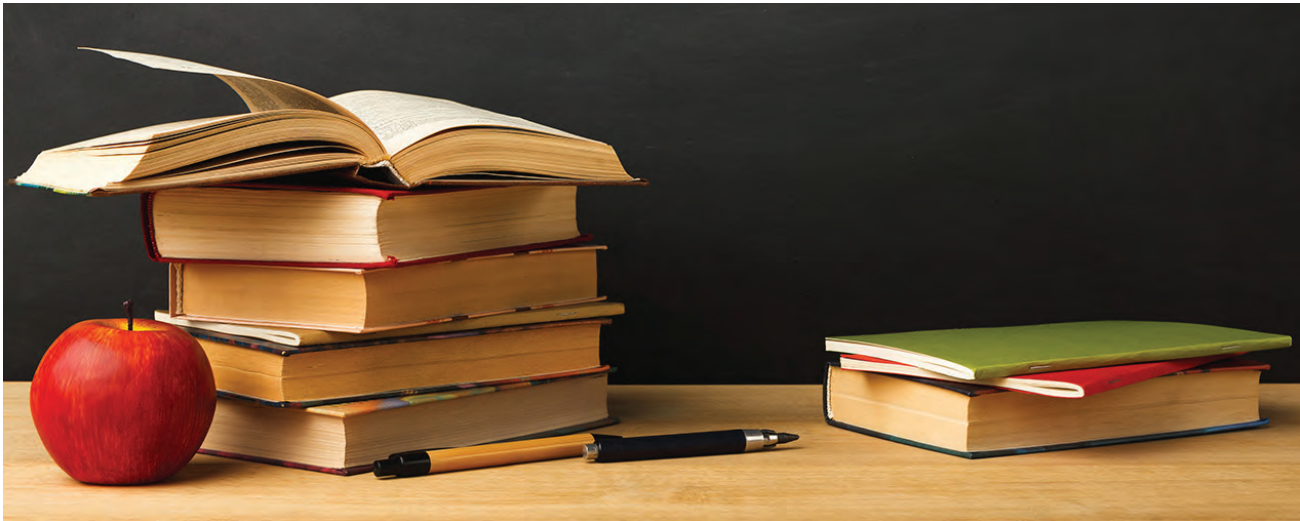
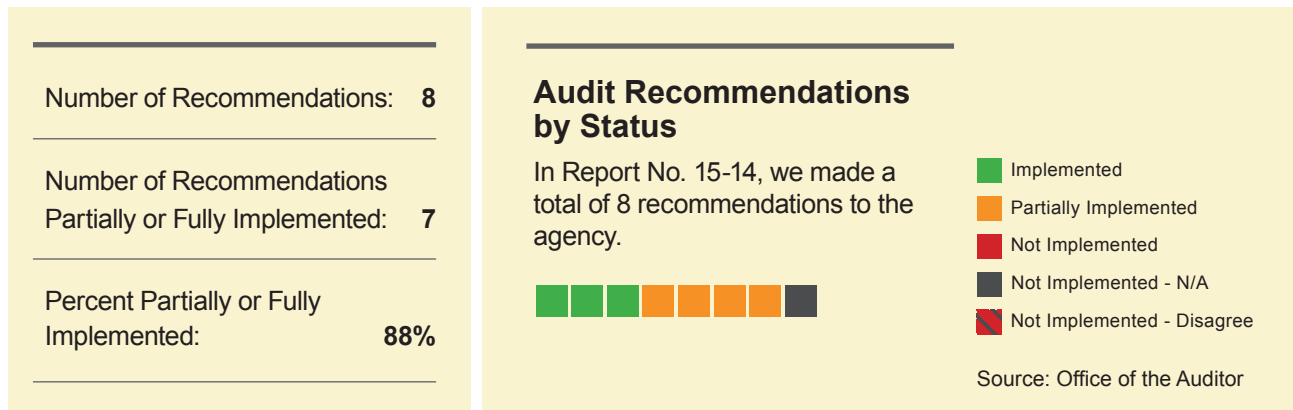


PHOTO: ISTOCK.COM

## REPORT NO. 15-14

### *Study of the Public Charter Schools' Governing Boards*



**IN 2018**, we issued a formal request for information to the Hawai'i State Public Charter Schools Commission (SPCSC) on the status of audit recommendations from Report No. 15-14. The agency reported that all but one of our recommendations have 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 in yellow.

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## Recommendation

## Status of Recommendation

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(1.a.) The Hawai'i State Public Charter Commission should ensure its staff develops policies and procedures, including the collection and analysis of school data, to retain organizational knowledge and mitigate the risk of limiting that knowledge to only a few personnel.

2018: SPCSC reports **Partially Implemented**

Self-reported February 21, 2018.

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(1.b.) The Hawai'i State Public Charter Commission should ensure its staff reviews its inter-office communication system to ensure information collected from the schools, including the rental terms of school facilities, is shared with all performance managers.

2018: SPCSC reports **Implemented**

Self-reported February 21, 2018.

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(1.c.i.) The Hawai'i State Public Charter Commission should ensure its staff reviews the charter contract to identify areas in need of clarification, including governance reporting requirements such as mandated policies and procedures, to ensure the schools and the boards are able to meet the commission's performance expectations.

2018: SPCSC reports **Partially Implemented**

Self-reported February 15, 2018.

