

Association of Government Accountants
Hawaii Chapter
2018 Government Professional Accounting
Seminar

Thursday, September 6, 2018



Department of Accounting and General Services
State of Hawaii

Agenda

- ▶ DAGS Overview
- ▶ Governor's Goals
- ▶ Accounting Division
 - ▶ Payroll Modernization Project
- ▶ Audit Division
 - ▶ Act 1, Special Session 2017, Mass Transit Special Fund
- ▶ Central Services Division
 - ▶ Honolulu Seawater Air Conditioning Project
- ▶ Public Works Division
 - ▶ Revised Consultants Selection Process
 - ▶ Hawaii State Hospital
 - ▶ Oahu Community Correctional Center
 - ▶ Reductions in Space Assignments for State Offices

DAGS Overview

Department of Accounting and General Services (DAGS), established under Hawaii Revised Statutes (HRS) §26-6, is headed by the State Comptroller. The Department is responsible for managing and supervising a wide range of State programs and activities, which include:

- ▶ The State's centralized accounting and auditing system
- ▶ Archives, records management, and centralized records storage of the State except the Judiciary
- ▶ Annual and periodic audit of departments and agencies
- ▶ Statewide risk management services
- ▶ Informational technology and communications systems services to the Executive Branch
- ▶ Maintenance and operations of state buildings and agencies

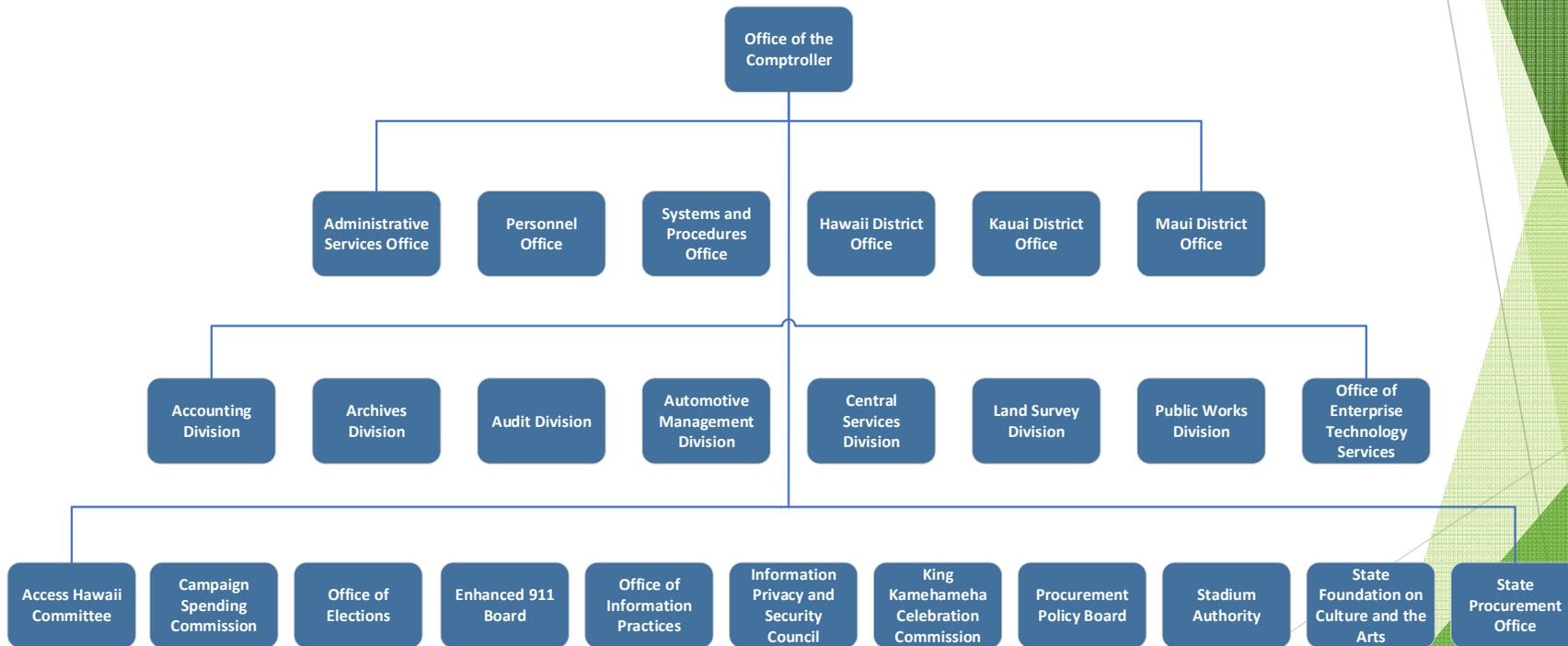
DAGS Overview (cont.)

