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Office of the City Auditor

City and County of Honolulu
State of Hawai`i

Report to the Mayor
and the
City Council of Honolulu

# Audit of the Fire Plans Review Revolving Fund, Resolution 25-4

COUNCIL COM. 222

**Report No. 25-04**
August 2025

# Audit of the Fire Plans Review Revolving Fund, Resolution 25-4

A Report to the
Mayor
and the
City Council
of Honolulu

Submitted by

**THE CITY AUDITOR**
CITY AND COUNTY
OF HONOLULU
STATE OF HAWAI`I

**Report No. 25-04**
August 2025

# OFFICE OF THE CITY AUDITOR

***KE KEʻENA O KA LUNA HŌʻOIA***

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August 22, 2025

The Honorable Tommy Waters, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai'i 96813

Dear Chair Waters and Councilmembers,

Attached is a copy of our audit report, *Audit of the Fire Plans Review Revolving Fund*. This audit was conducted pursuant to Resolution 25-4, which was adopted on January 29, 2025. The resolution requested the City Auditor to conduct a review of the fees and the detailed expenditures of funds for salaries, current expenses, and equipment. The audit objectives were to:

1. Determine whether the Fire Plans Review Revolving Fund's receipts and expenditures are consistent with fund requirements and best practices;

2. Determine whether the fund's current administrative structure is appropriate; and

3. Make recommendations as appropriate.

**Background**

In adopting Resolution 25-4, the Honolulu City Council expressed concern about the Fire Plans Review Revolving Fund's appropriations being made outside of the executive branch annual budget ordinances and believed it was appropriate to ensure that there are adequate safeguards to prevent the loss of public funding through waste, fraud, or error and promote efficient operations.

**Audit Results**

We found that although the Honolulu Fire Department (HFD) relies on the Fire Plans Review Revolving Fund (FPRRF) to support its Fire Prevention Bureau, the fund is not structured or administered in accordance with city ordinance requirements. Ordinance 12-4 required that the city establish a revolving fund to receive and disburse fire plan review fees. Instead, the fees are deposited and managed within the city's Special Projects Fund, which was designed for state contract revenues and does not provide the safeguards and review requirements for revolving funds. The Special Project Funds structure limits transparency and oversight, and leaves critical financial information—such as fund balances, revenues, expenditures, and staffing decisions—unreported to the city council.

We also found that HFD relies significantly on the fund to supplement its operations. We found that between 12 to 19 percent of annual Fire Prevention Bureau spending between FY 2020 and FY 2024 was paid from the FPRRF, which occurred outside the city's annual budget process. During this period, HFD added unbudgeted staff and maintained between 4 and 9 staff annually, and spent nearly $1 million on unbudgeted equipment purchases without council oversight or approval. In addition,

inconsistent accounting and the absence of clear reporting led to conflicting assessments of whether the fund operated with a surplus or deficit in multiple years.

The audit report makes three recommendations to promote transparency and accountability over the Fire Plans Review Revolving Fund.

We would like to express our appreciation for the cooperation and assistance provided by the Honolulu Fire Department. We are available to meet you with and your staff to discuss this report and to provide more information. If you have any questions, please call me at 768-3134.

Sincerely,

Troy Shimasaki
Acting City Auditor

c: Rick Blangiardi, Mayor
Michael D. Formby, Managing Director
Krishna Jayaram, Deputy Managing Director
Sheldon K. Hao, Fire Chief, Honolulu Fire Department
Andrew Kawano, Director, Department of Budget and Fiscal Services

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# Chapter 1
## Introduction

On January 29, 2025, the Honolulu City Council adopted Resolution 25-4, requesting the City Auditor to conduct an Audit of the Fire Plans Review Revolving Fund. The council found that the fund's appropriations are made outside of the executive branch annual budget ordinances and believed that it is appropriate to ensure that there are adequate safeguards to prevent the loss of public funding through waste, fraud, or error and promote efficient operations. The council requested a review of fees and the detailed expenditures of funds for salaries, current expenses, and equipment.

### Background of the Honolulu Fire Department

The Honolulu Fire Department (HFD) is the designated fire protection agency for the City and County of Honolulu. HFD's responsibilities are to provide firefighting, rescue, emergency medical, and hazardous materials response for Oahu. HFD is accredited by the Commission of Fire Accreditation International.

HFD is organized into four divisions:

1. The Administrative Services Bureau provides administrative, personnel, logistical, and maintenance support to the fire suppression force. The Administrative Services Bureau oversees HFD's operating budget, property and inventory, personnel administration, and the administration of safety and health-related programs.

2. Support Services manages and coordinates the operations of the Training and Research Bureau and the Fire Prevention Bureau.

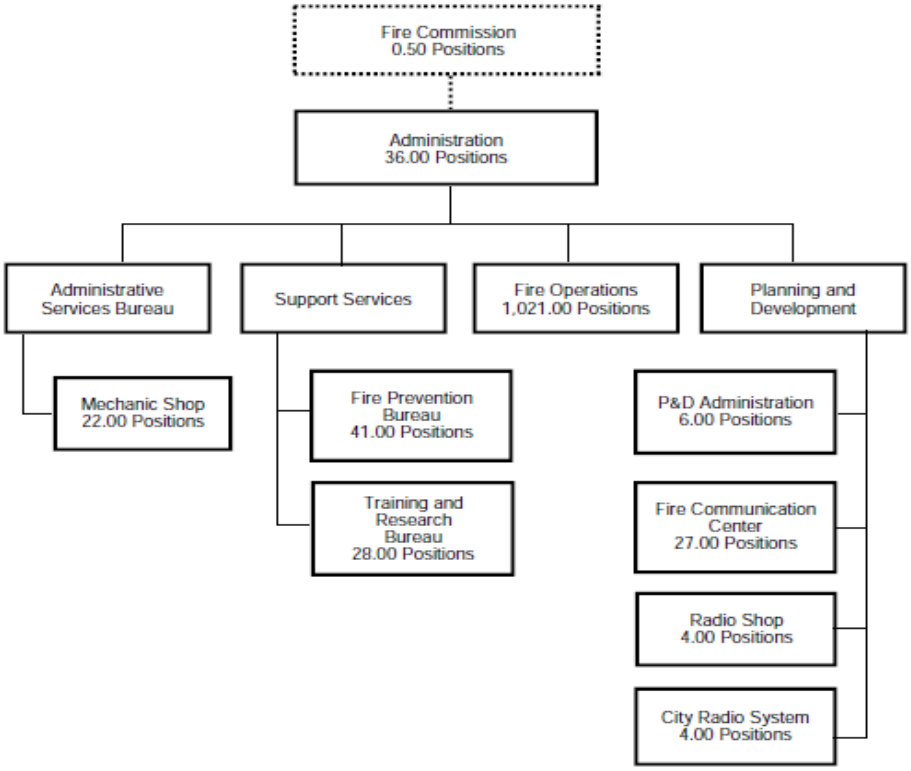
3. Fire Operations provides fire suppression and responds to search and rescue, hazardous materials, and medical emergency incidents.

