

OFFICE OF THE CITY AUDITOR

Leslie I. Tanaka, CPA, City Auditor;
Edwin S.W. Young, MBA, MS, CIA, CFE, CGFM, City Auditor

POWERS, DUTIES AND FUNCTIONS

The Office of the City Auditor (OCA) was created on July 1, 2003. The Revised City Charter amendments, approved by the voters in the November 2002 General Election, authorized the Honolulu City Council to establish OCA as a separate and independent agency to strengthen the auditing function in City government and ensure that the agencies and programs of the City are held to the highest standard of accountability to the public (Sec. 3-501.1, RCH). The charter affords the auditor the independence to initiate work under the auditor's authority and consider requests for work from the Council. In addition, and for the purpose of carrying out an audit, the charter empowers the auditor to have full, free and unrestricted access to any city officer or employee and grants authorization to examine and inspect any record of any agency or operation of the City.

The charter further provides that the city auditor conduct or cause to be conducted: 1) the annual financial audit of the City, 2) performance audits of the funds, programs and operations of any agency or operation of the City, and 3) follow-up audits and monitoring of compliance with audit recommendations by audited entities. All audits are conducted in accordance with government auditing standards and audit findings and recommendations are set forth in written reports of the city auditor.

OCA'S MISSION

The Office of the City Auditor's mission is to promote accountability, fiscal integrity and openness in City government. OCA will examine the use of public funds, evaluate programs and activities, and provide timely, accurate and objective analyses, options and recommendations to decision makers. The audits ensure city resources are used effectively and efficiently to meet the needs of the public.

YEAR IN REVIEW

Audit Reports

OCA released three performance audit reports in FY 10 and will be releasing a fourth report shortly. The office is currently working on completing two additional performance audits according to its FY 10 work plan, as well as follow-up audits of departments and programs that were originally audited in 2004 and 2005. In addition, one contract audit (financial audit) was completed this year.

Peer Review

OCA underwent its second peer review in August 2009. The peer review team, consisting of city auditors from the City of Stockton, California, the City of Oklahoma City, Oklahoma, and the Director of the Auditor General's Office in Toronto, Canada, issued OCA a clean opinion. They found that OCA's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit engagements during the period July 1, 2006 to June 30, 2009.



Members of the peer review team (left to right): Alan Ash, Director, Auditor General's Office, City of Toronto, Canada; Michael Taylor, City Auditor, City of Stockton, California; and Jim Williamson, City Auditor, City of Oklahoma City, Oklahoma.



Edwin S. W. Young is appointed as the new City auditor by the Honolulu City Council in May 2010.

New City Auditor

In May 2010, the Council appointed Edwin Young as the new city auditor, replacing Leslie Tanaka who retired after serving as Honolulu's first city auditor for over six years.

SUMMARY OF REPORTS TO COUNCIL AND MAYOR

OCA released the following three performance audit reports in FY 10: 1) Audit of Select Management Practices of City-Owned Vehicles Under the Jurisdiction of the Department of Facility Maintenance; 2) Audit of the Department of Transportation Services' Honolulu High-Capacity Transit Corridor Project Contracts; and 3) Audit of the Honolulu Fire Department's Fire Code Inspection Program for High-Rise Residential Buildings. OCA continues to oversee the financial

audit of the City, which resulted in findings and recommendations for the fiscal year ended June 30, 2009, by N&K CPAs, Inc., the contract auditor. All of the completed reports are available to the public on OCA's web page (www.honolulu.gov/council/auditor).

Audit of Select Management Practices of City-Owned Vehicles Under the Jurisdiction of the Department of Facility Maintenance

In FY 07, the City and County of Honolulu reported that it owned 2,218 vehicles and motorized equipment valued at \$348,002,191. Given the significant value of these assets, its potential for abuse, the rising cost of fuel, and because no comparable audit or study had been conducted in prior years, OCA initiated this audit to examine the City's purchasing and management of the 949 passenger vehicle fleet under the Department of Facility Maintenance's jurisdiction. The objectives of this audit were to review and assess select passenger vehicle fleet management purchasing practices and operations practices.