- ▶ Parking and automotive management
- ▶ Maintenance of central mail and messenger service for state government
- ▶ Maintenance of the State's data center, intranet, and microwave radio systems
- ▶ Survey of state lands
- ▶ Planning, design, engineering, and construction of public works projects
- ▶ Administering centralized office leasing services

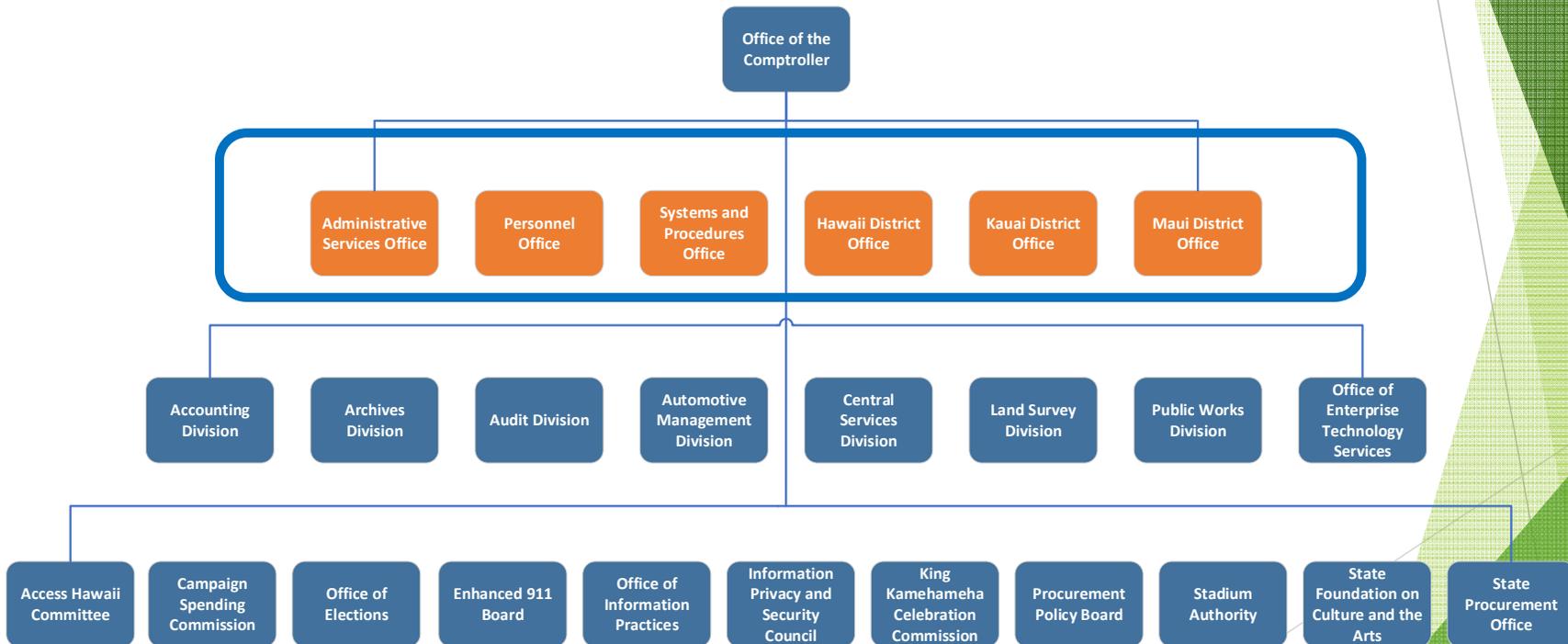
DAGS Overview (cont.)

- ▶ The Department is comprised of three staff offices, three district offices, eight divisions including the Office of Enterprise Technology Services, and twelve administratively-attached agencies.

