

MAR 18 2009

SENATE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT A MANAGEMENT AUDIT OF THE
DEPARTMENT OF TRANSPORTATION FOR THE PURPOSE OF DETERMINING
WHETHER APPROPRIATIONS ARE BEING APPROPRIATELY EXPENDED AND
FEES OWED ARE COLLECTED AND ACCOUNTED FOR ACCURATELY.

1 WHEREAS, the current fiscal climate highlights the need for
2 appropriate and efficient expenditure of funds by state
3 agencies; and
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5 WHEREAS, though the legislature is charged with setting all
6 appropriations for the state, it must rely on the executive
7 branch to ensure funds are used in a suitable manner and that
8 appropriate fees and other charges are correctly assessed and
9 collected; and
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11 WHEREAS, the Department of Transportation (DOT), a state
12 department responsible for the collection and use of hundreds of
13 millions of dollars annually, has been the subject of state
14 audits that found serious deficiencies in its handling of state
15 resources; and
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17 WHEREAS, the Auditor's 1999 financial audit of the DOT
18 Airports Division found significant deficiencies in the
19 division's procurement process including:
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21 (1) Failure to ensure competition in the contractor
22 selection process for a new multi-million dollar
23 Airports Management Information System (AIRMIS/2000);
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25 (2) Improper procurement of a contract to develop and
26 implement the AIRMIS/2000 by means of a sole source
27 contract;
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29 (3) Failure to comply with the Hawaii Public Procurement
30 Code and applicable administrative rules relating to
31 change orders and small purchases;



- 1
- 2 (4) Failure to properly plan for the contracted work
- 3 relating to the AIRMIS/2000 and failure to maintain
- 4 contract files;
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- 6 (5) Ineffective controls over lease renewals and
- 7 renegotiations;
- 8
- 9 (6) Untimely actions on delinquent accounts resulting in
- 10 improper billings to lessees and uncollectible lease
- 11 rents of more than \$180,000; and
- 12
- 13 (7) A hampered ability to monitor and collect outstanding
- 14 receivables of approximately \$50,000,000 due to the
- 15 failure to apply cash receipts to specific invoices
- 16 and the failure to enforce collection policies and
- 17 procedures; and
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19 WHEREAS, concerns continue to arise over the DOT's
20 management of state funds, including, for example, the
21 implementation of the Airports Division's automated vehicle
22 identification system for the Honolulu International Airport to
23 track incoming and outgoing vehicles; and
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25 WHEREAS, a total of approximately \$1.5 million for the
26 automated vehicle identification system was derived from
27 appropriations provided by the legislature under Act 252,
28 Session Laws of Hawaii 1994 and Act 116, Session Laws of Hawaii
29 1998; and
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31 WHEREAS, the successful implementation of the automated
32 vehicle identification system with these state funds has yet to
33 be achieved by the contractor and questions have arisen
34 regarding whether the system's hardware, software, and firmware
35 are outdated and ineffective and whether the division has been
36 able to collect tolls in an effective manner; and
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38 WHEREAS, the Auditor's 1997 financial audit of the DOT's
39 Harbors Division, which examined and tested the DOT's financial
40 records and systems for accounting and internal controls for
41 compliance with applicable laws and regulations found serious
42 deficiencies, including:
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- 1 (1) One "material weakness" in the Harbors Division's
2 internal control structure, which is the worst
3 possible reportable condition and which, as explained
4 by the American Institute of Certified Public
5 Accountants, indicates that significant errors or
6 irregularities, including illegal acts such as thefts,
7 may occur and may not be detected within a timely
8 period by employees in the normal course of performing
9 their assigned functions. Additionally, a "material
10 weakness" also includes the lack of financial
11 information for management to review;
12
- 13 (2) Failure to prepare financial reports, resulting in the
14 need to pay costly outside auditors to prepare
15 accounting records and schedules necessary for
16 financial audits, which has resulted in expenditures
17 of over \$90,000 per year for accounting work that is
18 the year-round responsibility of the Division;
19
- 20 (3) Deficient property management practices, including an
21 inadequate property inventory, resulting in the
22 failure to collect all lease rents and month-to-month
23 lease arrangements that have gone on for years,
24 including one lease renewal that has gone unresolved
25 for twelve years, resulting in rental amounts that
26 have remained the same since 1975; and
27
- 28 (4) Seriously deficient controls over cash receipts and
29 billings at three district offices and certain
30 harbors, resulting in no assurance that all cash
31 receipts are properly deposited; and
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33 WHEREAS, concerns have arisen regarding whether the Harbors
34 Division collects and can account for all fees and charges it is
35 due; including, for example, the collection of fees from cargo
36 carriers and whether amounts submitted can be audited by the
37 division to determine whether they are accurate; now, therefore,
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39 BE IT RESOLVED by the Senate of the Twenty-fifth
40 Legislature of the State of Hawaii, Regular Session of 2009, the
41 House of Representatives concurring, that the Auditor is
42 requested to conduct a management audit of the Department of
43 Transportation for the purpose of determining whether:
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- 1 (1) Appropriations are efficiently administered for the
- 2 purposes intended;
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- 4 (2) Contracts are appropriately awarded and include
- 5 adequate safeguards; and
- 6
- 7 (3) Fees and other charges assessed are collected and
- 8 accounted for accurately; and
- 9

10 BE IT FURTHER RESOLVED that the Auditor report on the
 11 Auditor's findings and recommendations to the Legislature no
 12 later than twenty days prior to the convening of the Regular
 13 Session of 2010; and

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 15 BE IT FURTHER RESOLVED that certified copies of this
 16 Concurrent Resolution be transmitted to the Director of
 17 Transportation and the Auditor.

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OFFERED BY: James Inoué

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