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(1.c.ii.) The Hawai'i State Public Charter Commission should ensure its staff reviews the charter contract to clarify provisions that automatically trigger an intervention protocol for noncompliance.

2018: SPCSC reports **Partially Implemented**

Self-reported February 15, 2018.

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(1.c.iii.) The Hawai'i State Public Charter Commission should ensure its staff reviews the charter contract to consider amending the charter contract to require schools to provide adjusted annual budgets in the event school student enrollment projections fall significantly short of actual student enrollment figures.

2018: SPCSC reports **Implemented**

Self-reported February 21, 2018.

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Recommendation	Status of Recommendation
<p><b>(1.d.) The Hawai'i State Public Charter Commission should ensure its staff consistently monitors and enforces compliance with terms of the charter contract, including the posting of minutes of governing board meetings to school websites, reporting governing board membership changes, and providing the rental terms of school facilities.</b></p>	<p><b>2018: SPCSC reports</b> <b>Partially Implemented</b> Self-reported February 21, 2018.</p>
<p><b>(1.e.) The Hawai'i State Public Charter Commission should ensure its staff works with stakeholders to develop means other than self-reporting, to ensure statutory requirements regarding criminal history checks are met and independently verified by commission staff; consultation with the Department of the Attorney General, the Hawai'i Criminal Justice Data Center, and the Office of Information Practices is also advised.</b></p>	<p><b>2018: SPCSC reports</b> <b>Implemented</b> Self-reported February 21, 2018.</p>
<p><b>(1.f.) The Hawai'i State Public Charter Commission should ensure its staff receives training regarding obtaining and using financial agreements, such as a line of credit, by charter schools under Chapter 37D, HRS.</b></p>	<p><b>2018: SPCSC reports</b> <b>Not Implemented - N/A</b> Self-reported February 21, 2018. “Section 37D-3, HRS, states that financial agreements for agencies, such as a line of credit, must be approved by the attorney general and the director of budget and finance. The section further provides specific procedures that these agreements must follow.  The Commission believes this recommendation is not applicable as charter school financing agreements would be under the purview of the Department of Budget and Finance.”</p>



PHOTO: DEPARTMENT OF TRANSPORTATION

**REPORT NO. 15-18**

***Audit of the Department of Transportation’s Energy Performance Contracts: Improved Oversight is Needed to Ensure Savings***

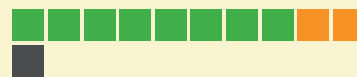
Number of Recommendations: **11**

Number of Recommendations Partially or Fully Implemented: **10**

Percent Partially or Fully Implemented: **91%**

**Audit Recommendations by Status**

In Report No. 15-18, we made a total of 11 recommendations to the agency.



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

**IN 2018**, we conducted an active follow-up into the implementation of our recommendations to the Department of Transportation (DOT), and issued Report No. 18-14 entitled, *“Follow-Up on Recommendations from Report No. 15-18, Audit of the Department of Transportation’s Energy Performance Contracts: Improved Oversight is Needed to Ensure Savings.”* As a result of that report, we found that 91%, or 10 of our 11 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 in yellow.

Recommendation	Status of Recommendation
<p>(1.a.i.) The director of transportation should review the DOT-Harbors and -Highways energy contracts with Johnson Controls to ensure they do not contain flaws found in the Airports Division’s energy contract, and revise those two agreements, as needed, to ensure that the duration of those contracts align with guaranteed savings schedules so that all savings are achieved within the contract term.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-14.</p>
<p>(1.a.ii.) The director of transportation should review the DOT-Harbors and -Highways energy contracts with Johnson Controls to ensure they do not contain flaws found in the Airports Division’s energy contract, and revise those two agreements, as needed, to ensure that the contracts integrate State Procurement Office guidelines calling for formal and written acceptance or rejection of deliverables, such as energy contract annual savings reports.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-14.</p>
<p>(1.b.) The director of transportation should establish procedures for review and independent verification of annual savings reports delivered by Johnson Controls to ensure that such analysis is completed within required reconciliation periods.</p>	<p>2018: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 18-14.</p>
<p>(1.c.) The director of transportation should ensure training is provided so that staff have sufficient expertise on measurement and verification processes, and other forms of performance and savings monitoring.</p>	<p>2018: Auditor reports <b>Partially Implemented</b> Follow-up, Report No. 18-14.</p>
<p>(2.a.i.) The Airports Division deputy director should amend the division’s energy contract to align guaranteed savings with the contract terms and conditions while holding to the contract’s \$518 million savings guarantee.</p>	<p>2018: Auditor reports <b>Implemented</b> Follow-up, Report No. 18-14.</p>

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## Recommendation

## Status of Recommendation

(2.a.ii.) The Airports Division deputy director should amend the division's energy contract to integrate State Procurement Office guidelines so that the acceptance or rejection of Johnson Controls' annual savings report is by formal and written means.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-14.

(2.b.) The Airports Division deputy director should review the energy savings measures in the contract with Johnson Controls to ensure the anticipated cost savings are reasonable and applicable throughout the contract term.

2018: Auditor reports **Not Implemented - N/A**

Follow-up, Report No. 18-14.

In our report, we noted: “[W]ith the completion of the measures called for in the contract, this review is no longer applicable.”

(2.c.) The Airports Division deputy director should ensure staff are trained to understand measurement and verification processes and other forms of performance and savings so they can properly interpret Johnson Controls' annual savings report.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-14.