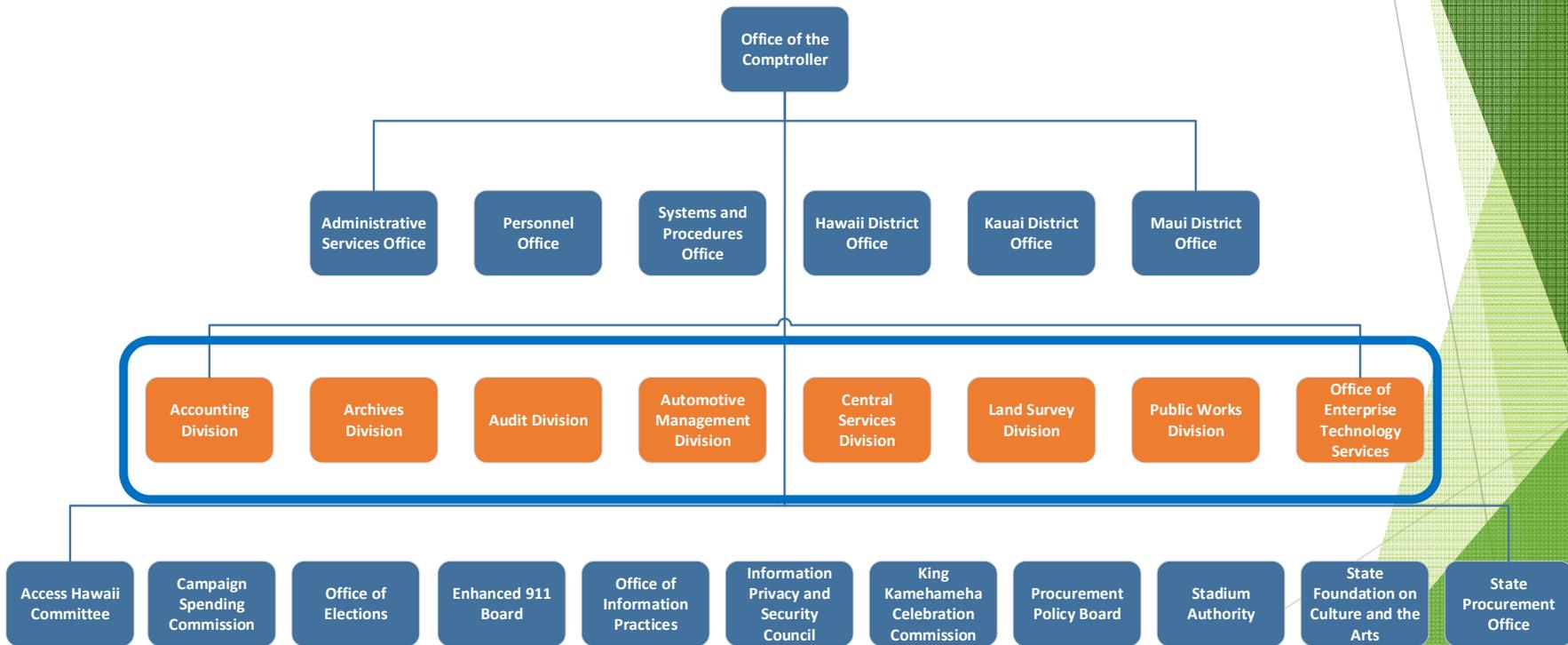
DAGS Organizational Chart



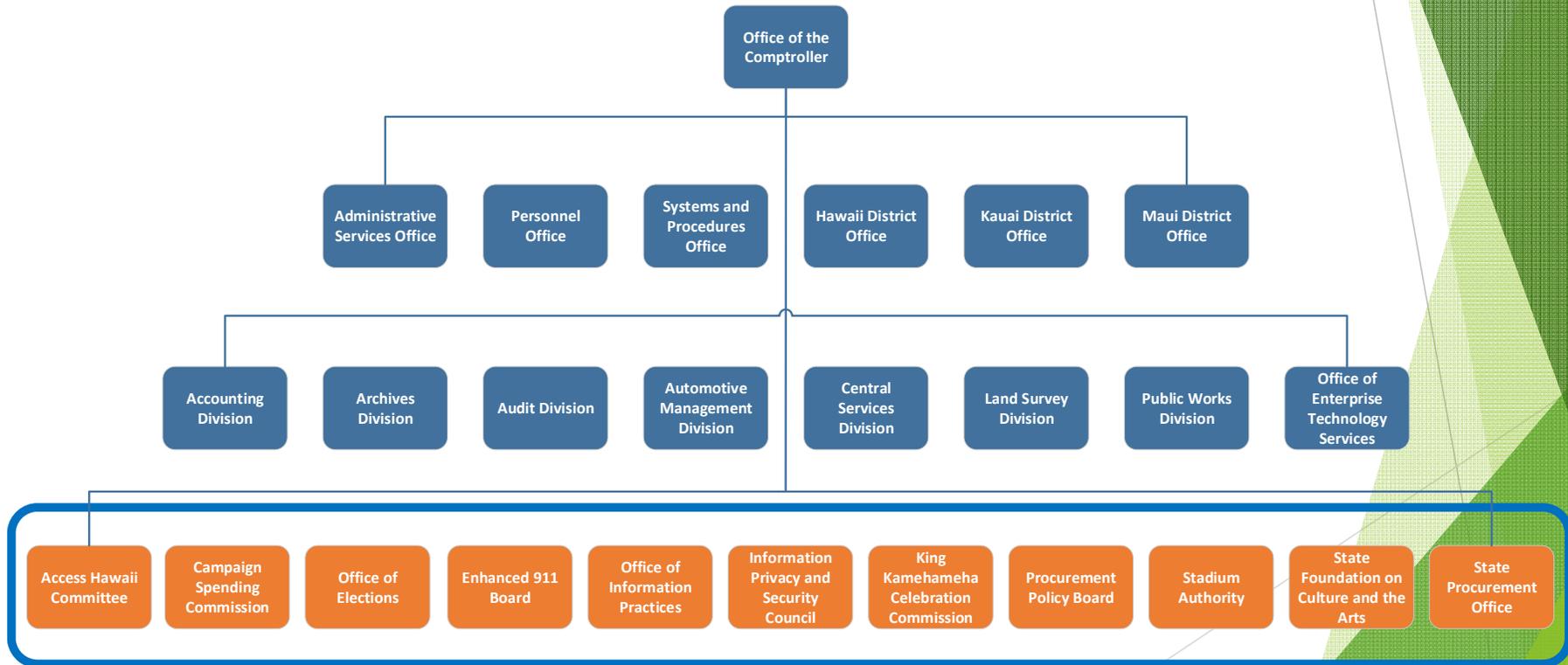
DAGS Offices



DAGS Divisions



DAGS Attached Agencies



Governor's Goals

Vision:

To have a state government that is honest, transparent, and responsive to its citizens.

Mission:

To change the trajectory of Hawaii by restoring faith in government and establishing the Hawaiian Islands as a place future generations choose to call home.

Governor's Goals

- ▶ Mission (continued):

- ▶ **Effective, Efficient, and Open Government**

- Restore the public's trust in government by committing to reforms that increase resources, increase efficiency, reduce waste, and improve transparency and accountability.

- ▶ **Energy**

- Ensure a 100 percent renewable energy future in which we work together as a state, focusing on making solar and other technologies available for all.

Accounting Division

- ▶ Develops and maintains the State's accounting system
- ▶ Verifies expenditures before making payments
- ▶ Records and reports on the State's financial transactions

Accounting Division (cont.)

- ▶ Uniform Accounting and Reporting Branch
 - ▶ Records the State's financial transactions
 - ▶ Maintains control accounts for funds availability
 - ▶ Prepares statewide financial reports
- ▶ Systems Accounting Branch
 - ▶ Maintains and manages existing statewide accounting systems to improve the system efficiency and/or management policies
 - ▶ Complies with changes in applicable state and federal laws and/or management policies
 - ▶ Corrects accounting deficiencies or internal control weaknesses as identified by independent financial auditors along with system errors that occur in the normal course of business
- ▶ Pre-Audit Branch
 - ▶ Pre-audits payroll, contract, and other voucher expenditures of the state government for legality and propriety, and issues payments