In this audit, OCA found that the City's purchasing practices for passenger-type vehicles are fragmented and lack accountability. It was also found that the City's fleet management operations practices and structure further contribute to an inefficient fleet that is inconsistent with fleet management best practices.

Audit of the Department of Transportation Services' Honolulu High-Capacity Transit Corridor Project Contracts

This audit focused on whether consultants have met the terms and conditions for contracts between the Department of Transportation Services, InfraConsult, and PB Americas, Inc. for certain technical and professional services related to the Honolulu High-Capacity Transit Corridor Project. The objectives for this audit were to assess whether the Department of Transportation Services' Rapid Transit Division's (DTS-RTD) Honolulu High-Capacity Transit Corridor Project contracts were procured in compliance with existing policies, laws and regulations; and to assess the effectiveness by which DTS-RTD manages its Honolulu High-Capacity Transit Corridor Project contractors to ensure compliance with contract terms and conditions.

For this audit, OCA found that DTS-RTD complied with procurement and contract management requirements for the Honolulu High-Capacity Transit Corridor Project, but needs to take measures to improve transparency and increase accountability. Specifically, DTS-RTD needs to improve its documentation for its procurement decisions to improve transparency. In addition, the division needs to better monitor contract implementation, and to develop detailed guidelines in some areas to increase accountability.

Audit of the Honolulu Fire Department's Fire Code Inspection Program for High-Rise Residential Buildings

OCA initiated this audit due to concerns about the Honolulu Fire Department's ability to ensure compliance with mandated fire code inspections every two years of buildings and facilities which include residential high-rise buildings; monitor problems with inspection record keeping; and report pertinent data on the number of fire code inspections completed within the two-year cycle. The objective for this audit was to assess the effectiveness of the Honolulu Fire Department's fire code inspection program for high-rise residential buildings.

OCA found that the Honolulu Fire Department's fire inspection database for high-rise residential buildings is incomplete, inaccurate and cannot effectively track compliance with state law. OCA also found that the department lacks a systematic approach in the collection of fire inspection data and information needed to assess program effectiveness.

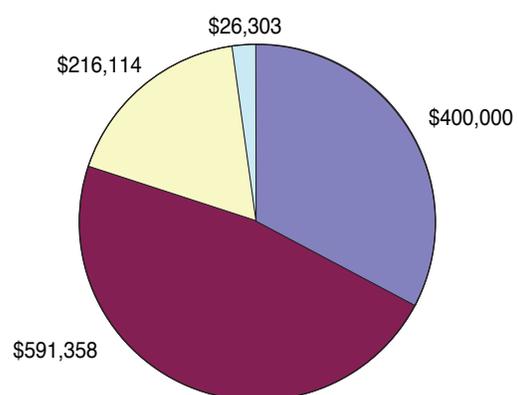
Financial Audit of the City and County of Honolulu, State of Hawai'i, Fiscal Year Ended June 30, 2009

Contract auditor, N&K CPAs, Inc. submitted their findings and recommendations for the financial audit of the City and County of Honolulu for FY 09 to the Honolulu City Council in April 2010. Their findings included errors in the accounting of capital assets, discrepancies in the sewer fund financial statements, and inadequate subrecipient monitoring procedures. It was also reported that one finding from the FY 08 audit was still applicable in the FY 09 audit.

FY 2010 APPROPRIATIONS AND EXPENDITURES

The Office of the City Auditor was appropriated a total of \$1,233,775 in FY 10. Of this total, \$400,000 was expended for the City's annual financial audit contract, which OCA oversees for the Council. OCA's total appropriated operating budget was \$833,775, of which \$591,358 was expended for staff salaries and \$216,114 was expended for office operations and equipment. Approximately \$26,303 in unspent appropriations was returned back to the City treasury at the end of the fiscal year. Most of the unspent appropriations resulted from salary savings due to the retirement of the City auditor prior to the end of the fiscal year.

OCA FY 2010 Application of Resources



- City's Financial Audit Contract
- Office Expenses and Equipment
- Staff Salaries
- Unspent Appropriations Lapsed Back to the City