

# PERFORMANCE AUDIT

Follow Up Review of the City's Relocation Function

**Report 2001-2**  
**November 2001**

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## Follow Up Review of the City's Relocation Function

### Introduction

*On September 26, 2000, Deloitte & Touche LLP, a consulting firm under contract to the Corporation Counsel, transmitted to the Corporation Counsel a report of its findings and recommendations stemming from its review of policies, procedures, and internal controls relating to the commercial relocations for the Ewa Villages project.*

*The objective of this in-house audit by the Office of Council Services is to conduct a follow-up review of the City's response to Deloitte & Touche's recommendations.*

### Findings

<i>Deloitte &amp; Touche Recommendation</i>	<i>Status</i>
<ul style="list-style-type: none"> <li>• Establish written guidelines to determine the circumstances under which the City will take responsibility for moving the displaced person.</li> <li>• City should obtain written acknowledgment from the displaced person agreeing to the City taking responsibility for moving the person.</li> </ul>	<p>9 <i>Completed</i>            : <i>In Progress</i>            9 <i>Not Started</i></p>
<ul style="list-style-type: none"> <li>• Establish approved, written, standardized policies and procedures for all large relocation projects.</li> </ul>	<p>9 <i>Completed</i>            : <i>In Progress</i>            9 <i>Not Started</i></p>
<ul style="list-style-type: none"> <li>• Segregate the duties and responsibilities of individuals responsible for relocation activities. Individuals preparing documents should not also approve the documents. Individuals approving the claims should not be handling payments.</li> <li>• Any agency responsible for relocation projects should oversee the relocation budget, confirm eligible tenants, monitor moves and sign off on claim forms.</li> </ul>	<p>9 <i>Completed</i>            : <i>In Progress</i>            9 <i>Not Started</i></p>
<ul style="list-style-type: none"> <li>• City procurement of relocation services should follow the City's standardized procurement procedures.</li> </ul>	<p>9 <i>Completed</i>            : <i>In Progress</i>            9 <i>Not Started</i></p>
<ul style="list-style-type: none"> <li>• Provide training to all individuals responsible</li> </ul>	<p>9 <i>Completed</i></p>

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**Findings**

<i>Deloitte &amp; Touche Recommendation</i>	Status
for processing relocation claims.	: <b><i>In Progress</i></b> 9 <b><i>Not Started</i></b>

## Findings

(continued)

<i>Deloitte &amp; Touche Recommendation</i>	<i>Status</i>
<ul style="list-style-type: none"> <li>• The Treasury Division should mail checks directly to vendors to reduce the risk of altered checks or unauthorized payments.</li> </ul>	: <b>Completed</b> 9 <b>In Progress</b> 9 <b>Not Started</b>
<ul style="list-style-type: none"> <li>• Budgets for relocation costs should be explained in detail for each commercial relocation, comparing the original budget with the revised budget, and including specific reasons for any increases.</li> <li>• Comparisons of budgeted costs with actual costs for each commercial relocation should be prepared annually. Large variances should be explained.</li> <li>• The agency responsible for the project should review, approve, and monitor the relocation project budget and be separate from the agency responsible for providing relocation services.</li> </ul>	9 <b>Completed</b> 9 <b>In Progress</b> : <b>Not Started</b>
<ul style="list-style-type: none"> <li>• The City should consider having its internal auditors perform a review of all large relocation projects= internal control policies &amp; procedures and test compliance with those policies &amp; procedures.</li> <li>• Audit findings &amp; recommendations should be reported to City senior management who are independent of those activities.</li> </ul>	9 <b>Completed</b> : <b>In Progress</b> 9 <b>Not Started</b>

## Agency Response

*The Department of Budget and Fiscal Services responded that in August 2001, Deloitte & Touche found that the City's internal controls on commercial relocation were adequate, which we noted on page 7 of this report.*

*The Department also provided some new information on its future actions.*

## I. Introduction

This follow-up audit was initiated by the Office of Council Services= Audit Section as part of its on-going program of audits and follow-up audits of various City programs and services on a rotating basis.