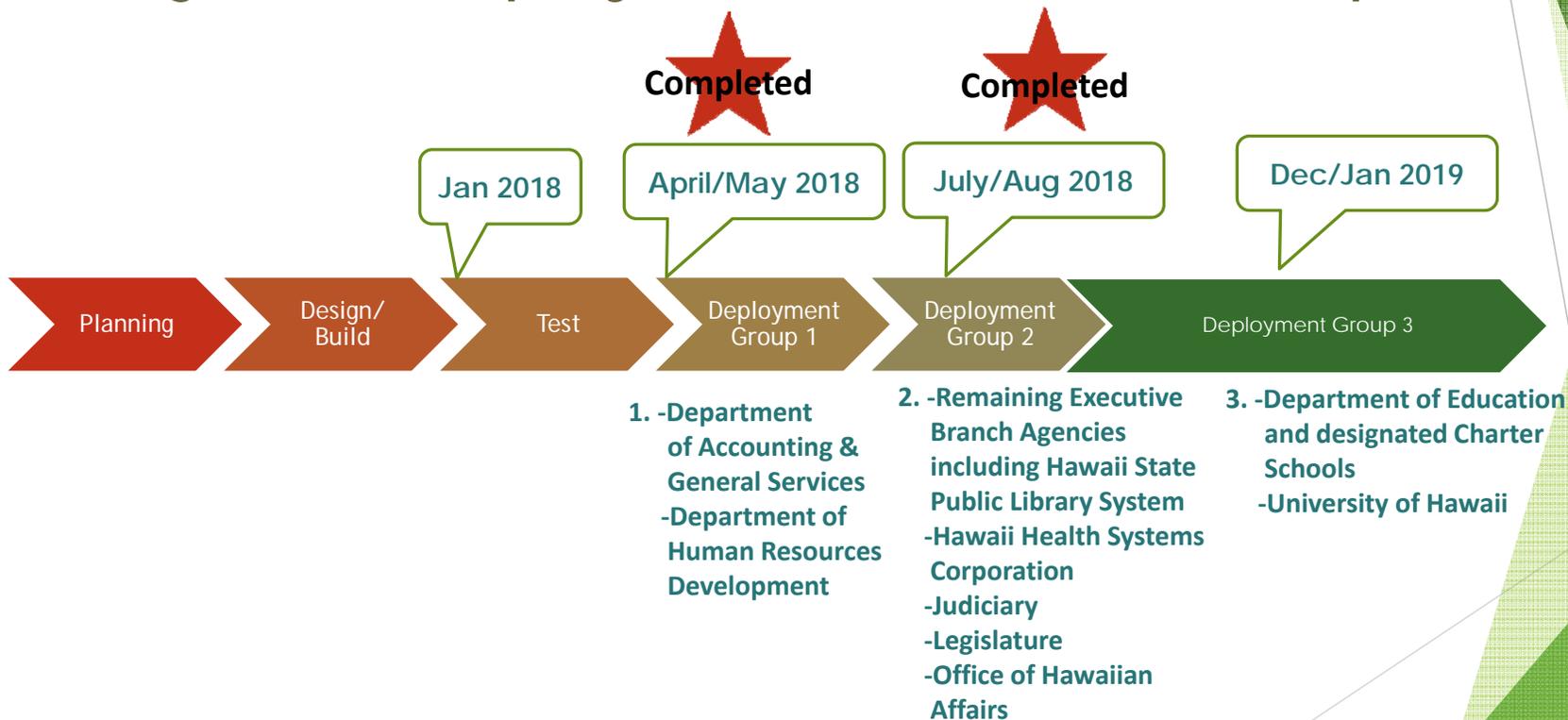
Payroll Modernization Project Project Guiding Principles

- ▶ Minimize unnecessary customization to manage cost and ensure long-term supportability
- ▶ Align and build modern industry best practices
- ▶ Improve and standardize processes to maximize efficiency and effectiveness and reduce risk

Business and Operational Assumptions Across the State Enterprise

- ▶ In 2015 when the Request for Proposal (RFP) was being drafted by the State, considerations were made to allow offer-hosted/managed solutions as the State did not have the necessary technical infrastructure, nor the sufficient support resources and personnel to build and manage a system of this scale.
- ▶ The State of Hawaii has not completed this scale or type of system modernization until this contract was awarded in June 2016. State of Hawaii processes and issues payroll under a single federal identification number, covering 60,000 to 70,000 employees paid twice a month.
- ▶ State of Hawaii organizational structure for administrative functions (human resources, payroll, time and attendance, and information technology) is distributed for all operations except for payroll administration.
- ▶ Decisions were made to modernize payroll and time and attendance only. Payroll is completely centralized at DAGS with agencies having operational payroll staff completing pay calculations either manually on paper payroll change schedules or where possible, interface files.
- ▶ State of Hawaii has multiple human resources systems of record across various jurisdictions and agencies and a possible consolidation was not something that could be completed prior to the payroll system modernization. HR operations are quite decentralized.

Payroll System Modernization Projected Deployment Dates and Groups



Central Services Division

The Central Services Division plans, coordinates, organizes, directs and controls a variety of services which include:

- ▶ Maintenance and repair of 164 statewide facilities including libraries, health centers and State buildings in the Downtown Honolulu civic center area
- ▶ Mail and messenger services
- ▶ Custodial services in 68 public facilities covering an area of 2.2 million square feet in major State buildings and health centers
- ▶ Grounds maintenance and beautification projects at 115 sites encompassing an area of 98 acres statewide including public office buildings, libraries, health and civic centers
- ▶ Managing the statewide Energy Management and Conservation Program and Fire Safety and Prevention Program

Central Services Division (cont.)