(2.d.) The Airports Division deputy director should follow-through on plans to procure outside audit consultants to reconcile annual savings reports.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-14.

(2.e.) The Airports Division deputy director should ensure third-party consultants providing review and verification of Johnson Controls' annual savings reports are on contract with, or are directly accountable to, the division.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-14.

(2.f.) The Airports Division deputy director should establish procedures for review and independent verification of Johnson Controls' annual savings report to ensure the analysis is completed within the 90-day reconciliation period.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-14.

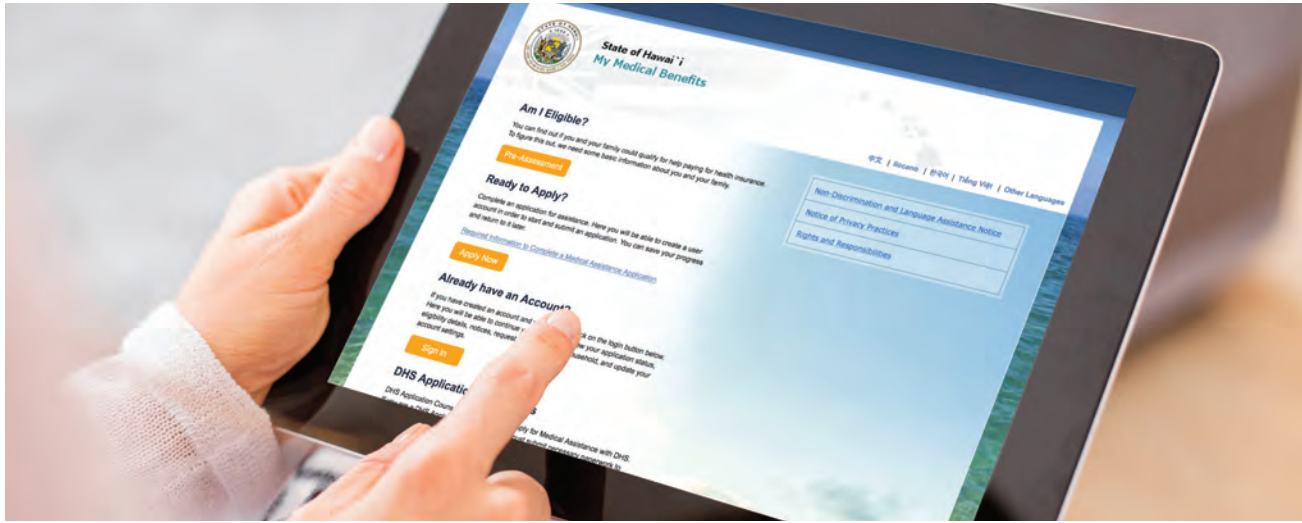


PHOTO: ISTOCK.COM / OFFICE OF THE AUDITOR

**REPORT NO. 15-20**

**Audit of the Department of Human Services' KOLEA System:  
\$155 Million KOLEA Project Does Not Achieve ACA Goals**



**IN 2018**, we conducted an active follow-up into the implementation of our recommendations to the Department of Human Services (DHS), and issued Report No. 18-12 entitled, “*Follow-Up on Recommendations from Report No. 15-20, Audit of the Department of Human Services’ KOLEA System.*” As a result of that report, we found that 100% of our recommendations had been at least partially implemented.

Earlier this year (2019), we issued a formal request for information on the status of audit recommendations that had not been fully implemented in the follow-up report, Report No. 18-12. The agency reported that 5 of our

recommendations had been implemented in full, and 2 recommendations had been implemented in part.

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 in yellow.

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## Recommendation

## Status of Recommendation

(1.a.) The director of human services should lead future departmental IT changes by ensuring rigorous project process standards are defined to guide the project, there is a clear structure for decisionmaking, individuals in lead roles have the right skills for the project, and those individuals appropriately execute their responsibilities.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-12.

(1.b.i.) The director of human services should address Medicaid income verification issues and increase the likelihood that Hawai'i's neediest people are receiving all the benefits for which they qualify by finalizing the Memorandum of Agreement with the Department of Labor and Industrial Relations so that the Med-QUEST Division can perform data matching with state wage information and perform real-time income verifications.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-12.

(1.b.ii.) The director of human services should address Medicaid income verification issues and increase the likelihood that Hawai'i's neediest people are receiving all the benefits for which they qualify by ensuring the Med-QUEST Division establishes an interface with the Internal Revenue Service to check unearned income or ensuring the Hawai'i Administrative Rules are revised to remove this requirement.

2019: DHS reports **Partially Implemented**

Self-reported October 31, 2019.

2018: Auditor reports **Partially Implemented**

Follow-up, Report No. 18-12.

(2.a.) The Med-QUEST Division administrator should ensure that KOLEA project responsibilities are clearly defined between functional areas and actively manage those responsibilities to avoid gaps in, and enforce, responsibilities as necessary.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-12.