4. Planning and Development coordinates HFD's short and long-term planning, operational, and quality improvement processes. Planning and Development also prepares annual compliance reports; develops deployment models; and reviews, researches, and monitors emerging legislations, regulations, trends, events, and past department performance to establish goals that fulfill HFD's mission.

Each division is managed by an Assistant Chief who is responsible for the daily management of the sections and provides executive support to the Fire Chief and the Deputy Fire Chief. The department's mission is to provide a safer community through prevention, preparedness, and effective emergency response.

The Honolulu Fire Commission serves as a liaison between HFD and the city's citizens, overseeing the appointment and potential removal of the Fire Chief, reviewing the annual budget, evaluating operations, and handling complaints. It also submits an annual report to the Mayor and the city council, recommends improvements, and assists HFD in obtaining the necessary resources from the city's administration to fulfill its mission.

**Exhibit 1.1 Organizational Chart – Honolulu Fire Department**




Source: Department of Budget and Fiscal Services Operating Budget FY 2024 (This chart reflects the number of full-time equivalent position appropriated in FY 2023).

### History and legislative context

To adopt the 2010 State Fire Code and provide amendments specific to Honolulu, the city council passed Ordinance 12-4 in March 2012, which set up the fire plan review fee, the special revolving fund, and the fire prevention purposes for which

the funds collected could be used. Section 20-1.1(3)9, Revised Ordinance of Honolulu 2021, establishes the Fire Plans Review Revolving Fund (FPRRF) as a repository for fees collected from the HFD's review of certain plans required by the city's building code. It provides that the FPRRF monies collected may be expended for fire prevention activities relating to public education, fire investigations, plans checking, permit processing, fire inspections, and certifications. At the time of passage, the legislative focus and public testimony focused on the proposed automatic sprinkler system mandate, and the proposed plan fire review fees and revolving fund were not a primary focus of discussion. See Appendix A for a detailed description of fire prevention activities for fund use.

In July 2014, the Department of Budget and Fiscal Services set up the accounting for these special funds in the Special Projects Fund. When plans or other specifications are submitted to the fire department as required by the building code, a plan review fee is paid at the time of plan submission. The fire plans review fee is 10% of the building permit fee payable prior to the issuance of the building permit. This amount is internally capped at $12,500 or can be waived with the installation of an automatic fire sprinkler system. Exhibit 1.2 below shows the fund's internal revenues and expenditures over the last five fiscal years.

**Exhibit 1.2 FY 2020-2024 Fire Plans Review Revolving Fund Revenues and Expenditures**

| Plan Review Fee: | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| Revenues | $770,999 | $810,981 | $966,589 | $1,079,387 | $1,140,947 |
| Expenditures | $783,540 | $955,659 | $684,597 | $1,303,652 | $1,084,973 |

Source: Honolulu Fire Department and OCA Analysis

***Administrative structure and fee collection process***

The Fire Plans Review Revolving Fund, financed by fees from building code fire plan reviews, is appropriated for spending on specified fire prevention activity categories. The city operates a revolving fund for self-sustaining goods and services offered by its agencies, which are funded through charges or transfers. The city definition of a revolving fund conforms with Hawai'i state law (HRS Section 37-62). A revolving fund lets an agency keep and use specified receipts for designated purposes without additional legislative approval or fiscal year limitations. Creating such funds requires legislative action, and explicit statutory authority is needed for agencies to operate them.

### Fire Plans Review Revolving Fund general characteristics

The FPRRF allows the fire department to keep and spend fire plan review fee receipts for designated categories of fire prevention activities without additional legislative approval or fiscal year limitations. This was created by the city council and the passage of Ordinance 12-4 (2012) in law. It provided the explicit statutory authority needed for its operation. As a revolving fund, the FPRRF is exempt from the charter requirement that executive branch appropriations occur through the annual budget ordinance. Generally, operating budgets apply to spending general and special revenue funds, except for revolving funds. The FPRRF funds are automatically appropriated by ordinance for specified fire prevention activities per the city's fire code. City administrative guidance indicates budgetary control for revolving funds is achieved through legislation rather than budgetary integration.

### Special Projects Fund general characteristics

Although Ordinance 12-4 established a revolving fund to collect and disburse fire plan review fee revenues, the city has instead been depositing and spending fire plan review fee revenues into and from the city's Special Projects Fund (SPF), a special revenue fund that is normally used to account for monies received under special contracts between the city and the state of Hawai'i, with spending on agreed-upon contract purposes. A more detailed discussion about the differences and impact of depositing and expending fee revenues from a revolving fund and a special revenue fund can be found in Chapter 2.

## Audit Objectives, Scope, and Methodology

This audit was conducted pursuant to Honolulu City Council Resolution 25-4, requesting the City Auditor to conduct and audit of the Fire Plans Review Revolving Fund.

The audit objectives are to:

1. Determine whether the Fire Plans Review Revolving Fund's receipts and expenditures are consistent with fund requirements and best practices;
2. Determine whether the fund's current administrative structure is appropriate; and
3. Make recommendations as appropriate.

