

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
DOUGLAS MURDOCK, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
ON
MARCH 31, 2015

S.C.R. 190 / S.R. 125

REQUESTING THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES TO
INVENTORY ALL OPEN CONTRACTS SINCE 2010 TO THE PRESENT FOR ALL
STATE AGENCIES AND ASSIST THE AGENCIES WITH CLOSING AND
RESOLVING ANY DISPUTES

Chair Dela Cruz and members of the Committee, thank you for the opportunity to submit
written testimony on S.C.R. 190 / S.R. 125.

The Department of Accounting and General Services (DAGS) provides the following
comments.

Agencies have access to information on all outstanding contracts recorded in the State's
accounting system and can easily compile an inventory of their respective contracts through the
Datamart online system. We have attached two sample reports showing a sample contract list
and the detail report for one contract.

Review of contracts greater than five years old is required by section 40-90 (b) of the
Hawaii Revised Statutes. DAGS has a process in place that requires agencies to review contracts
established over five years ago and to close all contracts that are no longer required. This

review process also requires agencies to provide justification for contracts that they still want retained. The memo we sent the agencies on January 15, 2015 is attached.

Agencies are familiar with the procedures to close a contract and normally take the necessary steps to close out a contract when completed. Our existing process of reviewing old outstanding contracts identifies contracts that for some reason were overlooked and not closed when the contract was satisfied.

Currently, there are approximately 4,000 outstanding contracts of which over 3,200 were recorded since calendar year 2010. We believe that the majority of the 3,200 contracts are active. We would require additional personnel to assist other agencies in review of additional contracts.

Thank you for the opportunity to submit written testimony on this matter.

CONTRACT LISTING FROM DATAMART										
Dept	Contract No/	Doc Date	Vendor No	Vendor Name	Proj No	Enc Amt	Amt Expend	Balance	Create Date	Description (1)
M	00063031-02	6/23/2014	000028267	ALLIED PACIFIC B	366527	769,812.10	420,285.10	349,527.00	6/27/2014	PEARL CITY REGIONAL LIBRARY REROOF & REPAIR DOWNSP
M	00063031-03	6/23/2014	000028267	ALLIED PACIFIC B	366527	64,616.00	0	64,616.00	6/27/2014	PEARL CITY REGIONAL LIBRARY REROOF & REPAIR DOWNSP
M	00063032-04	6/23/2014	000020752	CHAN, LOU & ASSO	100746	19,172.00	0	19,172.00	1/8/2015	KONA STATE OFFICE BUILDING #1 RE-ROOF FLAT AREA & RE
M	00063052-01	6/25/2014	000023105	GROUP 70 INTERNA	267534	221,000.00	190,446.00	30,554.00	6/30/2014	HAWAII FIL STUDIO VARIOUS IMPR. PHASE 2 DAGS JOB#12-2
M	00063052-02	6/25/2014	000023105	GROUP 70 INTERNA	267534	45,400.00	0	45,400.00	6/30/2014	HAWAII FIL STUDIO VARIOUS IMPR. PHASE 2 DAGS JOB#12-2
M	00063108-01	7/8/2014	000007062	ISEMOTO CONTRACT	366539	139,900.00	0	139,900.00	7/16/2014	KEALAKEKUA PUBLIC REPAINT BLDG EXTERIOR & MISC. IMP
M	00063108-02	7/8/2014	000007062	ISEMOTO CONTRACT	366539	9,700.00	0	9,700.00	7/16/2014	KEALAKEKUA PUBLIC REPAINT BLDG EXTERIOR & MISC. IMP
M	00063130-01	7/23/2014	000023357	BCP CONSTRUCTION	147477	389,168.00	0	389,168.00	7/24/2014	MAUI HIGH SCHOOL SHELTER HARDENING DAGS JOB#15-14
M	00063130-02	7/23/2014	000023357	BCP CONSTRUCTION	147477	30,832.00	0	30,832.00	7/24/2014	MAUI HIGH SCHOOL SHELTER HARDENING DAGS JOB#15-14
M	00063160-01	8/6/2014	000007512	STANDARD ELECTRI	366534	7,800.00	0	7,800.00	8/13/2014	SALT LAKE/MOANALUA PUBLIC LIBRARY, ELECTRICAL WORK
M	00063160-02	8/6/2014	000007512	STANDARD ELECTRI	366534	500	0	500	8/13/2014	SALT LAKE/MOANALUA PUBLIC LIBRARY, ELECTRICAL WORK
M	00063161-01	8/6/2014	000027557	STARCOM BUILDERS	366541	359,000.00	137,748.00	221,252.00	8/13/2014	PEARL CITY PUBLIC LIBRARY, REPLACE FLOORING & MISC IM
M	00063161-02	8/6/2014	000027557	STARCOM BUILDERS	366541	25,000.00	10,858.00	14,142.00	8/13/2014	PEARL CITY PUBLIC LIBRARY, REPLACE FLOORING & MISC IM
M	00063194-02	8/25/2014	000024028	F & H CONSTRUCTI	147533	5,247.00	0	5,247.00	8/29/2014	LAHAINA INTERMEDIATE SCHOOL SHELTER HARDENING DAC
M	00063194-03	8/25/2014	000024028	F & H CONSTRUCTI	147533	4,000.00	0	4,000.00	8/29/2014	LAHAINA INTERMEDIATE SCHOOL SHELTER HARDENING DAC
M	00063200-02	8/26/2014	000030131	PAUL'S ELECTRICA	275564	89,700.00	0	89,700.00	9/2/2014	WAIAWA CORRECTIONAL FACILITY ELECTRICAL SYSTEM IMP

