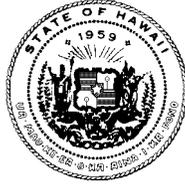


DAVID Y. IGE  
GOVERNOR



PANKAJ BHANOT  
DIRECTOR

CATHY BETTS  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339  
Honolulu, Hawaii 96809-0339

March 20, 2019

TO: The Honorable Representative Joy A. San Buenaventura, Chair  
House Committee on Human Services & Homelessness

FROM: Pankaj Bhanot, Director

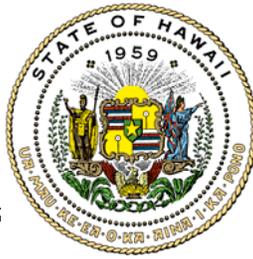
SUBJECT: **HCR 35/HR 38** - REQUESTING THE AUDITOR TO CONDUCT A COMPREHENSIVE AND MANAGEMENT AUDIT OF EACH CONTRACT THAT EXCEEDS \$1,000,000 AND HAS BEEN ENTERED INTO DURING THE PAST FIVE YEARS BETWEEN THE DEPARTMENT OF HUMAN SERVICES AND ANY DOMESTIC VIOLENCE NONPROFIT ORGANIZATION

Hearing: March 22, 2019, 8:30 a.m.  
Conference Room 329, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) opposes these resolutions. After a quick review, DHS does not have any contracts, current or in the recent past, that exceed \$1,000,000 to any domestic violence nonprofit organization.

**PURPOSE:** The resolution requests the Auditor to conduct a comprehensive and management audit of each contract that exceeds \$1,000,000 and has been entered into during the past five years between the Department of Human Services and any domestic violence nonprofit organization.

Thank you for the opportunity to testify on this resolution.



HOUSE COMMITTEE ON HUMAN SERVICES & HOMELESSNESS

The Honorable Joy A. San Buenaventura, Chair  
The Honorable Nadine K. Nakamura, Vice Chair

**H.C.R. NO. 35, REQUESTING THE AUDITOR TO CONDUCT A COMPREHENSIVE AND MANAGEMENT AUDIT OF EACH CONTRACT THAT EXCEEDS \$1,000,000 AND HAS BEEN ENTERED INTO DURING THE PAST FIVE YEARS BETWEEN THE DEPARTMENT OF HUMAN SERVICES AND ANY DOMESTIC VIOLENCE NONPROFIT ORGANIZATION**

**H.R. NO. 38, REQUESTING THE AUDITOR TO CONDUCT A COMPREHENSIVE AND MANAGEMENT AUDIT OF EACH CONTRACT THAT EXCEEDS \$1,000,000 AND HAS BEEN ENTERED INTO DURING THE PAST FIVE YEARS BETWEEN THE DEPARTMENT OF HUMAN SERVICES AND ANY DOMESTIC VIOLENCE NONPROFIT ORGANIZATION**

Hearing: Friday, March 22, 2019, 8:30 a.m.

The Office of the Auditor has **no position** regarding H.C.R. No. 35 and H.R. No. 38, which require the auditor to conduct a comprehensive and management audit of each contract between the Department of Human Services and a domestic violence nonprofit organization that exceeds \$1,000,000 and has been entered into during the past five years. **However, we offer the following comments.**

H.C.R. No. 35 and H.R. No. 38 require us to conduct a comprehensive management audit that would focus on accountability and oversight of State funding expended pursuant to each contract, including:

1. The percentage of total expenditures under each contract allocated for staff and administrative costs compared to the expenditures for providing services directly to domestic violence victims;
2. Recommendations regarding department contracting practices to improve comprehensive care for domestic violence victims; and
3. Recommendations regarding best contracting practices to increase efficiency by reducing staff and administrative expenditures so that more funds may be expended for the direct benefit of domestic violence victims.

We are concerned that some portions of the work outlined in the measures require specialized expertise and will almost certainly require us to procure a consultant to assist us in performing the audit. Specifically, paragraph (2) requires us to make recommendations regarding

contracting practices to “improve comprehensive care for domestic violence victims.” This task will require our office to retain a qualified expert. For that reason, we request that the committee delete paragraph (2).