### A. Objective

The objective of this follow-up report is to evaluate the City's response to Deloitte & Touche's recommendations regarding policies, procedures, and internal controls for the City's commercial relocation projects.

### B. Scope

In this follow-up, we examined the policies and procedures of the Department of Budget and Fiscal Services which is the primary administrator of the City's commercial relocation function. We also reviewed other City departments because of their role in initiating capital projects requiring relocation, including the Department of Design and Construction, the Department of Facility Maintenance, and the Department of Community Services.

As part of the fieldwork for this audit, we examined files for the following projects:

### Relocation Projects Reviewed

Project	Status	Displacing Agency
Ewa Repair Shop	Completed in FY 1999	Ewa Villages Task Force <sup>1</sup>
Gregory House	Completed in FY 1999	Department of Community Services
Kamokila Community Park Addition	Completed in FY 2000	Department of Design & Construction
Kulana Nani Renovation	Ongoing as of FY 2001	Department of Facility Maintenance & Department of Design & Construction
Pawaa Park Improvements	Ongoing as of FY 2001	Department of Facility Maintenance

<sup>1</sup> A multi-departmental committee headed by the Managing Director.



Fieldwork was conducted from May 2001 to October 2001.

## **C. Methodology**

Interviews were conducted with administrators and staff in the Department of Budget and Fiscal Services. Interviews were also conducted with the City's Managing Director, and with the Directors and project managers in the Department of Design and Construction, Department of Facility Maintenance, and the Department of Community Services. Attempts to interview Deloitte & Touche regarding its report were unsuccessful. We reviewed Deloitte & Touche's report on commercial relocations, the Department of the Corporation Counsel's response to the report, federal and state relocation law and administrative rules, City relocation policies and procedures, relocation project files, relocation claims documents, training records, and related documents.

## II. Background

### A. Deloitte & Touche Report

On September 26, 2000, Deloitte & Touche LLP, a consulting firm under contract to the Corporation Counsel, transmitted to the Corporation Counsel a report of its findings and recommendations<sup>2</sup> stemming from its review of policies, procedures, and internal controls relating to the commercial relocations for the Ewa Villages project. The City Administration's response to the Deloitte & Touche report was included in that report.

### B. City Reorganization

Beginning in 1998, the City undertook a massive reorganization of departments and functions. With respect to City relocations, the Department of Housing and Community Development under which the Ewa Villages project and the City's relocation function was administered was dissolved. The Ewa Villages project was put under the oversight of an Ewa Villages Task Force headed by the Managing Director, and under a project manager in the Department of Community Services. The relocation function was moved from the Property Management Branch in the former housing department to a newly created Relocation Section in the Department of Budget and Fiscal Services (BFS).

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<sup>2</sup> Deloitte & Touche, *City and County of Honolulu Ewa Villages Relocations*, September 26, 2000, which was attached to a memorandum from the Department of Corporation Counsel to Councilmember Andy Mirikitani dated October 3, 2000, filed with the City Clerk as Departmental Communication 748.

### C. Agency Profile

The Relocation Section, organized in the Purchasing Division of the Department of Budget and Fiscal Services, is the office primarily responsible for administering the City's relocation program for businesses and residents displaced by City projects. The Relocation Section consists of three staff members: a Section Head, a Relocation Specialist, and a Purchasing Clerk. The section is responsible for performing relocation in accordance with applicable laws, rules and plans, including Federal, State, and City relocation laws and policies, and State and City procurement rules, policies, and directives. The Relocation Section works closely with the project managers of various other City departments who oversee the development of capital projects requiring relocation.