We obtained a summary of revenues and expenditures for the five fiscal years from July 1, 2020, to June 30, 2024. We interviewed key fiscal and personnel staff and conducted audit procedures on the fund. Additionally, we identified best practices for managing accounts receivable and payable and examined similar funds to assess potential improvements in fund management. Our review covered fiscal years 2020 through 2024.

For our expenditure testing, we reviewed a statistically valid sample of 67 expenditures from a total of 2,584 transactions between FY 2020 and 2024. This sample size was based on a 90% confidence level and a 10% margin of error. For our revenue testing of fee deposits, we reviewed a statistically valid sample of 98 deposits from a total population of 5,172 for FY 2020 through 2024. The sample size was determined based on a 95% confidence level and a 10% margin of error, which was chosen to provide a higher level of assurance. Although the sample size calculation suggested 95 samples, we selected 98 to ensure greater reliability in our testing.

We referred to the criteria and guidance provided by the fire ordinance, Revised Charter of Honolulu, city finance and departmental administrative guidance and policy directives, and internal rules, regulations, policies and/or practices regarding fund management, revenue collection, and expenditure of revolving funds appropriated for specific categories of fire prevention activities. Where there was no internal policy guidance or procedures, we reviewed the current practices via site observations, walkthroughs, and interviews. We also conducted internet searches to identify criteria, controls, and best practices used by other county fire departments in the state of Hawai'i for fund management roles and responsibilities, transparency, and accountability for the revolving fund. We assessed the Fire Prevention Bureau's efforts to manage the fund, revenue collection, and expenditures according to the spending purposes in the fire ordinance.

This audit was performed in accordance with generally accepted government auditing standards from February 2025 to June 2025. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Results

We found that although the Honolulu Fire Department (HFD) relies on the Fire Plans Review Revolving Fund (FPRRF) to support its Fire Prevention Bureau, the fund is not structured or administered in accordance with city ordinance requirements. Ordinance 12-4 required that the city establish a revolving fund to receive and disburse fire plan review fees. Instead, the fees are deposited and managed within the city's Special Projects Fund, which was designed for state contract revenues and does not provide the safeguards and review requirements for revolving funds. The Special Project Funds structure limits transparency and oversight, and leaves critical financial information—such as fund balances, revenues, expenditures, and staffing decisions—unreported to the city council.

We also found that HFD relies significantly on the fund to supplement its operations. We found that between 12% to 19% of annual Fire Prevention Bureau spending between FY 2020 and FY 2024 was paid from the FPRRF, which occurred outside the city's annual budget process. During this period, HFD added unbudgeted staff and maintained between 4 and 9 staff annually, and spent nearly $1 million on unbudgeted equipment purchases without council oversight or approval. In addition, inconsistent accounting and the absence of clear reporting led to conflicting assessments of whether the fund operated with a surplus or deficit in multiple years.

# Chapter 2

## The Fire Plans Review Revolving Fund Administrative Structure is Not Consistent with Ordinance Requirements, and Lacks Transparency and Accountability for the Fund and its Fire Prevention Purposes

The administrative structure of the Fire Plans Review Revolving Fund (FPRRF) is inadequate for effectively reviewing and justifying the use of collected fire plan review funds, the creation of positions to support funded activities, and ensuring accountability for fulfilling the fund's special spending purposes. At present, the fire plan review fee funds constitute a significant portion of the annual budget for the fire department's Fire Prevention Bureau (FPB). However, these funds are not included in the city council's annual departmental budget review due to their special allocation.

There is a lack of transparency regarding the actual revenue collected and the expenditure of the special fund, as this information is only disclosed when actual expenditures for a fiscal year are reported, which occurs two years after the fact. Furthermore, program positions created annually within the FPB, funded by these fees, are neither budgeted nor reported. Accountability for meeting the fire prevention objectives of the special fund is limited because there is no requirement to report on the expenditure distribution across specified fire prevention categories or whether the activities conducted each year have met these objectives.

### The City Has Not Established a Standalone Fire Plans Review Revolving Fund as Directed by City Ordinance, and Instead Deposits and Expends Fire Plan Review Fee Revenues Through the City's Special Projects Fund

Ordinance 12-4 established the Fire Plans Review Revolving Fund. However, the city has not established a standalone Fire Plans Review Revolving Fund, and instead deposits and expends fire plan review fee revenues through the city's Special Projects Fund (SPF)—a fund typically reserved for special contract-related revenues and expenditures. This practice creates conflicts between the intended revolving fund structure and the requirements governing special revenue funds, particularly in the areas of budgeting, allowable uses, and financial accountability. Although key financial details such as fund balance, revenues, and expenditures are tracked internally by the fire department, that information is not formally reported to the city council or the public, limiting transparency and centralized oversight.

The city has been depositing and spending the fire plan review fee revenues into and from the city's SPF, a special revenue fund that is normally used to account for monies received under special contracts between the city and the state of Hawai'i, with spending on agreed-upon contract purposes. Placing these revolving fund revenues in a city special revenue fund creates underlying conflicts of fund management requirements in areas such as budgeting, purposes, and funds accountability. It appears there is no actual Fire Plans Review Revolving Fund, only a revolving fund process that the fire department follows to collect and expend fee revenues. Key information about the revolving fund is internally maintained by the department, such as fund balance, revenues, and expenditure details. Exhibit 2.1 below compares revolving and special project fund elements.

