



HONOLULU AUTHORITY for RAPID TRANSPORTATION

**HART's Response to
City Auditor's Report
April 21, 2016**

H O N O L U L U R A I L T R A N S I T P R O J E C T
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Audit Recommendation #1

Increase efforts to regularly update the financial plan.

Response:

- HART continually updates the Financial Plan
- The formal update is currently underway
- The update was awaiting 1) the approval of GET surcharge signed on February 1, 2016 and 2) the FTA Risk Refresh held on March 30, 2016
- In Aug. 2015, the FTA reviewed and accepted the “draft” financial plan

Audit Recommendation #2

Update its Operations and Maintenance Plan (OMP) to address funding, management, and other transit needs.

Response:

- **The OMP was updated and submitted to the PMOC in September 2015**
- **Update incorporated shift from 2-car to 4-car consist**

Audit Recommendation #3

Consistently and accurately report on project cost information, identify and explain variances if internal and external reports are intended to be different so that policy makers and the public receive consistent and reliable project cost information.

Response:

- **HART regularly updates and reconciles financial data**
- **HART provides project cost information to the public, policy makers and decision makers**
- **Information is available on HART's website**

Audit Recommendation #4

Develop methods to ensure data used in HART, PMOC, and other reports are consistent, accurate, reliable, and can be reconciled among all the reports using the data.

Response:

- HART understands the reports and the underlying data from which it is generated
- The PMOC prepares its own reports based on their analysis and criteria

Audit Recommendation #5

Develop a process for tracking and monitoring all costs, including the status of delay claim costs.

Response:

- All projected changes, claim values and costs are tracked and monitored in CMS
- Delay claims are included and tracked in the same way

Audit Recommendation #6

Support its cost estimates with consistent, reliable and sufficient information. To do so, HART should thoroughly document details, including any forecasting methodology and assumptions made to support of its cost estimates.

Response:

- Every estimate is supported with a “Basis of Estimate” report that includes:
 - ✓ Estimating methodology
 - ✓ Anticipated Bid Range
 - ✓ References scope included/scope excluded

Audit Recommendation #7

Replace the contract management system (CMS) with a system that is more user friendly and more appropriate to managing the HART construction project. If the CMS system is retained, HART should define which CMS data elements, data fields, and functions should be used and which parts should be deactivated or eliminated.

Response:

- **CMS is HART's centralized project management system**
- **Manages construction-related data and documents**
- **Allows real-time web-based access**

Audit Recommendation #8

Use the city's C2HERPS enterprise resource planning system to develop, monitor, track, and report budget, financial, and accounting data. The CMS system should not be used for these purposes.

Response:

- **C2HERPS is HART's official financial system of record**
- **CMS supplements C2HERPS and provides web-based access to construction-related data and documents**
- **C2HERPS access is restricted to city employees only**

Audit Recommendation #9

Develop a forecasting model to best predict escalation costs and support it with documentation

Response:

- **HART has established procedures and methodologies**
- **Escalation is a product of contract risk, is variable and uncertain depending on specifics of each contract**
- **Budget forecasts are based on contract Independent Cost Estimates (ICE)**
- **Items in the ICE not attributed to a specific cause (risk factors) are assigned to escalation**

Audit Recommendation #10

Part 1

Make it a priority to analyze significant changes to the project, determine how it will affect the project's overall costs and schedule,

Response:

- Project controls analyzes cost and schedule reports for all design and construction contracts on a monthly basis

Audit Recommendation #10

Part 2

Regularly update key management plans to reflect those changes

Response:

- Staff is currently updating program plans
- Drafts are being reviewed with the PMOC and FTA

Audit Recommendation #10

Part 3

To ensure that stakeholders and the public are informed of significant changes in a timely manner

Response:

- HART informs stakeholders and the public of significant changes in a timely manner
- HART Board Meetings, Monthly Reports, Community Outreach, HART website and Social Media

Audit Recommendation #11

Ensure project managers prioritize budget management, compare actual costs to cost estimates, analyze any differences and make adjustments as necessary to prevent or minimize cost overruns.

Response:

- Project Managers do monitor and manage contract costs (budgets) through the monitoring of actual costs to contract amounts
- Improvements can be made and are in process

Audit Recommendation #12

Not make concessions on retainage to contractors, as it diminishes HART's ability to ensure proper performance and could be misconstrued as favoritism or biased.

Response:

- Retention did not apply
- All required retainage amounts were withheld in accordance with contract terms

Audit Recommendation #13

Document its cost-saving strategies and to the extent possible, quantify and document the amount of potential cost savings.

Response:

- **HART analyzed and quantified potential cost savings**
- **HART provided hundreds of pages of documentation to the auditors**
- **Decision to re-package WSSG saved the project \$38M**

Audit Recommendation #14

Develop and implement written internal policies and procedures that will address stipend payments, including requirements for supporting documentation of unsuccessful bidders' actual costs, determination of compensated value, and limit payment to no more than the unsuccessful bidders' actual costs or the stipend amount, whichever is less.

Response:

- Stipends are authorized under HRS Sec. 103D-303(i)
- FTA Best Practices – pay the same amount to competitors
- Industry standard to increase competition
- Average proposal preparation cost = 0.5% - 1% of contract which is far greater than \$500K stipend offered
- Stipend procedures are embedded in procurement solicitation documents
- HART plans to draft procedures

Audit Recommendation #15

Better document its office space requirements and regularly review its office lease agreements to identify any unoccupied usable area. To reduce current operational costs so that it only pays for space that is needed and to find potential future savings, if space is unoccupied, HART should consider renegotiating the lease, subleasing the space, or allowing other city agencies to use or rent the space until HART actually needs the space.

HART Response:

- **Vacant space is reasonable given the current number of vacant positions**
- **Office space is provided to contractors in accordance with OCA recommendation #8 from audit report #13-03**
- **Less expensive for HART to house contractors**
- **Adds to efficiency to have contractors in same office space**

Audit Recommendation #16

Develop written policies and update procedures for contract administration. Clearly distinguish the roles and responsibilities of project managers, contract managers, and contract administrators in contract administration policies and procedures. Promote increased awareness of procurement and contract administration file recordkeeping by providing additional training to staff, and develop more robust guidance, policies, and procedures that address the variety of contracts and associated invoices HART receives in order to help standardize the invoice payment process and prevent improper payments.

Audit Recommendation #16

Response:

- Improvements are being made
- Contract Administration procedures are being updated
 - ✓ Procedures will reflect current roles and responsibilities
 - ✓ Standardize invoice payment process across all contract types
 - ✓ Target date for completion: August 2016
- Staff training will continue

Audit Recommendation #17

Develop plans for annual and ongoing operations and maintenance (O&M) of the rail system once it is completed and operational. The plan should address subsidies needed to fund rail O&M costs, maximize fare box recoveries and ridership; minimize city subsidies; address O&M policies, subsidy sources and alternative revenues.

Response:

- **Draft O&M update is currently under FTA review and will be updated as part of the financial plan later this year**
- **HART Board Permitted Interaction Group was setup to investigate options for HART's fare box policy and ridership updates**
- **Subsidy funding requires Board, Mayor, and Council collaboration**

Audit Recommendation #18

Fill the operations and maintenance position and other key vacancies. The recruitment should include a succession plan to fill key positions in the event of any unexpected departures.

Response:

- The O&M manager position is filled as of 3/28/2016
- HART is recruiting for key vacancies

Mahalo!



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