As of July 2001, there were six relocation projects that were completed in FY 1999 and 2000, eight on-going projects in FY 2001, and 10 anticipated relocation projects. Funding for relocation activities is provided solely through funding appropriated in the City's capital budget. While the Relocation Section did not have information readily available on how much had been spent on relocation in recent years, individual project relocation payment records tallied for the purposes of this audit indicate that the City spent approximately \$236,990 on relocation projects in FY1999, \$83,209 in FY2000 and \$79,172 in FY 2001. It should be noted that expenditures for relocation could be several times that amount when major projects such as bus rapid transit are implemented.

## D. Displacing Agencies

Those departments whose projects require the relocation of businesses or residences are termed "displacing agencies" in the relocation process. Many City departments are developing, planning to develop, or have at one time developed a capital project requiring the relocation of businesses or residences. Thus, many departments have been, are, or will be displacing agencies.

## E. Relocation Process

The City is responsible for providing relocation assistance to persons or businesses lawfully residing on or occupying real property and displaced by the City's acquisition, rehabilitation, or demolition of property for purposes in the public interest. Relocation assistance consists of providing displacees with information about the project, paying for moving expenses, and in some cases, providing replacement housing payments.

The relocation process begins when the Relocation Section obtains confirmation from the displacing agency's project manager that a City project is underway that will require the relocation of businesses or residences. The Relocation Section then opens a relocation project file and researches and gathers necessary information about the property involved in the relocation project, including the landowner, tenants, and the date the City acquired the property.

The Relocation Section handles day-to-day relocation activities including site visits, meeting face-to-face with tenants, determining tenants' eligibility status, preparing relocation cost estimates, and preparing a project relocation plan which incorporates all of this information. The Section also delivers required notices to displacees including the notice to vacate, answers displacees' questions, assists displacees in finding moving contractors, writes contract specifications for movers, and establishes the amounts of self-move payments.

After the move is completed, the Relocation Section notifies the displacing agency. The section prepares relocation claim forms on behalf of the displacees and obtains the displacees' signatures. The claim along with supporting documentation is reviewed and approved by the section supervisor, the City's Purchasing Administrator, and the BFS Director. The supporting documents and claim are also transmitted to the displacing agency for review and approval by the project manager, supervisor and ultimately the department director. Upon the displacing agency's approval, the BFS Accounting and Fiscal Services Division reviews and approves the claim and processes the warrant in accordance with its standard claims voucher process. The BFS Treasury Division mails the check containing the payment for relocation costs to the mover or the displacee.

### III. Findings

In this chapter, we discuss the status of the City Administration’s implementation of the recommendations contained in the Deloitte & Touche (D&T) report. Our assessment of the City’s implementation is based on our fieldwork, and is categorized as “complete”, “in progress”, or “not started”. To be categorized as complete, all of the elements of the

recommendation made in the D&T report had to have been fully implemented by the City Administration.

Our assessment is organized according to the eight sets of findings and recommendations contained in the D&T report.

#### 1. Circumvention of City procurement procedures by assuming responsibility for moves.

D&T Finding	D&T Recommendation	Status
<p>The manager of the former housing department’s property management branch represented that businesses were making their own arrangements to move, and that in merely providing assistance to the businesses, the City was not required to follow the City’s procurement procedures. Actually, the City had taken responsibility for the moves. The City should therefore have followed its procurement procedures.</p>	<ul style="list-style-type: none"> <li>• Establish written guidelines to determine the circumstances under which the City will take responsibility for moving the displaced person.</li> <li>• City should obtain written acknowledgment from the displaced person agreeing to the City taking responsibility for moving the person.</li> </ul>	<p>9 Completed            : In Progress            9 Not Started</p>

#### Discussion of Status:

In September 2000, BFS established a departmental policy covering the operations of its Relocation Section. In May 2001, the Managing Director prepared a draft citywide relocation policy, based on the BFS policy. At this writing, that draft policy was still under

development. When finalized, the proposed citywide policy will supercede the BFS policy.