Lastly, the resolutions require us to report our findings and recommendations to the legislature no later than 20 days before the 2020 legislative session, yet the resolution requires that the audit include “each contract between the Department of Human Services and a domestic violence nonprofit organization” meeting certain criteria. Because we do not know the magnitude of the audit (*i.e.*, the number of contracts, the number of expenditures, etc.) until we complete our audit planning work, we have no way to gauge whether we can complete the required work before the 2020 legislative session.

Thank you for considering our testimony related to H.C.R. No. 35 and H.R. No. 38.

# hscadv



HAWAII STATE COALITION AGAINST DOMESTIC VIOLENCE  
1164 Bishop Street, Suite 1609, Honolulu, HI 96813

DATE: March 21, 2019

TO: House Committee on Human Services & Homelessness  
Chair, Rep. Joy San Buenaventura  
Vice Chair, Nadine Nakamura

FROM: Carmen Golay, Member Services Manager  
Hawaii State Coalition Against Domestic Violence

RE: Opposition: HCR 35/ HR38

Dear Members of the Committee:

On behalf of the Hawaii State Coalition Against Domestic Violence (HSCADV) and our 23 member organizations across the state, I am submitting testimony in OPPOSITION to HR 38 which calls for the auditor to conduct an audit of each domestic violence contract through Department of Human Services.

Many of our member programs would be affected by this and we are first and foremost unclear about what this measure's intent is and what information this committee is seeking to learn. It's possible that this can be shared without a mandate by working with the organizations collectively.

As most of our member organizations do, HSCADV conducts annual financial reviews using qualified auditors to ensure that our expenses are accounted for and appropriate. As 501 c(3) organizations, our financial reports and tax returns are public record. There is tremendous transparency required of non-profits.

To address the accountability and oversight points in this resolution:

- (1) *“The percentage of total expenditures under each contract allocated for staff and administrative costs compared to the expenditures for providing services directly to domestic violence victims;”*

As human services organizations, most of our annual budgets will be for salaries for staff. These are the people who are carrying out the provision of the services directly to and with domestic violence victims. Every agency has administrative costs which vary from agency to agency, however it should be assumed that the number one expense for these organizations will be personnel costs, including taxes, health insurance and other benefits. It should also be noted that MANY of the staff who work in these domestic violence non-profits are living below poverty level themselves and often have second jobs.

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# hscadv



HAWAII STATE COALITION AGAINST DOMESTIC VIOLENCE  
1164 Bishop Street, Suite 1609, Honolulu, HI 96813

- (2) *“Recommendations regarding department contracting practices to improve comprehensive care for domestic violence victims;”*

This is a conversation we’d like to have without an audit. Our member organizations are the people on the ground and are best positioned in each of our communities statewide to participate in these discussions. In some communities, especially on the Neighbor Islands, our member organizations are the entire comprehensive care for victims of domestic violence and they certainly can use additional support. We also work within our communities to strengthen partnerships with government and private groups and organizations to improve the system responses to domestic violence victims.

- (3) *“Recommendations regarding best contracting practices to increase efficiency by reducing staff and administrative expenditures so that more funds may be expended for the direct benefit of domestic violence victims;”*

As stated above, staff costs are always going to be the biggest expense in most human and social service organizations. It is staff who do the direct services that benefit victims of domestic violence. Non-profits have always done more with less funding, have always sought to increase efficiency and are constantly looking to maximize our funding dollars. These organizations, including HSCADV, are constantly looking for grant opportunities, asking for donations to support the bottom line and leveraging the state funding to bring more dollars from federal grants, and private trusts and foundations.

The staff hours and time cost of conducting such an audit would be a detriment to the direct services victims of domestic violence are seeking.

As stated above, HSCADV opposes HR 38.

Respectfully,

Carmen Golay  
Member Services Manager  
cgolay@hscadv.org

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