## Exhibit 2.1 Comparison of Revolving Fund and Special Revenue Fund Characteristics

| | Fire Plans Review Fee Revolving Fund | Special Projects Fund |
|---|---|---|
| **Fund Name** | Fire Plans Review Revolving Fund (FPRRF) within Special Projects Fund | Special Projects Fund (SPF) |
| **Type of Fund** | Revolving Fund | Special Revenue Fund |
| **Established by** | Ordinance 12-4, Bill 56 (2011), CD1 | Am. Ord 3135 (1968) |
| **Code Basis** | Chapter 20-1.1(3)9, Revised Ordinance of Honolulu 2021 | Chapter 6, Article 14, Revised Ordinance of Honolulu 2021 |
| **Uses of Fund** | May be expended for fire prevention activities relating to public education, fire investigations, plans checking, permit processing, fire inspections, and certifications | All moneys received should be expended for the purposes authorized |
| **Appropriation Process** | Fees are deemed appropriated upon receipt and may be expended for purposes above | **1) Special Revenue Fund:**<br>- Annual budgeting is required to appropriate funds<br><br>**2) State intergovernmental agreement or miscellaneous receipt:**<br>- All moneys received under special contracts with the State, and all moneys received from various other sources for operating and capital improvement expenses for which no financing has been provided in other funds shall be deposited into the special projects fund and expended for the purposes authorized |
| **User of funds** | Fire Prevention Bureau (FPB) | FY 2020-2024: 18 city agencies<br>Fire: Fire Prevention Bureau and HFD Grants |
| **Review Body** | Fire department (internally managed) | Honolulu City Council |
| **Budget Request for Special Fund Use** | No budget request and review | Must be budgeted as a special revenue fund. Only 3-5 agencies annually requested funds for their annual budget however 18 spent funds. |
| **Financial information** | Internally maintained<br>Fund balance, current revenues and expenditure details, positions created: Not reported<br><br>ACFR: 2 years later<br>Plan review fee revenue only<br><br>Budget: 2 years later<br>Total expenditure of SPF funds by FPB<br>Actual revenue amount | ACFR: 2 years later<br>Fund balance overall<br>Charge for Service: Plan review fee revenue<br>Combined fire spending (FPB and HFD grants)<br><br>Budget: 2 years Later<br>Total amount of revenue to Fund<br>Total expenditures by department/programs |
| **Special Fund Expenditure Reported** | Reported as sourced from Special Projects Fund, not Fire Plans Review Revolving Fund | Reported as sourced from Special Projects Fund |
| **Services Provided/ Accomplished Purposes Reported** | Not reported | Not reported |

Source: Executive Budget Programs FY 2020-2026

### Incompatibility between fund types undermines proper management of fire plan review revenues

We found incompatibility between the intended structure of the Fire Plans Review Revolving Fund and the city's use of the Special Projects Fund to manage its revenues and expenditures. The SPF is generally used to account for monies received under specific contracts between the city and the State of Hawai'i, with expenditures tied to agreed-upon contract purposes. Administering FPRRF revenues through the SPF creates conflicts in fund management requirements—particularly in budgeting, allowable uses, and accountability.

Key financial information about the FPRRF, including fund balances, revenues, and expenditures, is maintained internally by the HFD rather than through a centralized, dedicated revolving fund structure. This limits transparency and weakens external oversight. Although SPF subaccounts track fire plan review revenues separately, total expenditures are combined with other sources, such as fire department grants. The SPF does not maintain a revolving fund balance, further obscuring the status of FPRRF funds.

**Structural incompatibility**: The FPRRF is classified as a revolving fund, while the SPF is a special revenue fund. According to city definitions, special revenue funds are used to account for legally designated resources restricted to specific purposes, excluding enterprise, trust, and revolving funds. As such, the SPF should not be used to manage revenues from revolving funds. The current practice of placing FPRRF revenues into the SPF does not align with these classifications and creates confusion regarding fund purpose and control.

**Purpose incompatibility:** The FPRRF and SPF also serve different purposes. The FPRRF collects building code fire plan review fees to support fire prevention activities such as public education, fire investigations, plan checking, permit processing, inspections, and certifications. In contrast, the SPF is typically funded by state contracts and used for specific, contract-defined purposes. These fundamental differences in revenue source—service-based versus contract-based—and spending intent—fire prevention versus ad hoc projects—make the two funds functionally incompatible. Alternative explanations for placing FPRRF revenues in the SPF, such as using the SPF as a general holding fund for operational or capital expenditures, are also not well-supported. The FPRRF was established with a specific financing and spending mechanism under ordinance, and repurposing its revenues for general operations under the SPF lacks clear legal or administrative justification.

**Incompatible fund management requirements**: The SPF, as a special revenue fund, is subject to annual budgeting requirements that do not apply to revolving funds. City budgetary guidance specifies that formal budgets must be adopted for special revenue funds, including the SPF. Between FY 2020 and FY 2024, multiple city departments, including the fire department, used SPF funds without submitting corresponding budget requests—despite city guidance requiring such requests. This practice contradicts both the legal expectations and financial controls associated with the SPF's fund type.

Supplementary financial guidance further reinforces that executive branch activities must be authorized through the annual budget process. While revolving funds are excluded from this requirement, the SPF is not. Therefore, if FPRRF revenues continue to be deposited into the SPF, they must be formally budgeted in accordance with these rules. Alternatively, if the city intends to treat the FPRRF as a revolving fund, it must ensure that fund control is established through ordinance.

Placing FPRRF revenues into the SPF is incompatible with both the legal structure and intended purpose of the fund. To strengthen fiscal accountability and ensure proper fund management, the city should either (1) establish a dedicated revolving fund structure for the FPRRF, as required under Ordinance 12-4, with appropriate legislative controls, or (2) reclassify the FPRRF as a special revenue fund and enforce full compliance with city budgetary guidance for SPF funds.

**Sourcing plan review fees through the SPF increases the lack of transparency for the fund**

Given its built-in transparency issues as a revolving fund, the practice of sourcing fire plan review fees through the SPF special revenue fund additionally reduces transparency. There is conflicting guidance, so it is difficult to determine whether the department is required to budget plan review fees as SPF funds in its annual budget. Additionally, the use of FPRRF funds is not sufficiently reported, with unclear presentation in city financial sources, and without specifically identifying the use of revolving funds for FPB activities when actual spending is disclosed.

**Lack of transparency in budgeting:** Though FPB spends plan review funds from the SPF each year, HFD does not include them in its annual budget. Expenditures from the SPF for FPB are not budgeted or reviewed annually by the council, leading to a lack of transparency and accountability. During our review period, the department submitted five budgets requesting only general funds for FPB fire prevention activities. This is appropriate for a revolving fund, but conflicts with budgetary guidance that SPF should be budgeted annually.