The BFS policy and the City’s earlier response to the Deloitte & Touche report provided that business displacees would be responsible for

organizing their own moves. However, according to the Managing Director, a new provision will be made part of the finalized citywide policy that would establish for the City the authority to assume or refuse responsibility for hiring movers. According to BFS staff, this new provision will apply both to residential and commercial relocations, and the decision to take responsibility for a move would be made jointly by the BFS Relocation Section and the displacing agency. We were unable to obtain a copy of the new provision during fieldwork.

The BFS policy and proposed citywide policy provide that when the City takes responsibility for a move, a written agreement is signed by the moving company, the displacee, and the BFS Relocation Section documenting consensus among the parties that payments for the moving expense relating to the displacee's relocation will be made directly to the specified mover. The agreement indirectly satisfies the recommendation that the displaced person agrees in writing to have the City take responsibility for the move.

## 2. Lack of written policies and procedures for processing relocation claims.

D&T Finding	D&T Recommendation	Status
<p>The lack of policies and procedures made it difficult for employees handling and processing the claims to determine whether the documents attached to the claims were sufficient or substantive.</p>	<ul style="list-style-type: none"> <li>• Establish approved, written, standardized policies and procedures for all large relocation projects, such as:                             <ol style="list-style-type: none"> <li>(1) Require original signed agreements allowing direct payments to movers;</li> <li>(2) Require the displaced person to sign claim forms for moving expenses only <b>after</b> the move;</li> <li>(3) Require physical verification that a move has been completed before approving payment; and</li> <li>(4) Require claims vouchers be reviewed for reasonableness.</li> </ol> </li> </ul>	<p>9 Completed : In Progress 9 Not Started</p>

### Discussion of Status:

The proposed citywide policies require original signed agreements for direct payments to movers, require claim forms for moving expenses to be signed by the displacee only after the move (exceptions are allowed with a written explanation), and require the relocation supervisor to review claim forms.

The procedure for processing relocation payments has also improved. Instead of the previous practice of lumping several payments for relocation related services for a single displacee into a single transaction, individual payments are being processed separately. We found that this new practice facilitates the ready

identification and audit of relocation claim payments.

In August 2001, the City asked Deloitte & Touche to review the adequacy of the City’s updated response to the firm’s recommendations. Deloitte & Touche issued a qualified statement that the City’s internal controls over commercial relocations now appear to be sound.

Regarding the D&T recommendation for physical verification of moves, relocation project files now include on-site photographs documenting the property prior to move-out, the

vacated space after the move-out, and the tenant occupying its new location. However, the draft citywide policy does not require that relocations be documented by such “before” and “after” photographs. Nor does it require site visits by project managers of the displacing agency. None of the displacing agencies whose staff we interviewed require as departmental policy that project managers or project managers’ supervisors conduct site visits to confirm that relocations have been completed, although some of their directors expect that to occur.

### 3. Lack of segregation of duties in the relocation process.

D&T Finding	D&T Recommendation	Status
<p>The manager of the former housing department’s property management branch could prepare bid requests, solicit bids, open bids in private, determine the winning bidder, negotiate the move with displaced persons, approve invoices, prepare claim vouchers, and handle checks made payable to the movers. This enabled the person to manipulate the relocation process.</p>	<ul style="list-style-type: none"> <li>• Segregate the duties and responsibilities of individuals responsible for relocation activities. Individuals preparing documents should not also approve the documents. Individuals approving the claims should not be handling payments.</li> <li>• Any agency responsible for relocation projects should oversee the relocation budget, confirm eligible tenants, monitor moves and sign off on claim forms.</li> </ul>	<p>9 Completed            : In Progress            9 Not Started</p>

#### Discussion of Status:

Relocation duties have been segregated within the BFS Relocation Section. Document handling in the Relocation Section is segregated from payment approval in the Accounting and Fiscal Services Division.