- ▶ Repair and Alterations Branch
- ▶ Public Building Management Services Branch
- ▶ Program Services Office
- ▶ Purchasing Services Office

Honolulu Seawater Air Conditioning Project

- ▶ Preliminary agreement with Honolulu Seawater Air Conditioning (HSWAC) to deliver chilled fresh water to air condition 8 DAGS facilities in downtown Honolulu.
- ▶ Largest energy efficiency project in the State of Hawaii.
- ▶ Project will use 44 degrees Fahrenheit water largely chilled by the ocean instead of electric chillers to use for air conditioning of the buildings.
- ▶ DAGS anticipates that the project will reduce state consumption of electricity by over 5.3 million kilowatt hours each year and avoid the production of 10 million pounds of carbon dioxide annually.
- ▶ In addition, potable water consumption is expected to drop by 11.4 million gallons per year and sewage discharge will be reduced by over 1.7 million gallons annually in the 8 buildings covered by this agreement.
- ▶ Project will further the State's clean energy objectives to expand renewable energy use and reduce greenhouse gas emissions.

Honolulu Seawater Air Conditioning Project (cont.)

- ▶ The eight buildings covered under the preliminary agreement with HSWAC are:
 - ▶ Keoni Ana (1170 Alakea St.)
 - ▶ Kalanimoku (1151 Punchbowl St.)
 - ▶ Keelikolani (830 Punchbowl St.)
 - ▶ Kinau Hale (1250 Punchbowl St.)
 - ▶ Leiopapa A Kamehameha (235 S. Beretania St.)
 - ▶ Queen Liliuokalani (1390 Miller St.)
 - ▶ No. 1 Capitol District Building (250 S. Hotel St.)
 - ▶ State Capitol (415 S. Beretania St.)

Audit Division

- ▶ Conducts audits of State departments and agencies to ensure the use of the State's accounting and internal control systems
- ▶ Conducts investigations to ensure that State departments and agencies maintain an adequate system of internal control and with the responsibility to see that the internal control system continues to function effectively as designed

Act 1, First Special Session 2017

Mass Transit Special Fund

- ▶ Amends Sections 23, 40, 46, 237, 238, 247, and 248 of Hawaii Revised Statutes (HRS)
- ▶ Authorizes a county that has adopted a surcharge on state tax to extend the surcharge to December 31, 2030
- ▶ Authorizes a county to adopt a surcharge on state tax before March 31, 2018 under certain conditions
- ▶ Decreases from 10% to 1% the surcharge gross proceeds retained by the State
- ▶ Allows the Director of Finance to pay revenues derived from the county surcharge under certain conditions
- ▶ Clarifies uses of surcharge revenues

Hawaii Revised Statutes §46-16.8(e)

Allows the use of surcharge revenues received from the State for capital costs of a locally preferred alternative for a mass transit project provided that revenues derived from the county surcharge of State tax shall not be used:

- ▶ To build or repair public roads or highways, bicycle paths, or support public transportation systems already in existence prior to July 12, 2005
- ▶ For operating or maintenance costs of a mass transit project or any purpose not consistent with this subsection
- ▶ For administrative or operating, marketing, or maintenance costs including personnel costs of a rapid transportation authority charged with responsibility for constructing, operating, or maintaining the mass transit project

Hawaii Revised Statutes §40-81.5

- ▶ Requires the Comptroller, upon request for payment by the rapid transportation authority, to verify that the authority's invoices for capital costs of a locally preferred alternative for a mass transit project comply with HRS §46-16.8(e). After submission of invoices by the authority for capital costs of a locally preferred alternative for a mass transit project are verified by the Comptroller as an acceptable use of funds pursuant to a surcharge on State tax authorized pursuant to HRS §46-16.8, the Comptroller shall submit a certification statement, including any appropriate supporting documents, to the Department of Budget and Finance for allocation of funds, if available. The certification statement shall include, at a minimum, the total amount contained in the invoices for capital costs that are verified as an appropriate use of funds pursuant to HRS §46-16.8(e).
- ▶ Sunsets December 31, 2031.