Recommendation	Status of Recommendation
<p>(2.b.i.) The Med-QUEST Division administrator should facilitate efforts to improve the division’s eligibility and enrollment processes and address KOLEA’s functionality and usability issues by establishing goals, objectives, performance targets, and performance measures for the Medicaid eligibility and enrollment processes that align with the department’s overall mission, goals, and objectives and are useful for decisionmaking. The administrator should include managers at different organizational levels in the development of these performance goals.</p>	<ul style="list-style-type: none"> <li data-bbox="797 363 1219 436"> <span style="font-size: 2em; vertical-align: middle;">}</span> <b>2019: DHS reports <span style="background-color: #4CAF50; color: white; padding: 2px;">Implemented</span></b>                      Self-reported October 31, 2019.                 </li> <li data-bbox="797 457 1349 531" style="background-color: #FFF9C4; padding: 5px;"> <span style="font-size: 2em; vertical-align: middle;">}</span> <b>2018: Auditor reports Partially Implemented</b>                      Follow-up, Report No. 18-12.                 </li> </ul>
<p>(2.b.ii.) The Med-QUEST Division administrator should facilitate efforts to improve the division’s eligibility and enrollment processes and address KOLEA’s functionality and usability issues by ensuring KOLEA is modified so that it can generate reports on relevant performance measures.</p>	<p data-bbox="797 884 1252 957"><b>2018: Auditor reports <span style="background-color: #4CAF50; color: white; padding: 2px;">Implemented</span></b> Follow-up, Report No. 18-12.</p>
<p>(2.b.iii.) The Med-QUEST Division administrator should facilitate efforts to improve the division’s eligibility and enrollment processes and address KOLEA’s functionality and usability issues by periodically reviewing and discussing with relevant stakeholders the progress made toward improving the division’s eligibility and enrollment processes and KOLEA’s functionality and usability issues.</p>	<ul style="list-style-type: none"> <li data-bbox="797 1182 1219 1255"> <span style="font-size: 2em; vertical-align: middle;">}</span> <b>2019: DHS reports <span style="background-color: #4CAF50; color: white; padding: 2px;">Implemented</span></b>                      Self-reported October 31, 2019.                 </li> <li data-bbox="797 1276 1349 1350" style="background-color: #FFF9C4; padding: 5px;"> <span style="font-size: 2em; vertical-align: middle;">}</span> <b>2018: Auditor reports Partially Implemented</b>                      Follow-up, Report No. 18-12.                 </li> </ul>

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## Recommendation

## Status of Recommendation

(2.c.i.) The Med-QUEST Division administrator should ensure the division's Policy and Program Development Office evaluates and updates the department's administrative rules, policies, and procedures regarding Medicaid enrollment and eligibility pursuant to requirements in the Affordable Care Act. The office should ensure administrative rules adhere to all applicable provisions of the ACA including income verification requirements, conform with the Notice of Proposed Rulemaking, align with the department's Verification Plan, and include business processes that optimize KOLEA's efficiency.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-12.

(2.c.ii.1.) The Med-QUEST Division administrator should ensure the division's Policy and Program Development Office works with the Eligibility Branch to along with other stakeholders and experts, examine the state's Medicaid application and eligibility determination process and establish a new one that complies with the department's administrative rules.

2018: Auditor reports **Implemented**

Follow-up, Report No. 18-12.

(2.c.ii.2.) The Med-QUEST Division administrator should ensure the division's Policy and Program Development Office works with the Eligibility Branch to reassess Eligibility Branch staff's responsibilities in light of the new statutory framework pursuant to the ACA and KOLEA-automated processes.

2019: DHS reports **Implemented**

Self-reported October 31, 2019.

2018: Auditor reports **Partially Implemented**

Follow-up, Report No. 18-12.

(2.c.ii.3.) The Med-QUEST Division administrator should ensure the division's Policy and Program Development Office works with the Eligibility Branch to develop an appropriate training program for Eligibility Branch workers. The program should include changes to the ACA, the division's new policies and procedures, and how to navigate KOLEA.

2019: DHS reports **Implemented**

Self-reported October 31, 2019.

2018: Auditor reports **Partially Implemented**

Follow-up, Report No. 18-12.

Recommendation	Status of Recommendation
<p>(2.d.i.) The Med-QUEST Division administrator should address KOLEA functionality and usability issues by seeking input from the policy office, Eligibility Branch, and other stakeholders and experts to identify weaknesses in the division’s eligibility and enrollment processes and KOLEA and their causes; and develop a strategy for, and allocate resources to, support improvement.</p>	<ul style="list-style-type: none"> <li data-bbox="748 363 1219 436"> <span style="font-size: 2em; vertical-align: middle;">}</span> <b>2019: DHS reports</b> <span style="background-color: #4CAF50; color: white; padding: 2px 5px;">Implemented</span>                      Self-reported October 31, 2019.                 </li> <li data-bbox="748 457 1349 531"> <span style="font-size: 2em; vertical-align: middle;">}</span> <b>2018: Auditor reports Partially Implemented</b>                      Follow-up, Report No. 18-12.                 </li> </ul>
<p>(2.d.ii.) The Med-QUEST Division administrator should address KOLEA functionality and usability issues by continuing to work with KPMG LLP to address functionality and usability issues so eligibility workers can use KOLEA more efficiently and effectively.</p>	<p data-bbox="797 726 1252 758"><b>2018: Auditor reports</b> <span style="background-color: #4CAF50; color: white; padding: 2px 5px;">Implemented</span></p> <p data-bbox="797 768 1117 800">Follow-up, Report No. 18-12.</p>
<p>(2.e.) The Med-QUEST Division administrator should ensure the division’s Training Office works with the policy office and KOLEA Project Team as necessary to develop and provide appropriate training to Eligibility Branch staff on new eligibility and enrollment processes and requirements, and navigating KOLEA. Training should be provided periodically as rules, policies, procedures, and KOLEA are modified.</p>	<ul style="list-style-type: none"> <li data-bbox="748 993 1328 1066"> <span style="font-size: 2em; vertical-align: middle;">}</span> <b>2019: DHS reports</b> <span style="background-color: #FF9800; color: white; padding: 2px 5px;">Partially Implemented</span>                      Self-reported October 31, 2019.                 </li> <li data-bbox="748 1087 1349 1161"> <span style="font-size: 2em; vertical-align: middle;">}</span> <b>2018: Auditor reports Partially Implemented</b>                      Follow-up, Report No. 18-12.                 </li> </ul>