Displacing agency projects managers do not consistently take an active role in monitoring relocations for their projects. While all project managers in our sample indicated that they keep in contact with the Relocation Section through email, one project manager relies completely on the BFS Relocation Section to monitor the status of a relocation project and does not conduct site visits. Another project manager conducts site visits on an “as needed” basis, but sometimes relies upon second-hand reports from the Relocation Section or construction contractor to confirm that a tenant has vacated the property.

**4. Circumvention of City procurement procedures in selection and approval of vendors.**

D&T Finding	D&T Recommendation	Status
<p>The former housing department’s property management branch followed its own procedures for providing relocation services, and lack of segregation of duties allowed appropriate procurement procedures to be compromised.</p>	<ul style="list-style-type: none"> <li>• City procurement of relocation services should follow the City’s standardized procurement procedures, such as:                             <ol style="list-style-type: none"> <li>(1) Using standard purchase requisition &amp; purchase order system;</li> <li>(2) Complying w/City &amp; State bid solicitation requirements; and</li> <li>(3) Implementing appropriate vendor &amp; employee screening procedures including:                                     <ol style="list-style-type: none"> <li>a. Preparing a list of qualified vendors;</li> <li>b. Periodically reviewing a list of relocation expenditures by vendor; and</li> <li>c. Requiring successful bidders to show evidence of appropriate licenses and insurance.</li> </ol> </li> </ol> </li> </ul>	<p>9 Completed                      : In Progress                      9 Not Started</p>

**Discussion of Status:**

Procurement for relocation follows standard procurement procedures, and the City has established a list of qualified movers. Although the proposed citywide policy does not require successful bidders to show evidence of

appropriate insurance, such evidence is required before moving contracts are awarded.

However, relocation expenditures are not being reviewed. See Discussion of Status for Finding No. 7.

**5. Lack of training for City personnel in relocation and fraud awareness.**

D&T Finding	D&T Recommendation	Status
<p>Some employees did not have proper training in processing relocation documents.</p> <p>Examination of documents by the former housing department’s supervisors and director was limited to ensuring the required signatures were present and adequate funds were available to pay the claims.</p> <p>Pre-Audit Section [in the current BFS Accounting and Fiscal Services Division] did not examine documents for validity or reasonableness.</p>	<ul style="list-style-type: none"> <li>• Provide training to all individuals responsible for processing relocation claims. This training should include:               <ol style="list-style-type: none"> <li>(1) Applicable laws, rules, and regulations;</li> <li>(2) Internal control procedures;</li> <li>(3) Procurement policies and procedures;</li> <li>(4) Examples of fraud that could take place and how to detect it; and</li> <li>(5) Duties and responsibilities of an individual’s position.</li> </ol> </li> </ul>	<p>9 Completed : In Progress 9 Not Started</p>

**Discussion of Status:**

Training on the new relocation procedures and on fraud awareness was provided to certain persons involved in processing relocation claims in August and October 2000, respectively. However, that training did not reach all project managers. Of the eight managers overseeing recently completed and on-going relocation projects, none received both relocation and fraud training, four received relocation training alone, and only one received fraud training.

Further, we found that there are no established plans to provide relocation or fraud awareness training on a periodic basis to various departments’ staff directly involved in relocations.

The proposed citywide policy does not address the need for staff and supervisors involved in relocations to receive periodic training in

relocations and fraud awareness. Further, the policy does not specifically assign any person or agency the task of developing and conducting such training.

The D&T report contained no recommendations pertaining to its finding that the former housing department’s supervisors and director, and the Pre-Audit Section of the current BFS Accounting and Fiscal Services Division, conducted only a limited review of relocation claims. In our interviews of certain displacing agency directors, we found that those directors rely on their project manager, the project manager’s supervisor, and/or division administrator to approve relocation claims. We also found that the BFS Accounting and Fiscal Services Division still does not review payment requests for reasonableness.