**Lack of transparency in SPF**: The city's Annual Comprehensive Financial Report (ACFR) provides separate accounting for reviewed revolving funds, but not one for the FPRRF. The financial reporting on the SPF combines spending from HFD grants and FPB programs into an overall total instead of identifying sources individually. Although fire plan review fee revenue is documented in city financial reports like the ACFR and budget, it lacks spending transparency.

**Unclear presentation**: While there is information available regarding annual revolving fund revenues collected two years ago from fire plan review fees, it may not be easily identifiable within city financial sources. This information is found within the SPF, but it is labeled as a *plan review fee* rather than specifically as a Fire Plan Review Fee. The labeling issue arises because it shares a name with the building permit plan review fees collected by the Department of Planning and Permitting (DPP). This naming convention can cause confusion and reduce transparency, especially since fire plan review fees stem from the DPP building permit process.

**Unclear source of funding**: Identifying plan review fee revenue is not the only issue. The budget reports FPB expenses as coming from the SPF, not the fire plan review fee revolving fund or plan review fees. This can mislead stakeholders and the public into thinking state agreements funded FPB activities when they were funded by plan review fees. Clearly indicating this would improve transparency.

The structural design of the fund has inherent issues with transparency and oversight, leading to several implications: spending may go unreviewed due to a limited budget transparency and fiscal oversight; existing budgetary and spending imbalances might not be detected; and there is limited evidence of achieving special purposes. The current fund structure contributes to the lack of transparency of the true cost of FPB operations and reduces accountability for spending funds and accomplishing designated objectives.

We found that over a five-year period, approximately 15% of FPB's total expenditure ($5 million out of $33 million) was not subject to budget review, justification, or reporting due to revolving fund appropriation. Additional staffing, supported annually by special funds, is effectively created and compensated without explicit approval or visibility to the city council. Significant spending of special funds remains unbudgeted, including annual equipment purchases.

There is an absence of budgeting and timely reporting requirements for key information. Revenue collection, expenditures, and fund health are only known to the fire department. There is no categorical or performance reporting demonstrating how expenditures advance fire prevention activities as defined by the ordinance.

**Use of special funds allows FPB to manage annual spending without justification or oversight**

The Fire Prevention Bureau relies heavily on expenditures from the FPRRF to support its operations. However, during our review period, FPB's annual budgets consistently understated actual spending by approximately 15%. Budget requests did not account for how special funds were used to support additional staffing or unbudgeted categories of expenditures. This spending was only visible after the fact and was disclosed two fiscal years later through retrospective financial reporting.

Special fund expenditures have allowed FPB to expand staffing and purchase equipment without explicit city council approval or visibility. Positions funded through special funds are effectively created and compensated outside the formal budgeting process. This lack of transparency undermines budgetary oversight and limits accountability for resource allocation.

**Only general funds are budgeted:** Throughout the review period, FPB submitted annual budget requests that included only general fund resources. These budgets did not incorporate or program the use of fire plan review fee revenues, despite those funds being a significant and ongoing source of financial support for fire prevention activities. As a result, the city council approved budgets that did not reflect the full scope of planned expenditures, leaving substantial spending from special funds outside the formal review and appropriation process.

By not incorporating special fund usage into the annual budgeting process, FPB is able to manage and expand its operations beyond what is formally justified or reviewed. This practice limits transparency, bypasses established budgetary controls, and reduces the city council's ability to make informed decisions about public resource use.

**Exhibit 2.2 FY 2020-2024 Source of Funding for Fire Prevention Bureau (in Budgets)**

| Source of Funds: | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| **General Fund** | $5,328,590 | $5,799,074 | $5,666,830 | $5,630,321 | $5,949,821 |
| **Special Projects Fund** | $0 | $0 | $0 | $0 | $0 |
| **Council Appropriated** | $5,328,590 | $5,799,074 | $5,666,830 | $5,910,141 | $5,949,821 |

Source: Executive Budget Programs FY 2020-2026

**Use of special funds reported two years after the fact:** During the period of review, FPB budgeting of expenditures has been, on average, 15% less than the annual amount spent because their annual budget request is only for the program's general funds and they are not required to program their special funds. The use of plan review fee revenue as a source of funds for their spending is only reported in total two years after when actual expenditures are provided in the annual executive budget. Approximately 12–19% of the Fire Prevention Bureau's annual expenditures occur outside of the council's annual budget review due to revolving fund appropriation of FPRRF fees.

**Exhibit 2.3 FY 2020-2024 Source of Funding for Fire Prevention Bureau (Actual Expenditures)**

| Source of Funds: | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| **General Fund** | $5,659,590 | $5,555,715 | $5,482,828 | $5,737,136 | $5,973,024 |
| **Special Projects Fund** | $805,479 | $981,950 | $706,604 | $1,306,560 | $1,241,055 |
| **Total** | $6,465,069 | $6,537,665 | $6,189,432 | $7,043,696 | $7,214,079 |
| **% of Amount Spent by FPB Annually Not Reviewed** | 12% | 15% | 11% | 19% | 17% |

Source: Executive Budget Programs FY 2020-2026

**Created staffing positions unreported:** We found that reporting of actual positions to support FPB positions are understated. During this period, the department requested 41 positions to support FPB operations. The city council approved and appropriated about 41 to 43 positions annually. See exhibits 2.4 and 2.5 for positions requested and funded.

**Exhibit 2.4 FY 2020-2024 FPB General Funded Positions Requested in Budgets**

| FPB Positions: | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| **Permanent** | 40.0 | 41.0 | 41.0 | 41.0 | 41.0 |
| **Temporary** | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Contract** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | 41.0 | 41.0 | 41.0 | 41.0 | 41.0 |

Source: Executive Budget Programs FY 2020-2024

Using fire plan review fees, the department created and supported additional FPB positions. Each year, FPB spent general and special funds to maintain 45-52 positions. The fees collected helped the department increase FPB staffing by 4-9 positions annually, averaging a 16% staffing increase, without city council review and approval. This unbudgeted staffing information is not included in annual budget reports. Costs for these positions are discussed later in the chapter.