PHOTO: ISTOCK.COM

**REPORT NO. 16-01**

***Report on Selected Executive Branch Departments' Information Technology Expenditures***

Number of Recommendations: **5**

Number of Recommendations Partially or Fully Implemented: **4**

Percent Partially or Fully Implemented: **80%**

**Audit Recommendations by Status**

In Report No. 16-01, we made a total of 5 recommendations to the agency.



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

Source: Office of the Auditor

**IN 2018**, we conducted an active follow-up into the implementation of our recommendations to the Office of Enterprise Technology Services (ETS), and issued Report No. 18-07 entitled, *“Follow-Up on Recommendations from Report No. 16-01, Report on Selected Executive Branch Departments’ Information Technology Expenditures.”* As a result of that report, we found that 80%, or 4 of our 5 recommendations had been at least partially implemented.

No. 18-07. The agency reported that of the recommendations made to them, 1 recommendation has now been fully implemented, 1 recommendation is still partially implemented, and 1 recommendation is no longer applicable.

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 in yellow.

Earlier this year (2019), we issued a formal request for information on the status of audit recommendations that had not been fully implemented in the follow-up report, Report

Recommendation	Status of Recommendation
<p>(1.) The Office of Enterprise Technology Services should be the central agency to establish policies and procedures over IT governance statewide. This is consistent with the governor’s December 10, 2015, announcement that ETS be the lead agency for IT planning and procurement.</p>	<p><b>2018: Auditor reports</b> <b>Implemented</b> Follow-up, Report No. 18-07.</p>
<p>(2.a.) The Office of Enterprise Technology Services should establish a statewide definition for IT that clearly defines what ETS considers IT costs.</p>	<p><b>2019: ETS reports</b> <b>Partially Implemented</b> Self-reported August 1, 2019.</p> <p><b>2018: Auditor reports</b> <b>Partially Implemented</b> Follow-up, Report No. 18-07.</p>
<p>(2.b.) The Office of Enterprise Technology Services should provide statewide training to fiscal personnel to ensure all IT costs are consistently recorded to assigned object codes.</p>	<p><b>2019: ETS reports</b> <b>Not Implemented - N/A</b> Self-reported August 1, 2019, stating: “[T]he following changes in circumstances has occurred, making the recommendation not applicable:  ... Proposing a change or modification to the current chart of accounts structure in use by Departments for the financial accounting and management system (FAMIS), which has been in use for decades, involves a much wider audience than the fiscal offices of each Department.  ... [T]he [Enterprise Resource Planning modernization] project evolved into a modular approach, and the first application that was rolled out was enterprise human resources/payroll application (completed January, 2019).”</p> <p><b>2018: Auditor reports</b> <b>Not Implemented</b> Follow-up, Report No. 18-07.</p>
<p>(2.c.) The Office of Enterprise Technology Services should require annual reporting by all departments to report IT assets, expenditures, contracts, and personnel costs and positions to facilitate decisionmaking.</p>	<p><b>2019: ETS reports</b> <b>Implemented</b> Self-reported August 1, 2019.</p> <p><b>2018: Auditor reports</b> <b>Partially Implemented</b> Follow-up, Report No. 18-07.</p>

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## Recommendation

## Status of Recommendation

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(2.d.) The Office of Enterprise Technology Services should incorporate ETS into the IT budgeting process and ETS oversight into significant IT contracts and expenditures to ensure these activities align with the State's overall IT strategic plan.

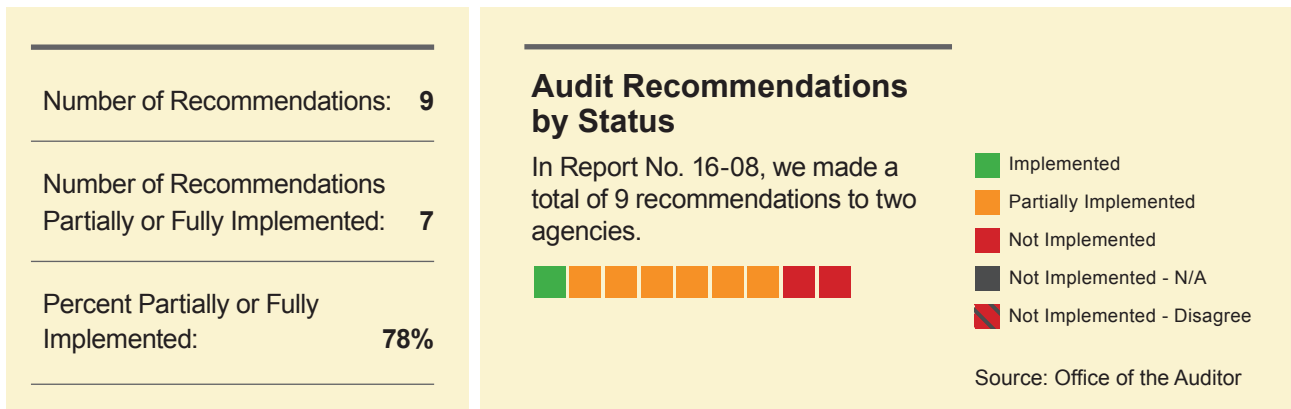
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2018: Auditor reports **Implemented**

Follow-up, Report No. 18-07.