OUT LEAK		
OUT LEAK		
COAT METAL ROOF		
26-7534		
26-7534		
R. DAGS JOB#61-36-653		
R. DAGS JOB#61-36-653		
-7477		
-7477		
FOR EMERGENCY BACKUP		
FOR EMERGENCY BACKUP		
PROVEMENTS		
PROVEMENTS		
5S JOB#15-14-7533		
5S JOB#15-14-7533		
R. DAGS JOB#12-27-5564		

CONTRACT DETAILS														
Contract DescHAWAII FIL STUDIO VARIOUS IMPR. PHASE 2 DAGS JOB#12-26-7534														
=====ENCUMBRANCE=====														
Dept	Pgm ID	F-FY-AC	Enc Type	Enc NO/Sfx	Doc Date	Vendor NO	Vendor Name	Obj	CC	Proj No	Enc Amt	Amt Expend	Balance	
M	BED105	B-13-40C		00063052-01	6/25/2014	0000231053	GROUP 70 INTERN	7101	02A3	267534	221,000.00	190,446.00	30,554.00	
M	BED105	B-13-40C		00063052-02	6/25/2014	0000231053	GROUP 70 INTERN	7101	03D5	267534	45,400.00	0	45,400.00	
=====EXPENDITURE=====														
Dept	Pgm ID	Trans C	F-FY-ACCT	Obj	CC	Proj No	Amount	Enc No/Sfx	Vendor No	Vendor Name	Chk Date	Chk No	Comp No	Dept No
M	BED105	231	B-13-405	7101	02A3	267534	33,506.00	00063052-01	000023105	GROUP 70 INTERNA	2/26/2015	B0003642	3011	02227N28
M	BED105	231	B-13-405	7101	02A3	267534	156,940.00	00063052-01	000023105	GROUP 70 INTERNA	11/6/2014	B0001989	1623	11001N01

DAVID Y. IGE
GOVERNOR

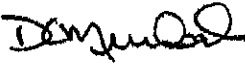


DOUGLAS MURDOCK
Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

January 15, 2015

SPECIAL DISTRIBUTION MEMORANDUM NO. 2015-01

TO: Head of Departments
FROM: Douglas Murdock, Comptroller 
SUBJECT: Review of Contract Encumbrances

In accordance with Section 40-90, Hawaii Revised Statutes, "All encumbrances for contracts shall become void after five years from the end of the fiscal year of the original encumbrance; provided that the comptroller may grant an exemption from this subsection if the comptroller finds that there is sufficient justification to extend a contract encumbrance."

Attached is a listing of your department's contract encumbrances that were established over five years ago. We will allow the continuance of a contract if it meets one of the following conditions:

- 1) The project or purpose for which the encumbrance was recorded is still active and ongoing.
 - a. Indicate the percentage of completion of the project and the expected completion date.
 - b. Additional justification must be provided for those contracts classified as being still active, but reflect no activity for more than a year.
- 2) The project is not closed because of pending litigation.
 - a. Provide an expected settlement date.

Please submit all exemption requests to DAGS by February 25, 2015.

Upon request, excel files will be provided to each department to facilitate their response.

Approved/disapproved signature sections must also be included in your exemption request (See sample on page 2 for required format).

Departments should proceed closing all other contracts by following the procedures attached.

If there are any questions, please call Mr. Wayne Horie of our Accounting Division at 586-0600.

Attachment

JAN 15 2015

SPECIAL DISTRIBUTION MEMORANDUM NO. 2015-01

January 15, 2015

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Include the following approved/disapproved signature sections in your extension request:

☐

APPROVED

☐

DISAPPROVED

WAYNE M. HORIE, Accounting System Administrator
Accounting Division

Dated: _____

☐

APPROVED

☐

DISAPPROVED

DOUGLAS MURDOCK, Comptroller

Dated: _____

PROCEDURES TO CLOSE CONTRACT BALANCES

I. WHEN PROJECT IS COMPLETED AND THE BALANCE OF THE CONTRACT IS NO LONGER REQUIRED.

Submit the following to the Pre-Audit Branch of DAGS Accounting Division:

- A completed UNREQUIRED CONTRACT ENCUMBRANCE ADVICE (Form C-07).
- A completed CONTRACT INPUT (Form C-41) plus 2 copies.
- A completed BATCH SLIP (Form A-47).

II. WHEN WORK WAS PERFORMED BUT CONTRACTOR FAILS TO PROVIDE FINAL INVOICE.

- A. A Certified Letter (Return Receipt Requested) should be sent to the contractor. This letter should state that the contract will be closed if a final invoice and tax clearance is not received within 6 months of receipt of the letter.
1. If there is no response from the contractor, the department's procurement officer or agent should notify the Department of Taxation (DOTax) of the amount due to the contractor. DOTax must request within 30 days the set off of taxes owed against any payment due to the contractor. Follow procedures in Part I to clear any remaining contract amount.
 2. If there are no taxes owed by the contractor, follow procedures in Part I to clear the remaining contract amount. If a department receives an invoice after the contract has been closed, the invoice must then be processed as a claim against the state by forwarding it to the Office of the Attorney General.

III. WHEN THE CONTRACTOR REFUSES OR IS UNABLE TO COMPLETE A PROJECT

A. For construction projects only:

1. Departments should have the surety or bonding company complete the project.
2. If the surety or bonding company refuses or is unable to complete the project, the department should follow procedures set forth in Comptroller's Memorandum No. 2014-06.

B. For non-construction projects:

1. Departments should notify the contractor that the contract will be closed and follow procedures in Part I to clear the remaining contract amount.
2. Departments should utilize current funds or have additional funds appropriated to complete the project.