**Exhibit 2.5 FY 2020-2024 FPB Positions Funded by General and FPRRF Funds**

| FPB Actual (Program Positions): | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| **Permanent** | 40.0 | 41.0 | 41.0 | 41.0 | 41.0 |
| **Temporary** | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Contract** | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 |
| **Budgeted Positions** | 41.0 | 41.0 | 41.0 | 43.0 | 41.0 |
| **Added Contracts (FPRRF)** | 4.0 | 6.0 | 6.0 | 9.0 | 8.0 |
| **Total** | 45.0 | 47.0 | 47.0 | 52.0 | 49.0 |
| **% Increase in Positions** | 10% | 15% | 15% | 21% | 20% |

Source: Executive Budget Programs FY 2020-2026

**Key categories of expenditures are unbudgeted:** During this period, the FPB requested no general funds to make equipment purchases.

**Exhibit 2.6 FY 2020-2024 FPB Budget Requests for Categories of Expenditures**

| FPB Requested: | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| **Salaries** | $4,890,825 | $5,276,799 | $5,179,220 | $5,134,632 | $5,445,389 |
| **Current Expenses** | $437,765 | $522,275 | $487,610 | $495,689 | $504,432 |
| **Equipment** | $0 | $0 | $0 | $0 | $0 |
| **Total** | $5,328,590 | $5,799,074 | $5,666,830 | $5,630,321 | $5,949,821 |

Source: Executive Budget Programs FY 2020-2026

**Unbudgeted Equipment Spending:** However, almost one million dollars ($984,527) of fire plan review fees collected were paid for equipment purchases. There are three years of unbudgeted equipment purchases using special funds. During this period, a total of 7% of expenditures were unbudgeted equipment purchases using special funds.

**Exhibit 2.7 FY 2020-2024 FPB Actual Expenditures Highlighting Change in Equipment Category**

| FPB Actual: | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| **Salaries** | **$5,358,873** | **$5,298,681** | **$5,308,787** | **$5,723,662** | **$6,287,217** |
| **Current Expenses** | **$984,749** | **$860,786** | **$880,645** | **$810,634** | **$926,862** |
| **Equipment (FPRRF funds)** | **$121,447** | **$353,680** | **$0** | **$509,400** | **$0** |
| **Equipment (General Funds)** | **$0** | **$24,518** | **$0** | **$0** | **$0** |
| **Total** | **$6,465,069** | **$6,537,665** | **$6,189,432** | **$7,043,696** | **$7,214,079** |

Source: Executive Budget Programs FY 2020-2026

**Lack of transparency in FPB annual budgeting and spending:** Exhibit 2.8 below shows the funding overview of the Fire Prevention Bureau as an example of the lack of transparency in current FPB budgeting and spending due to the nature of how fire plan review fees were reported as spent in the most recent fiscal year we reviewed.

**Exhibit 2.8 FY 2023 Fire Department Fire Prevention Bureau Funding Overview**

**Budget Request**

- Requested Spending (March 2022): $5,630,321
  - General Funds Requested: $5,630,321
  - *(Only for salaries and current expenses)*
- Fire Plans Review Revolving Fund Fees (SPF) Requested: $0
- Requested Positions: 41
  - Permanent Positions: 41
  - Temporary or Contracted Positions: 0

**Council Approved**

- Appropriated Budget (For FY 2023): $5,910,141
  - General Funds Appropriated: $5,910,141 *(Only for salaries and current expenses)* ***(+$279,820 more than request)***
  - Fire Plans Review Revolving Fund Fees (SPF) Appropriated: $0
- Appropriated Positions: 43
  - Permanent Positions: 41
  - Temporary or Contract Positions: 2
  - ***(City Council adds +2 contract positions)***

**Actual Spending and Staffing**

- Actual Expenditures (March 2024): **$7,043,696**
- ***$1,133,555 more than budget approved***
  - General Funds Spent: $5,737,136 *($173,005 less than appropriated)*
  - **Fire Plans Review Revolving Fund Fees (SPF) Spent: $1,306,560** *(Includes unbudgeted equipment: $509,400)*
- Actual Positions Filled: **52** ***(+11 positions more than requested)***
  - Permanent Positions: 41
  - Temporary Positions: 2
  - **Fire Plans Review Revolving Fund - Funded Positions: 9**

Source: Executive Budget Programs FY 2023-2025

In summary, the funding of the Fire Prevention Bureau for FY 2023 showed the following:

- HFD requested an FPB budget for salaries and current expenses through general funds only
- The city council approved an FPB budget with more general funds and positions than requested
- The FPB spent more than its budget allocation by using plan review fees as a source of funds:
  - Fund provided 19% of FPB total annual spending
  - Unbudgeted equipment purchases (7% of total spending)
  - Nine additional positions (A net 11 positions more than initially requested)

***Even if the city established the Fire Plans Review Revolving Fund as directed by Ordinance 12-4, concerns about reporting and transparency remain***

A 1993 Legislative Reference Bureau study identified two main concerns about revolving funds. One issue was that a department or program could have revenues exceeding expenses, or vice versa, violating the fund's definition. The FPB, partly funded by revolving funds, experienced both situations during the review period. In three of the five years reviewed, annual fiscal deficits occurred, with spending exceeding revenues, which will be detailed below.

A second concern was raised about agencies using revolving funds for general fund-related activities instead of specific activities. This can reduce legislative oversight by providing independent fiscal support. This issue is relevant to the department's use of plan review fees for FPB activities, as they currently do not need to budget, justify, or report these funds in the city council's annual budget review, except for the plan review fund.

As a revolving fund, the FPRRF is not subject to the charter requirement that executive branch appropriations be included in the annual budget ordinance. General and special revenue funds are governed through the operating budget process, but revolving funds are automatically appropriated by ordinance for specific purposes. City administrative guidance indicates that oversight of revolving funds is achieved by amending the law, rather than through the standard budgeting process.

**Fire plan review fees are appropriated receipts (*appropriated upon receipt*)**

According to the State of Hawaiʻi Accounting Manual, the receipts from the FPRRF are classified as appropriated receipts. These receipts are assigned to a specific purpose and can be spent immediately upon receipt for those identified purposes. The fire plan review fee is a service charge, and most counties spend it upon receipt. Maui (2006), Oʻahu (2012), and Kaua'i (2016) deposit fees into revolving funds per appropriation ordinances. Hawaiʻi County deposits fire plan review fees into its general fund. HFD treats its fireworks permits and fire code license and permit fees as general fund revenues.