**6. Inappropriate access to vendor checks.**

D&T Finding	D&T Recommendation	Status
<p>The manager of the former housing department’s property management branch could obtain checks payable to movers. This allowed the person to control cashing of checks and distribution of funds.</p>	<ul style="list-style-type: none"> <li>The Treasury Division should mail checks directly to vendors to reduce the risk of altered checks or unauthorized payments.</li> </ul>	<p>: <b>Completed</b>                      9 In Progress                      9 Not Started</p>

**Discussion of Status:**

Pursuant to a citywide BFS policy and procedures amendment issued on September 20, 2000, regarding disbursement of general checks, checks are being mailed directly to payees. Exceptions must be approved by the BFS Director.

No outstanding issues on this item.

## 7. Inadequate justification of program costs.

D&T Finding	D&T Recommendation	Status
<p>There was no requirement for documentation to justify annual cost increases. There was no analysis comparing budgeted versus actual costs for each of the commercial moves. Had such analysis been done, it would have shown significant cost overruns.</p>	<ul style="list-style-type: none"> <li>• Budgets for relocation costs should be explained in detail for each commercial relocation, comparing the original budget with the revised budget, and including specific reasons for any increases.</li> <li>• Comparisons of budgeted costs with actual costs for each commercial relocation should be prepared annually. Large variances should be explained.</li> <li>• The agency responsible for the project should review, approve, and monitor the relocation project budget and be separate from the agency responsible for providing relocation services.</li> </ul>	<p>9 Completed 9 In Progress : <b>Not Started</b></p>

### Discussion of Status:

The BFS Relocation Section has not:

- (1) Issued any relocation project status reports;
- (2) Issued any regular report of relocation project expenditures;
- (3) Routinely computed relocation claim totals for each project upon completion of relocation projects;
- (4) Consistently documented relocation claim totals for each completed project in relocation project files; and
- (5) Monitored or reported budget variances for relocation expenditures.

The BFS Fiscal/CIP Administration Division is responsible for overseeing the formulation and

implementation of the capital budget. However, we found that the division's staff do not review the reasonableness of relocation budgets, do not review budget variances for relocations, and have no plans to do so. The staff relies on the displacing agencies to develop relocation budget requirements and believe those agencies, not their division, are responsible for the reasonableness of project relocation budgets.

However, we found that displacing agencies actually obtain estimates of relocation costs for their projects from the BFS Relocation Section and do not independently verify those estimates. Further, as we stated in the Discussion of Status for Finding No. 3, displacing agencies do not consistently and directly monitor relocations and relocation budget variances.

In short, we found that no one, not the BFS Relocation Section, nor the BFS Fiscal/CIP Administration Division, nor the displacing agencies, is actively and consistently reviewing relocation budgets and relocation budget variances.

## 8. Lack of audit and compliance oversight.

D&T Finding	D&T Recommendation	Status
Neither the City's internal or external auditors were requested to conduct a detailed review of internal control policies and procedures for relocations, or of compliance with internal control policies & procedures.	<ul style="list-style-type: none"> <li>The City should consider having its internal auditors perform a review of all large relocation projects= internal control policies and procedures and test compliance with those policies &amp; procedures.</li> <li>Audit findings and recommendations should be reported to City senior management who are independent of those activities.</li> </ul>	<p>9 Completed</p> <p>: In Progress</p> <p>9 Not Started</p>

### Discussion of Status:

In the September 2000 BFS policy, responsibility for auditing relocation procedures and controls had been specifically assigned to the BFS Internal Control Division. However, in the May 2001 citywide draft policy (which was based on the earlier BFS policy), this responsibility was amended and left unassigned, the previous term "audit" was replaced with "review", and the frequency of the review was stated to be periodic rather than annual.

Nevertheless, the BFS Internal Control Division, which reports to the BFS Director, plans to periodically audit the relocation function. However, the division has not yet established a timetable or protocol for evaluating the internal controls over the relocation claims process.