Comptroller's Certification of HART Invoices

- ▶ Schedule of Invoices dated April 18, 2018
 - ▶ 19 invoices
 - ▶ 6 companies
 - ▶ Total reimbursement: \$75,331,853.74
- ▶ Schedule of Invoices dated July 18, 2018
 - ▶ 23 invoices
 - ▶ 8 companies
 - ▶ Total reimbursement: \$81,743,637.20

Public Works Division

- ▶ The Public Works Division plans, coordinates, organizes, directs and controls a variety of engineering and architectural services for the State, including land acquisition, planning, designing, inspecting and managing construction projects, facilitating quality control, contracting, construction management, and equipping facilities and other improvements for State agencies. The Division, through its Leasing Branch, locates, negotiates, and leases office space in non-state buildings for user agencies.



Public Works Division (cont.)

- ▶ Planning Branch
- ▶ Project Management Branch
- ▶ Construction Management Branch
- ▶ Technical Services Office
- ▶ Staff Services Office
- ▶ Leasing Branch

Revised Consultant Selection Process FY 2019

- ▶ Each fiscal year, DAGS procures professional services consultants (i.e., architectural and engineering firms) for the design of capital improvement programs and other projects managed by the Department.
- ▶ The procurement of design professional services (consultant selection process) falls under Hawaii Revised Statutes (HRS) §103D-304 and Hawaii Administrative Rules (HAR) §3-122-7.
- ▶ DAGS implemented various changes to the consultant selection process for FY2019 in order to select the most appropriate/suitable design consultants for the various projects managed by the Department.
- ▶ The changes are anticipated to help keep projects on schedule and within budget, reduce design errors, and produce an acceptable final product for the project stakeholders.

Revised Consultant Selection Process Highlights

- ▶ Consultants are required to renew their qualifications each year in response to their annual general solicitation notice.
- ▶ Information submitted by consultants will be used for both qualification and selection purposes.
- ▶ Annual general solicitation requests the inclusion of HRS selection criteria information (i.e., consultants' experience, professional qualifications, past performance, and capacity) within each firm's Statement of Qualification (SOQ) document.
- ▶ Firms must now relate their past project experience in the DPW Form 120 to a new DAGS project to the selection committee.
- ▶ Selection criteria 4 (any additional selection criteria determined by the selection committee to be relevant) will be considered during the selection process, especially on complex projects.
- ▶ New projects that were not listed in the annual general solicitation (and projects with a specialized/non-standard scope of work) will be advertised under separate project-specific solicitation notices which will request project-specific information from consultants that will be used for qualification and selection purposes.
- ▶ All consultant firms that express interest in a new project listed in DAGS' annual general solicitation shall be evaluated and ranked.

Consultant Selections Summary

▶ FY 2015-2016

- ▶ Total selections: 44
- ▶ Highlights:
 - ▶ Aloha Stadium - Athletic Field Surface Replacement
 - ▶ Kaahumanu Hale - Sheriff's Station Expansion and Renovation
 - ▶ Washington Place - Health, Safety, and Preservation Improvements
- ▶ Total estimated fees: \$8,067,800

▶ FY 2016-2017

- ▶ Total selections: 64
- ▶ Highlights:
 - ▶ Kalaupapa Settlement - Site Assessment for Hazardous Materials, Planning, Various Improvements and Closing of Landfills, Phase 2
 - ▶ Statewide Public Libraries and Support Facilities - Various Repair and Maintenance Improvements, Retrocommissioning, and ADA Improvements
 - ▶ Hawaii, Kauai, Maui, and Oahu Community Correctional Centers - New, Renovations, and Expansions of Housing Facilities
 - ▶ Aloha Stadium - Health and Safety Projects
- ▶ Total estimated fees: \$20,621,710

Consultant Selections Summary (cont.)

- ▶ FY 2017-2018
 - ▶ Total selections: 33
 - ▶ Highlights:
 - ▶ Women's Community Correctional Center - New Housing and Related Improvements
 - ▶ Hawaii State Hospital - New Patient Facility, Construction Management Services
 - ▶ State Capitol - Rehabilitation of Chambers Level Waterproofing System and Related Improvements
 - ▶ Aloha Stadium - Planning for New Stadium and Site Redevelopment
 - ▶ Oahu Community Correctional Center - Planning for a New Facility
 - ▶ VA Long Term Care Facility, Oahu
 - ▶ Total estimated fees: \$43,218,600

Hawaii State Hospital - New Patient Facility



- ▶ New four-story, 144-bed, secure forensic psychiatric facility totals 170,000 square feet
- ▶ The complex will be built on 103-acre site in Kaneohe (former Goddard Building location)
- ▶ Overall budget for the project: approximately \$160 million
- ▶ Project will utilize design-build methodology which involves a 2-stage selection process to choose the most qualified team who will provide the best value for the State
- ▶ Design-build methodology will reduce the change order risk
- ▶ Target completion: December 2020