**Fire code update reading with removal of appropriated receipts provision did not advance**

During the city council's consideration of proposed amendments to Honolulu's Fire Code to adopt the 2021 State Fire Code, issues surrounding the budgeting and appropriation of fire plans review fees became a point of debate. One amendment sought to remove the clause in Section 20-1.1, subsection 3, paragraph 9, which stated that fire plans review fees are *appropriated upon receipt*. The proponent of this amendment raised concerns about taxpayer revenues being automatically appropriated outside the standard budgeting process.

Specifically, the concern was that revenues collected and used from the FPRRF were not subject to annual budget approval but instead reported retroactively in future budgets. In response, the department confirmed that both revenues and expenditures related to the fund are included in the department's annual budget workbooks. While this is accurate, our review found that these figures typically appear in the FPB's budget and departmental revenue sections two fiscal years after the funds are collected and spent.

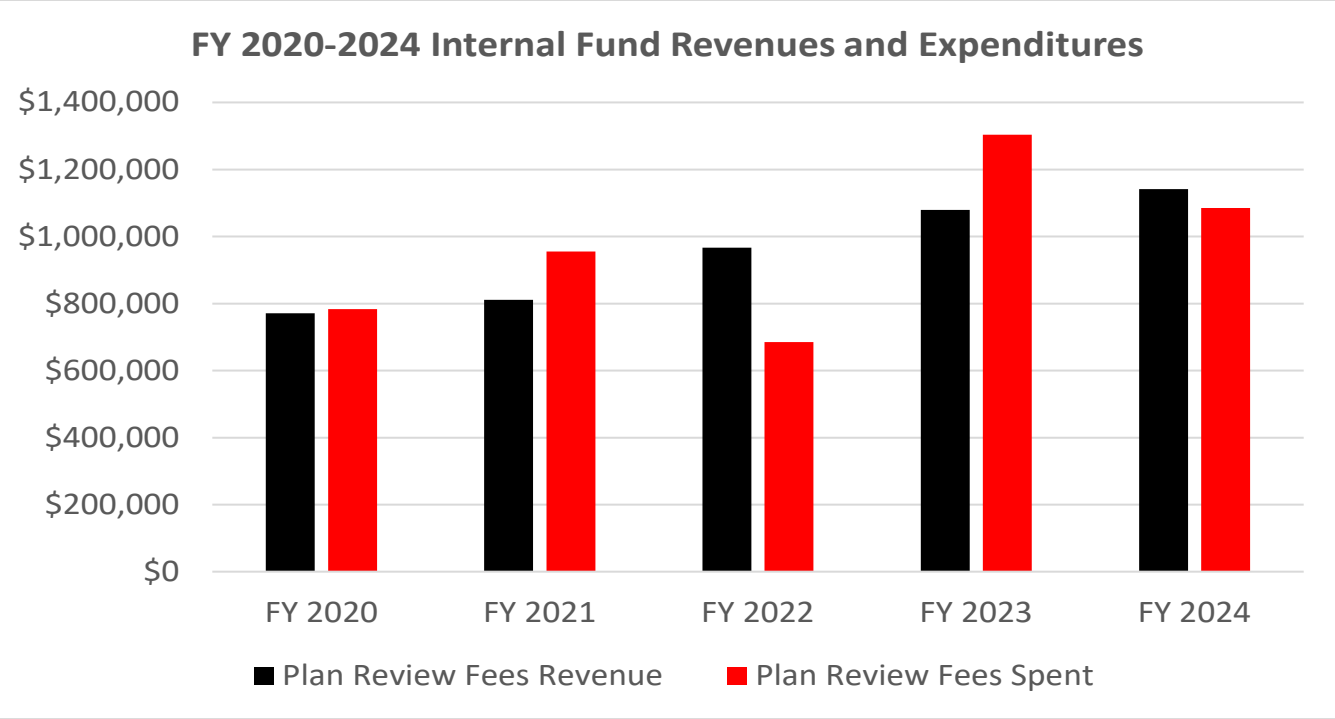
This lag in reporting aligns with current city practices for managing revolving funds. According to city budgetary guidance, effective control over these funds should be established through legislation. Any changes to budgeting, justification, or reporting for revolving fund revenues and expenditures must be authorized by the city council—precisely the type of oversight that the proposed amendment attempted to address.

While the proposed amendment was ultimately not adopted, the discussion highlighted an ongoing need for improved clarity, consistency, and legislative oversight in the budgeting and reporting of revolving fund revenues and expenditures.

### Without reporting requirements, key fund information is only known internally

The absence of requirements for budgeting and timely reporting of key information, such as revenue collection, expenditures, and fund health, leads to this information only being known internally. While information on revenue collected and total spent from the revolving fund does appear in budgets, the fund balance is only maintained internally and not reported. An overview of revolving fund information is presented below in Exhibit 2.9.

**Exhibit 2.9 FY 2020-2024 Internal Fund Revenues and Expenditures**




**FY 2020-2024 FPRRF Internal Fund Balance, Revenues and Expenditures**

| Item (HFD Internal) | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | Total |
|---|---|---|---|---|---|---|
| Ending Fund Balance | $567,939 | $423,262 | $705,254 | $480,989 | $536,963 | $2,714,407 |
| Plan Review Fees Revenue | $770,999 | $810,981 | $966,589 | $1,079,387 | $1,140,947 | $4,768,903 |
| Plan Review Fees Spent | $783,540 | $955,659 | $684,597 | $1,303,652 | $1,084,973 | $4,812,421 |
| Expenditure as % of Revenue | 102% | 118% | 71% | 121% | 95% | 102% |
| Annual Spending Surplus (Deficit) | ($12,541) | ($144,678) | $281,992 | ($224,265) | $55,974 | ($43,518) |