Deloitte & Touche, in its August 14, 2001 letter to the Corporation Counsel, stated that:

"Although internal controls over commercial relocations now appear to be sound, I [Gary Nishikawa, D&T Partner]

must caution that an entity's internal control system, no matter how strong, can always be overridden intentionally or even unintentionally through carelessness or mistakes. Accordingly, it is imperative that the City's internal controls over relocations be evaluated and tested on a regular basis."

We concur that such testing is important.



## IV. Recommendations

The following recommendations were developed by the OCS Audit Section in light of the findings presented in the previous chapter. Some of the recommendations relate directly to the findings and recommendations contained in the Deloitte & Touche report. Other OCS recommendations which follow the heading “*Other OCS Recommendations*” are observations and recommendations that do not directly relate to the Deloitte & Touche report but arose during the course of our field work. These recommendations are intended to minimize the risk of loss to the City in administering its relocation program.

### Include Additional Provisions in the Citywide Relocation Policy

Prior to finalizing the proposed citywide relocation policy, the City Administration should consider incorporating the following provisions:

- (1) Establish a process by which BFS or other appropriate agency will determine whether federal or state relocation law applies to a particular relocation project.

Such a process could include consultation with appropriate federal funding agency officials. It would be prudent to establish a process to make such a key determination because the relocation benefits and procedural requirements under state or federal law differ significantly.

- (2) Establish a process by which BFS or other appropriate agency will determine whether the City will assume responsibility for a

displacee’s move and include objective criteria to help guide that decision. The basis of and parties to the decision should be documented.

While we agree it can be in the interest of the City to take responsibility for a move in certain instances, there is a need for clear criteria for this decision. Documentation of the decision is especially important should there be turnover of experienced staff.

- (3) Require that “before” and “after” photographs be taken and included in relocation project files to document completion of a relocation.

Although photographs are being taken for relocations, there is as yet no policy requiring this useful practice.

- (4) Require that displacing agencies actively and independently monitor relocation projects and relocation budgets, including conducting periodic site visits to verify the completion of relocations.

We found that the complexity of relocation law and relocation projects, as well as the development of established working relationships, leads some project managers to rely on the work of the BFS Relocation Section as a substitute for their own independent verification. We concur with Deloitte & Touche that on-site verification by **both** the displacing agency and the Relocation Section is an important method of ensuring that relocation claims are valid. The displacing agencies may seek the assistance of the Relocation Section in

carrying out their duties, but that should not obscure the fact that displacing agencies are primarily responsible for the proper implementation of their projects and each phase thereof, including relocation.

- (5) Require that the BFS Fiscal/CIP Administration Division develop general “rules of thumb” to help its budget analysts gauge the reasonableness of relocation expenditures.

While each relocation is unique and the cost of relocations can vary widely, the use of guidelines can help to identify those situations where more detailed budget reviews are appropriate. Such guidelines can be developed by analyzing past relocation costs, for example, by determining the median and range of historic relocation costs by size of move and type of business.

- (6) Require that all displacing agency project managers, their supervisors, and BFS Relocation Section staff receive periodic training in relocations and fraud awareness.
- (7) Assign to a specific City agency the responsibility of developing and periodically providing training in relocations and fraud awareness to displacing agency project managers, their supervisors, and BFS Relocation Section staff.

#### *Other OCS Recommendations*

- (8) Require that the BFS Relocation Section be formally notified about a relocation project.

We found that the Relocation Section is made aware of the inception of a relocation project in various informal ways, including by reading about the project in the

newspaper. A formal method of notification is needed to ensure that prompt and consistent notification is provided to the Relocation Section for all relocation projects.

- (9) Require that the citywide relocation policy be distributed to every project manager in every displacing agency.

We found that not all project managers had received or been aware of the citywide policy. Consistency in implementing relocation policies and procedures cannot be achieved without full distribution of the policy to project managers and their supervisors in all potential displacing agencies.