**REPORT NO. 16-08**  
***Audit of Hawai'i's Motion Picture, Digital Media, and Film Production Income Tax Credit***



**IN 2018**, we issued a formal request for information to the Department of Taxation (DoTAX) and the Department of Business, Economic Development and Tourism (DBEDT) on the status of audit recommendations from Report No. 16-08. The agencies reported that all but one of our recommendations had been at least partially implemented.

Tax Credit.” As a result of that report, we found that 78%, or 7 of our 9 recommendations had been at least partially implemented.

Earlier this year (2019), we conducted an active follow-up into the implementation of our recommendations, and issued Report No. 19-14 entitled, “*Follow-Up on Recommendations from Report No. 16-08, Audit of Hawai'i's Motion Picture, Digital Media, and Film Production Income*

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 in yellow.

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## Recommendation

## Status of Recommendation

(1.a.i.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:

- i. Require all productions to obtain an independent review by a certified public accountant of qualified production costs and provide the report to the film office prior to being certified for the tax credit.

**2019: Auditor reports** Partially Implemented

Follow-up, Report No. 19-14.

**2018: DoTAX reports** Partially Implemented

Self-reported February 14, 2018.

(1.a.ii.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:

- ii. Specify actions that satisfy the statutory requirement for productions to make reasonable efforts to hire local talent and crew.

**2019: Auditor reports** Partially Implemented

Follow-up, Report No. 19-14.

**2018: DoTAX reports** Not Implemented

Self-reported February 14, 2018.

(1.a.iii.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:

- iii. Require a more reasonable minimum financial or in-kind contribution and educational or workforce development contribution of productions and consider basing the amount of such contributions on the amount of a production's qualified production costs.

**2019: Auditor reports** Partially Implemented

Follow-up, Report No. 19-14.

**2018: DoTAX reports** Implemented

Self-reported February 14, 2018.

(1.a.iv.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:

- iv. Require productions to provide proof of the shared-card, end-title screen credit to the film office prior to being certified for the tax credit.

**2019: Auditor reports** Partially Implemented

Follow-up, Report No. 19-14.

**2018: DoTAX reports** Implemented

Self-reported February 14, 2018.



**Recommendation**

**Status of Recommendation**

(1.a.v.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:  
 v. Require all productions to provide the following information as part of submitted post-production reports: (1) the number of Hawai'i resident and non-resident hires by category, such as above-the-line, below-the-line, and extras; (2) salary and wage information for resident actors, producers, directors, and other hires; (3) salary and wage information for nonresident actors, producers, directors, and other hires; and (4) any other information that DBEDT determines necessary to estimate the benefits of the tax credit.

**2019: Auditor reports** **Not Implemented**  
 Follow-up, Report No. 19-14.  
 In our report, we noted: “We reviewed TIR No. 2019-01 and confirmed that the proposed rules do not contain the provision called for in this recommendation...DoTAX Rules Officer has indicated DoTAX will include the provision in the proposed administrative rules.”

**2018: DoTAX reports Implemented**  
 Self-reported February 14, 2018.

(1.a.vi.) The Department of Taxation should adopt administrative rules for section 235-17, HRS, and consider incorporating the following provisions:  
 vi. Include a penalty for productions claiming the tax credit that do not meet the 90-day filing deadline to submit their written, sworn statements to DBEDT, similar to the stipulation for productions failing to prequalify for the credit by registering with DBEDT currently in section 235-17(f), HRS.

**2019: Auditor reports** **Partially Implemented**  
 Follow-up, Report No. 19-14.

**2018: DoTAX reports Implemented**  
 Self-reported February 14, 2018.

(1.b.) The Department of Taxation should request the Legislature to amend the statute to address the above recommendations if the department cannot implement the recommendations through administrative rule.

**2019: Auditor reports** **Not Implemented**  
 Follow-up, Report No. 19-14.  
 In our report, we noted: “According to DoTAX, the department did not propose any legislation amending section 235-17, HRS, during the 2019 legislative session. We inquired with the DoTAX Rules Officer who stated the department does not believe that it requires any legislative amendments to section 235-17, HRS, at this time. DoTAX plans to address [these] recommendations by permanently adopting its proposed administrative rules.”

**2018: DoTAX reports Implemented**  
 Self-reported February 14, 2018.

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## Recommendation

## Status of Recommendation

(2.a.) The Hawai'i Film Office should collaborate with READ to identify the specific production information READ needs to prepare a comprehensive cost benefit analysis and/or economic output estimates that account for the different categories of jobs created, salaries and wages of resident and non-resident production hires, and any other relevant information.

2019: Auditor reports **Partially Implemented**

Follow-up, Report No. 19-14.

