



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

**DEPT. COMM. NO. 456**

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April 20, 2021

Mr. Leslie H. Kondo  
State Auditor  
Office of the Auditor  
465 S. King Street, Room 500  
Honolulu, Hawaii 96813

The Honorable Ronald D. Kouchi  
President of the Senate  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki  
Speaker of the House of Representatives  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear Mr. Kondo, President Kouchi, and Speaker Saiki:

Subject: DBEDT's Report on the Implementation Status of Audit Recommendations

Please find attached the Department of Business, Economic Development, and Tourism's (DBEDT) report, pursuant to Section 23-7.5, Hawaii Revised Statutes (HRS), providing implementation status of audit recommendations from Report Nos. 18-01, Audit of the Hawaii State Energy Office and 21-05, Follow-Up on Recommendations from Report No. 18-01, Audit of the Hawaii State Energy Office.

The Hawaii State Energy Office (HSEO) developed and implemented project management and reporting processes in February 2019 in response to the Auditor's recommendations. And although the Auditor's follow-up in March 2020 found recommendations to be partially implemented, HSEO considers the processes and procedures to be fully responsive to the recommendations and acknowledges that revisions continue to be evaluated for quality improvement.

Should you have any questions regarding the report, please feel free to contact me.

With aloha,

Mike McCartney

Attachment

**Department of Business, Economic Development and Tourism  
Hawaii State Energy Office**

**Report on the Implementation Status of Audit Recommendations**

Pursuant to Section 23-7.5(b), Hawaii Revised Statutes (HRS), the Hawaii State Energy Office (HSEO) submits this report to the Auditor, the President of the Senate, and the Speaker of the House of Representatives to provide an explanation of the implementation status of audit recommendations and the estimated dates of implementation.

In January 2018, the Office of the Auditor issued Report No. 18-01, Audit of the Hawaii State Energy Office. This report found that the Energy Office needed to better define its mission, role, and priorities within the State's energy independence effort, and together with the Governor and the Legislature, determine if the State can afford to pay for this effort.

In March 2021, the Office of the Auditor issued Report No. 21-05, Follow-Up on Recommendations from Report No. 18-01, Audit of the Hawaii State Energy Office. This report was based on follow-up conducted between December 2019 and March 2020, at which time all procedures recommended were in place.

In the period of time between the January 2018 and March 2021 reports, [Act 122, Session Laws of Hawaii](#) was enacted, establishing the Hawaii State Energy Office (HSEO) as an attached agency within the Department of Business, Economic Development, and Tourism (DBEDT) for administrative purposes to be led by the Chief Energy Officer (CEO). HSEO's mission was defined in Section 196-71, Hawaii Revised Statutes: to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient clean energy economy. Additionally, Act 122, SLH 2019 resulted in major changes to the funding of HSEO, taking effect in fiscal year 2020. General funds were appropriated for HSEO positions and operating expenses, and the expenditure ceiling for the Energy Security Special Fund was eliminated, now requiring specific legislative appropriation for any project funding.

HSEO's CEO started in October 2019, shortly before the Auditor's follow-up was conducted. Project management and reporting processes had already been developed and implemented in response to the Auditor's 2018 recommendations prior to HSEO's transition to new leadership. Although the Auditor's follow-up, which concluded in March 2020, found recommendations to be partially implemented, HSEO maintains that the processes and procedures were in place as of February 2019 and continue to undergo continuous evaluation and improvement.

**Recommendation 1a - Not Implemented – N/A** The Energy Office should establish short-term and long-term financial plans to ensure sustainability.

**HSEO Comments/Target Date of Implementation:** This recommendation is no longer applicable. Act 122, SLH 2019 transitioned the funding for HSEO personnel and operations from the Energy Security Special Fund to the State's general fund beginning in fiscal year 2020.

**Recommendation 1b - Not Implemented – N/A** The Energy Office should reduce operating expenses to a sustainable level.

**HSEO Comments/Target Date of Implementation:** This recommendation is no longer applicable. Act 122, SLH 2019 transitioned the funding for HSEO personnel and operations to the State's general fund beginning in fiscal year 2020.

**Department of Business, Economic Development and Tourism  
Hawaii State Energy Office**

**Report on the Implementation Status of Audit Recommendations**

**Recommendation 1c – Implemented** The Energy Office should immediately update its strategic plan.

**HSEO Comments/Target Date of Implementation:** In December 2018, HSEO released the Hawai'i State Energy Office Strategic Plan. In April 2019, HSEO released an updated version of the plan.

**Recommendation 2a – Partially Implemented** The Energy Office should also develop and implement robust project management and reporting processes by documenting the justification for initiation of each project, measurable goals, budget and staffing requirements, implementation and execution strategies, and project schedule.