Oahu Community Correctional Center (OCCC)



- ▶ \$525 million project will rebuild OCCC at the current Department of Agriculture's Animal Quarantine Station in Halawa
- ▶ Variety of funding options are being considered including selling of general obligation bonds and public-private partnerships
- ▶ State will also continue to:
 - ▶ Seek approvals for regulatory permits
 - ▶ Assist with planning for the newly relocated Animal Quarantine Station
 - ▶ Assist with the design and construction of expanded Women's Community Correctional Center housing in Kailua to prepare for the relocation of female inmates from OCCC

Reductions in Departmental Space Assignments for State Office Buildings and Commercial Lease Space (Governor's Executive Memorandum No.11-09 and Comptroller's Memorandum No. 2017-15)

- ▶ Consolidating government functions, programs, and operations into smaller office space assignments in state office buildings
- ▶ Reduction of square footage inventory for commercial office lease spaces statewide
- ▶ Reduce annual commercial office leasing costs
- ▶ Allow Executive Branch departments to formulate consolidation plans to maintain departmental operational efficiencies and create new vacant office space
- ▶ Pursue alternatives to creating additional state office building spaces that will result in reducing the State's square footage inventory for commercial office lease spaces
- ▶ Construct new State office buildings and have operating funds to properly maintain the new buildings because it's better to own rather than lease office space in the long run

Revised Office Standards

Provides two levels of space reduction primarily depending on the type of furniture being used:

- ▶ Option 1: Reusing existing furniture will provide just over 8% space reduction as cubicle sizes must still incorporate traditional, free standing furniture (desks, file cabinets, etc.)
- ▶ Option 2: Purchasing new, fully modular furniture systems will yield roughly 22% space reduction by providing integrated partitions and personnel furniture with more efficient use of space.

Revised Office Standards (cont.)

Option 2 incorporates the following basic values which are applied by DAGS as appropriate to ensure programs are both space and operationally efficient:

- ▶ Personnel Space Reduction: 48 square feet of floor area for most positions, 80-100 square feet for attorneys, and 100-150 square feet for Branch, Division, and Department Heads
- ▶ Addition of Collaboration Areas: an additional 10 square feet per person allocated for collaboration areas which may be used as small conference rooms, interview rooms, or open meeting areas
- ▶ File Space Reduction: 50% reduction of floor area allocated to file and storage space, depending on programmatic record storage requirements

Implementation of Revised Office Standards

- ▶ In 2014, ETS/ICSD occupied parts of the second, third, fifth and sixth floors of Keoni Ana State Office Bldg. and the basement in the Kalanimoku State Office Bldg. Existing as of 2014 - 171 staff occupying 50,582 square feet (SF) for average 296 square feet/person:
 - ▶ Keoni Ana:
 - ▶ Total number of staff: 71
 - ▶ Total square footage: 17,809
 - ▶ Kalanimoku:
 - ▶ Total number of staff: 100
 - ▶ Total square footage: 32,773

- ▶ DAGS was tasked to consolidate ETS/ICSD into the Kalanimoku Bldg. as much as possible. Using 64 SF workstations for non-supervisory staff and removing interior walls to open up the basement area, DAGS calculated approximately 38 staff from Keoni Ana could move into Kalanimoku Bldg. using 64 SF workstations (8' x 8') - 171 staff occupying 38,437 SF for average 225 SF/person:
 - ▶ Keoni Ana:
 - ▶ Total number of staff: 28
 - ▶ Total square footage: 5664
 - ▶ Kalanimoku
 - ▶ Total number of staff: 143
 - ▶ Total square footage: 32,773

Implementation of Revised Office Standards (cont.)

- ▶ Because of high construction costs and ETS staffing increases, existing interior walls were kept and the layout was revised to include additional workstations. To accomplish this, ETS installed 42 SF benching workstations for non-supervisory staff totaling 183 staff members occupying 38,437 SF for average 210 SF/person
 - ▶ Keoni Ana
 - ▶ Total number of staff: 25
 - ▶ Total square footage: 5664
 - ▶ Kalanimoku
 - ▶ Total number of staff: 158
 - ▶ Total square footage: 32,773
- ▶ By reconfiguring its workstations, ETS was able to further increase efficient use of space, accommodate 54 more workstations, and occupy 12,145 SF less office space.

Mahalo

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