- (10) Require the establishment of procedures to ensure that relocation plans for projects subject to the state relocation law obtain state approval as required by state administrative rules.

We found that such approval has not been consistently obtained.

- (11) Require that relocation project files meet minimum form and content standards.

This would enable the City to comply with state and federal record keeping requirements and support the oversight of relocation projects by supervisors and auditors. Although we found that BFS Relocation Section’s project files were generally well organized, we found that the documentation of key relocation elements is not always complete. For example, the files do not consistently:

- a. Identify key departmental staff involved in a particular relocation project and

- describe their roles, responsibilities and authority;
- b. Document what agreements have been made between agencies; and
  - c. Contain readily identifiable relocation plans.

We also suggest that the City Administration confirm whether the new provision in the proposed citywide policy regarding the City's authority to assume or refuse responsibility for hiring movers conforms with the federal Uniform Relocation Act. It is not clear that such discretion is consistent with the Act.

#### Establish a Schedule of Internal Audits

We recommend that the City Administration ensure that an audit of relocation controls is performed soon after the citywide relocation policy is finalized and periodically thereafter.

#### Improve Information in the Capital Project Status Reports

##### *Other OCS Recommendations*

Project managers in City departments developing capital projects prepare a quarterly status report that is filed with the City Clerk as a public document. Among other things, the report states for each project how much was expended or encumbered in the subject quarter in each project work phase, which includes relocation. The amount of prior and current fiscal year appropriations for each work phase is also reported, as well as the month and year each phase was or is anticipated to be started and completed.

As part of our fieldwork, we reviewed two ongoing FY 2001 projects: Kulana Nani Renovation project and Pawaa Park Improvements project. We found that the 4<sup>th</sup> quarter of FY 2001 status report<sup>3</sup> for both these projects was inaccurate and unreliable. Although Kulana Nani had been appropriated \$55,000 for relocations for FY 2001, relocation expenditures for the project were omitted from the report. According to BFS Relocation Section's records, \$21,050 had been expended for Kulana Nani relocations in FY 2001.

The Pawaa Park Improvements project was appropriated \$20,000 for relocations for FY 2001. Although Pawaa Park was included in the status report and the amount of the relocation appropriation was correctly stated, the report showed that no funds were expended for relocation in FY 2001. According to BFS Relocation Section's records, \$19,645 had been expended.

The incompleteness and inaccuracy of the quarterly status reports raises questions on the effectiveness of project budget monitoring being performed by displacing agencies. This report is an important tool for project oversight by the Council and the public and should therefore be complete and contain accurate information.

#### Consolidate Three-Way Agreements

##### *Other OCS Recommendations*

Three-way agreements are used by the City to provide for direct payments to the mover. These agreements are used in addition to two other documents: a moving expense claim form signed by the displacee, BFS Purchasing Division, and the displacing agency; and a transmittal for the claim form signed by the BFS

<sup>3</sup> Departmental Communication 668.

Relocation Section and displacing agency. All three documents:

- a. At minimum specify the name and, in some instances, also carry the signature, of the displacee and the mover;
- b. May be dated or signed by City agencies on the same date; and
- c. May specify the exact amount of the moving expense payment.

Because of the similarity of the documents, we suggest that the City Administration consider consolidating the three documents now involved in relocation expense payments.

## V. Agency Response

In its response to the draft version of this report, the Department of Budget and Fiscal Services (BFS) responded that in August 2001, Deloitte & Touche (D&T) found that the City's internal controls on commercial relocation were adequate. We noted this on page 7 of this report.

The Department also provided more detailed responses. Some of the new information contained in this part of their response are that revised relocation policies are hoped to be issued in the first quarter of 2002, that fraud awareness training plans have been established by the BFS Internal Control Division, and that relocation status reports are planned to be issued beginning with the quarter ending December 31, 2001.

After further consideration, we deleted from the final report a preliminary recommendation that responsibility to review relocation claims be assigned because it was more a commentary on the D&T report.