2018: DBEDT reports **Partially Implemented**

Self-reported March 6, 2018.

(2.b.) The Hawai'i Film Office should improve its reporting to the Legislature on the film tax credit by ensuring that the reported data is accurate, consistent, and timely.

2019: Auditor reports **Implemented**

Follow-up, Report No. 19-14.

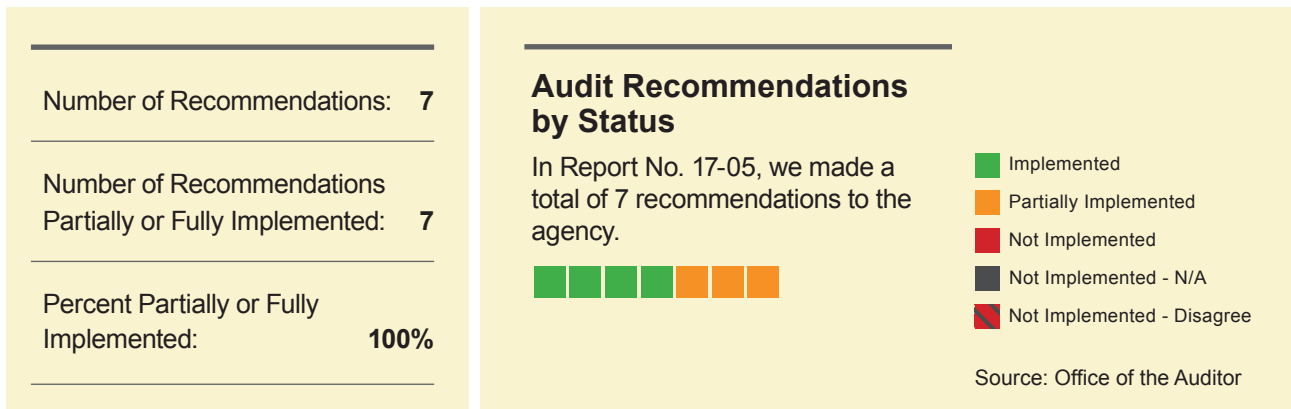
2018: DBEDT reports **Partially Implemented**

Self-reported March 6, 2018.



PHOTO: OFFICE OF THE AUDITOR

**REPORT NO. 17-05**  
***Audit of Hawai'i Department of Agriculture's  
 Plant Quarantine Branch***



**IN 2018**, we issued a formal request for information to the Hawai'i Department of Agriculture (HDOA) on the status of audit recommendations from Report No. 17-05. The agency reported that 100% 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 in yellow.

Earlier this year (2019), we issued another formal request for information on the status of audit recommendations that had not been fully implemented in its 2018 written responses. The agency reported that of the 3 recommendations reported as partially implemented in their 2018 written responses, all 3 remained only partially implemented.

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## Recommendation

## Status of Recommendation

(1.a.) The Hawai'i Department of Agriculture should plan and implement a risk analysis process to define and respond to threats of invasive species introduction, incorporating data-driven elements to monitor, evaluate, adjust, and improve inspection activities. This would include developing and implementing policies and procedures for data collection and verification, including establishing standards for data entry, which will ensure the completeness and accuracy of the data recorded.

2019: HDOA reports **Partially Implemented**

Self-reported August 29, 2019.

2018: HDOA reports **Partially Implemented**

Self-reported September 5, 2018.

(1.b.) The Hawai'i Department of Agriculture should plan, implement, and operate an up-to-date database system that houses important taxonomic data, communicates with other databases, and supports an e-manifest program, among other functions.

2019: HDOA reports **Partially Implemented**

Self-reported August 29, 2019.

2018: HDOA reports **Partially Implemented**

Self-reported August 31, 2018.

(1.c.) The Hawai'i Department of Agriculture should determine the personnel necessary to implement and operate a data-driven biosecurity program, ensuring that PQB is sufficiently staffed and supported to carry out these complex and specialized duties.

2018: HDOA reports **Implemented**

Self-reported September 5, 2018.

(1.d.) The Hawai'i Department of Agriculture should ensure timely recruitment of vacant PQB positions, paying particular attention to filling vacant managerial positions with permanent hires.

2018: HDOA reports **Implemented**

Self-reported August 1, 2018.

(2.a.) The Plant Quarantine Branch should develop appropriate policies and procedures to ensure that its inspectors carry out the branch's biosecurity plan.

2019: HDOA reports **Partially Implemented**

Self-reported August 29, 2019.

2018: HDOA reports **Partially Implemented**

Self-reported September 5, 2018.

(2.b.) The Plant Quarantine Branch should provide staff with the appropriate training to carry out this new approach.

2018: HDOA reports **Implemented**

Self-reported September 5, 2018.