**HSEO Comments/Target Date of Implementation:** HSEO established Project Management Processes & Procedures (PMP&P) in February 2019 to document its work and demonstrate that it is using its resources effectively. The Project Initiation Form is designed to formalize information about an initiative and to expedite gathering of the minimal information deemed necessary for an initial project approval. This form is also a tool to encourage ideas that are not fully formed project proposals but can provide enough information to gain approval to move forward with more detailed planning. HSEO's Project Initiation Form requires: Project Title; Project Description (goal statement, brief history, anticipated outcomes/deliverables, stakeholders); Justification (major outputs, measures of success, expected consequences); Budget/Funding Source; Timeline; and Project Team. HSEO considers this recommendation to be **implemented**.

**Recommendation 2b – Partially Implemented** The Energy Office should also develop and implement robust project management and reporting processes by establishing performance measures for all programs and activities.

**HSEO Comments/Target Date of Implementation:** After Project Initiation, HSEO's PMP&P require projects to be planned to an appropriate level of detail. The scope of the project is defined, and a project plan is developed. This involves identifying the cost, quality, available resources, and a realistic timetable. The project plan also requires establishing baselines or performance measures. These are generated using the scope, schedule, and cost of a project. A baseline is essential to determine if a project is on track. During planning, roles and responsibilities are clearly defined to ensure staff accountability. HSEO's Project Plan form requires: Project Scope (team members, purpose of project, background, deliverables, stakeholders); Project Milestones (target completion date, responsible party); Project Budget (cost, funding source); Metrics and Key Performance Indicators. HSEO considers this recommendation to be **implemented**.

**Recommendation 2c – Partially Implemented** The Energy Office should also develop and implement robust project management and reporting processes by monitoring the progress and status of programs and activities.

**HSEO Comments/Target Date of Implementation:** HSEO's PMP&P require project monitoring and controlling to ensure that the project plan is being actualized and adjusted as needed. The monitoring process ends once the project has achieved its goals and objectives, as detailed in the Project Plan. Monitoring could also end because sometimes a project is stopped before completion. This can happen for many reasons, including changes in the organization, lack of resources or higher priorities. Throughout this process, project control is the part of a project that keeps it on track, on-time and within budget. Project control begins early in the project with planning and ends late in the project with a post-implementation review. HSEO considers this recommendation to be **implemented**.

**Department of Business, Economic Development and Tourism**  
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**Recommendation 2d – Partially Implemented** The Energy Office should also develop and implement robust project management and reporting processes by ensuring an analysis of achievements and impacts on the State’s clean energy goals upon project completion.

**HSEO Comments/Target Date of Implementation:** HSEO’s PMP&P require project closing which involves processes that finalize all activities to formally complete the project. At this point, it is important to know how well the project has performed. This task is done using the Project Closing Form which requires: Closure Criteria; Purpose Review; Deliverables Review; Success Criteria Review; and Lessons Learned & Recommendations. The form records how well the project has performed against its original business case, quality measures, cost, duration, and tolerances. The auditor’s report was based on follow-up conducted between December 2019 and March 2020, at which time all procedures recommended were in place. However, as the auditor noted on page 12, at the time of the auditor’s review, only one of eight HSEO projects initiated in 2019 had yet reached the closing phase. HSEO considers this recommendation to be **implemented**.

**Recommendation 2e – Partially Implemented** The Energy Office should also develop and implement robust project management and reporting processes by reporting the resultant achievements and impacts in its annual and Act 73 reports clearly and concisely, so that the Legislature and public can evaluate the Office’s progress towards its goals.

**HSEO Comments/Target Date of Implementation:** The [Hawaii State Energy Office Annual Report 2020](#), published December 2020, reports on HSEO’s achievements and impacts. Part 2 of the annual report describes HSEO’s ongoing activities to fulfill its statutory mandate organized by topic areas: energy efficiency, renewable energy, clean transportation, and a resilient clean energy economy. HSEO continues to evaluate its performance measures. In September 2020, departments were advised to maintain current program structure and performance measures due to the COVID-19 pandemic and the related uncertainty of the availability of funding for programs. HSEO plans to update its performance measures and program size indicators when given the opportunity. And as much as possible, HSEO will connect its objectives to its expenditures. Target date for full implementation is **December 2021**.

**Recommendation 2f – Partially Implemented** The Energy Office should also develop and implement robust project management and reporting processes by establishing written policies and procedures that all program staff are required to follow.

**HSEO Comments/Target Date of Implementation:** HSEO’s PMP&P, revised in July 2019, serve as its written policies and procedures for project management and reporting that all program staff are required to follow. The PMP&P were presented and reviewed during HSEO staff meetings. HSEO considers this recommendation to be **implemented**.

HSEO considers all recommendations to be implemented, except for Recommendation 2e, which HSEO targets December 2021 for full implementation. HSEO will update its performance measures and program size indicators when given the opportunity and will continue to update and improve its project initiation, planning, and evaluation procedures to responsibly document its work, manage its resources, and demonstrate effectiveness.

HSEO appreciates this opportunity to provide the current status of implementation of the Auditor’s recommendations.