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**Recommendation**

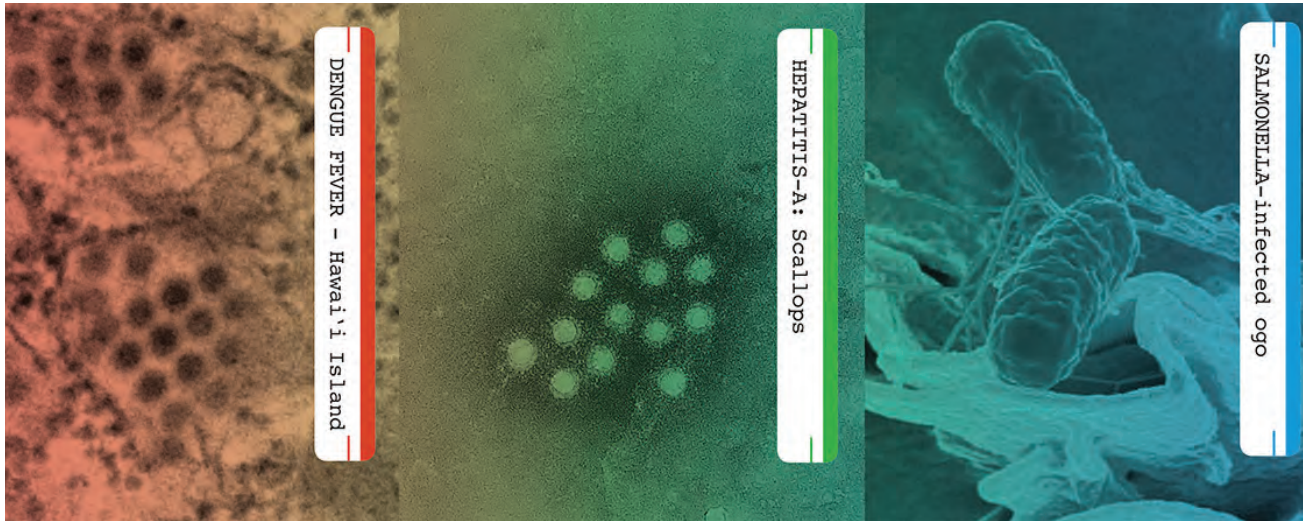
**Status of Recommendation**

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**(2.c.) The Plant Quarantine Branch should periodically review and update policies and procedures to ensure continued relevance.**

**2018: HDOA reports** **Implemented**  
Self-reported September 5, 2018.

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**REPORT NO. 17-14**  
***Audit of the Disease Outbreak Control Division of the  
 Department of Health***

<hr/> <p>Number of Recommendations: <b>5</b></p> <hr/> <p>Number of Recommendations Partially or Fully Implemented: <b>5</b></p> <hr/> <p>Percent Partially or Fully Implemented: <b>100%</b></p> <hr/>	<hr/> <p><b>Audit Recommendations by Status</b></p> <p>In Report No. 17-14, we made a total of 5 recommendations to the agency.</p> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div style="display: flex; gap: 5px;"> <div style="width: 15px; height: 15px; background-color: #28a745;"></div> <div style="width: 15px; height: 15px; background-color: #28a745;"></div> <div style="width: 15px; height: 15px; background-color: #28a745;"></div> <div style="width: 15px; height: 15px; background-color: #28a745;"></div> <div style="width: 15px; height: 15px; background-color: #ffc107;"></div> </div> </div> <div style="font-size: small;"> <p><span style="color: green;">■</span> Implemented</p> <p><span style="color: orange;">■</span> Partially Implemented</p> <p><span style="color: red;">■</span> Not Implemented</p> <p><span style="background-color: gray; color: black;">■</span> Not Implemented - N/A</p> <p><span style="border: 1px solid red; color: red;">■</span> Not Implemented - Disagree</p> </div> <p style="text-align: right; font-size: x-small;">Source: Office of the Auditor</p>
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**EARLIER THIS YEAR (2019)**, we issued a formal request for information to the Department of Health (DOH) on the status of audit recommendations from Report No. 17-14. The agency reported that all of our recommendations have 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 in yellow.

Recommendation	Status of Recommendation
<p>(1.a.) The Department of Health should continue developing the All Hazards Preparedness Plan or an alternative strategy that establishes a defined chain of command, communication guidelines, and roles and responsibilities for responding to significant outbreaks.</p>	<p>2019: DOH reports <b>Implemented</b> Self-reported January 22, 2019.</p>
<p>(1.b.) The Department of Health should determine the type of information that can/should be shared with external agencies and parties involved in jointly responding to an outbreak and develop procedures for sharing such information (e.g., HIPAA/confidentiality agreement). DOH may consider seeking advice and counsel from the Department of the Attorney General and oversight agencies such as CDC.</p>	<p>2019: DOH reports <b>Partially Implemented</b> Self-reported January 30, 2019.</p>
<p>(2.a.) The Disease Outbreak Control Division should develop and enforce administrative procedures related to the opening, investigating, and closing of cases, clusters, and outbreaks. Such procedures should include review and recordkeeping requirements, reporting requirements, responsible parties involved with each process, and established deadlines.</p>	<p>2019: DOH reports <b>Implemented</b> Self-reported January 11, 2019.</p>
<p>(2.b.) The Disease Outbreak Control Division should continue to develop and implement guidelines for summary report and after-action assessments for epidemiological investigations. These should include input from responsible parties, established deadlines, and a scientific format as recommended by CDC. We note that Epidemiological Investigation Summary Report Guidelines have been drafted by the Disease Investigation Branch.</p>	<p>2019: DOH reports <b>Implemented</b> Self-reported January 30, 2019.</p>

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**Recommendation****Status of Recommendation**

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**(2.c.) The Disease Outbreak Control Division should complete summary reports and after-action assessments for each significant outbreak, including documentation of key activities to ensure accountability.**

**2019: DOH reports** **Implemented**

Self-reported January 30, 2019.

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