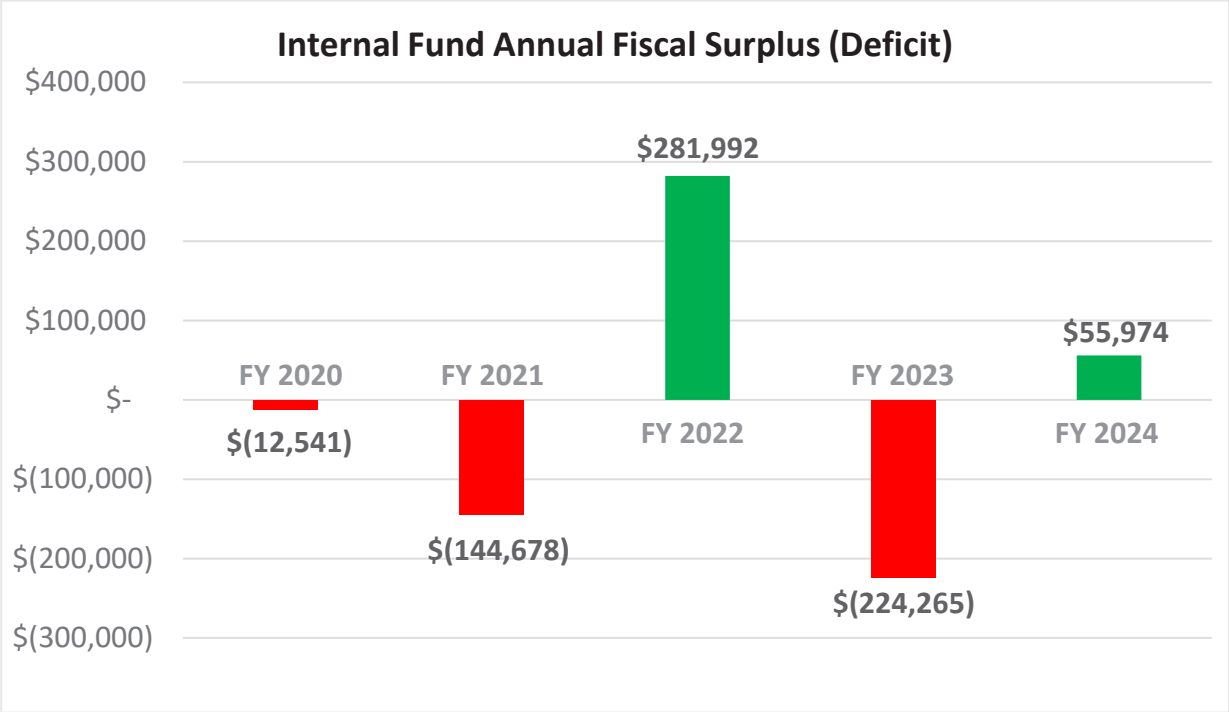
Source: Honolulu Fire Department

Key takeaways from the internal fund information:

- Revenues have been increasing throughout the five years reviewed. They are also projected to increase to approximately $1.5 and $1.1 million for FY 2025 and FY 2026
- There has been fund spending of at least $684,597 per year, with two years over $1 million
- More was spent than annual revenues collected, a ratio of $1.02 spent per $1 dollar collected
- Annual spending deficits in three of five years

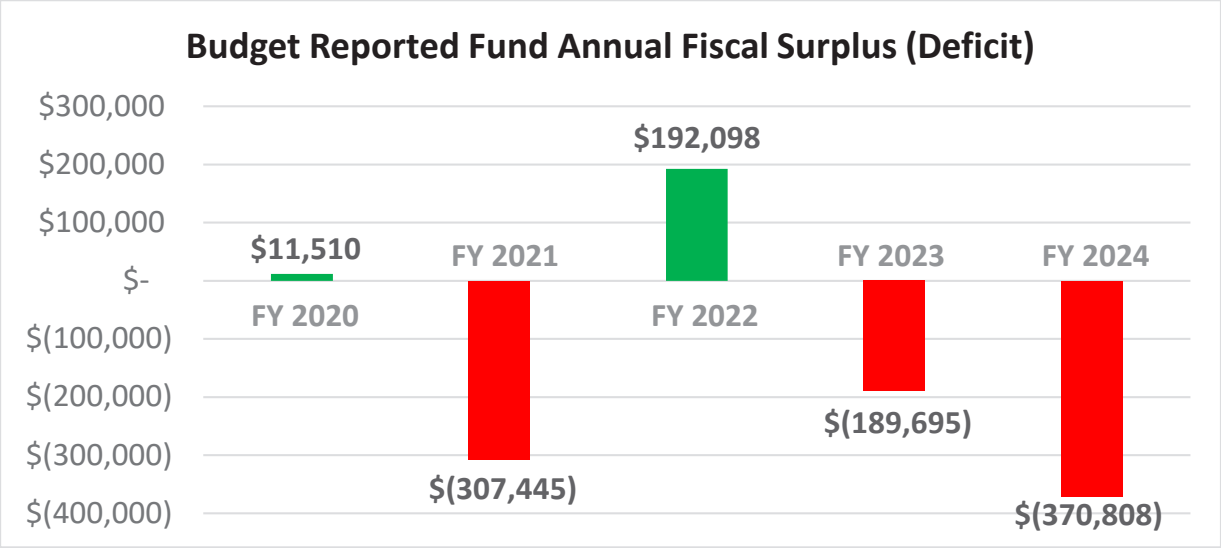
Without consistent reporting, there is an inconsistent and incomplete picture of important fund financial information. We present the next two exhibits as examples for how there are two different pictures of what annual fund revenue collections and expenditures, one maintained internally and one reported for accounting in the city's executive budget programs. Without consistent reporting, it is hard to determine which is the appropriate way to evaluate the health of the revolving fund, considering information such as fund balance, revenues collected, and expenditures.

**Exhibit 2.10 Internal Fund Annual Fiscal Surplus (Deficit)**




Source: Honolulu Fire Department

**Exhibit 2.11 Budget Reported Fund Annual Fiscal Surplus (Deficit)**




Source: Executive Budget Programs FY 2022-2026

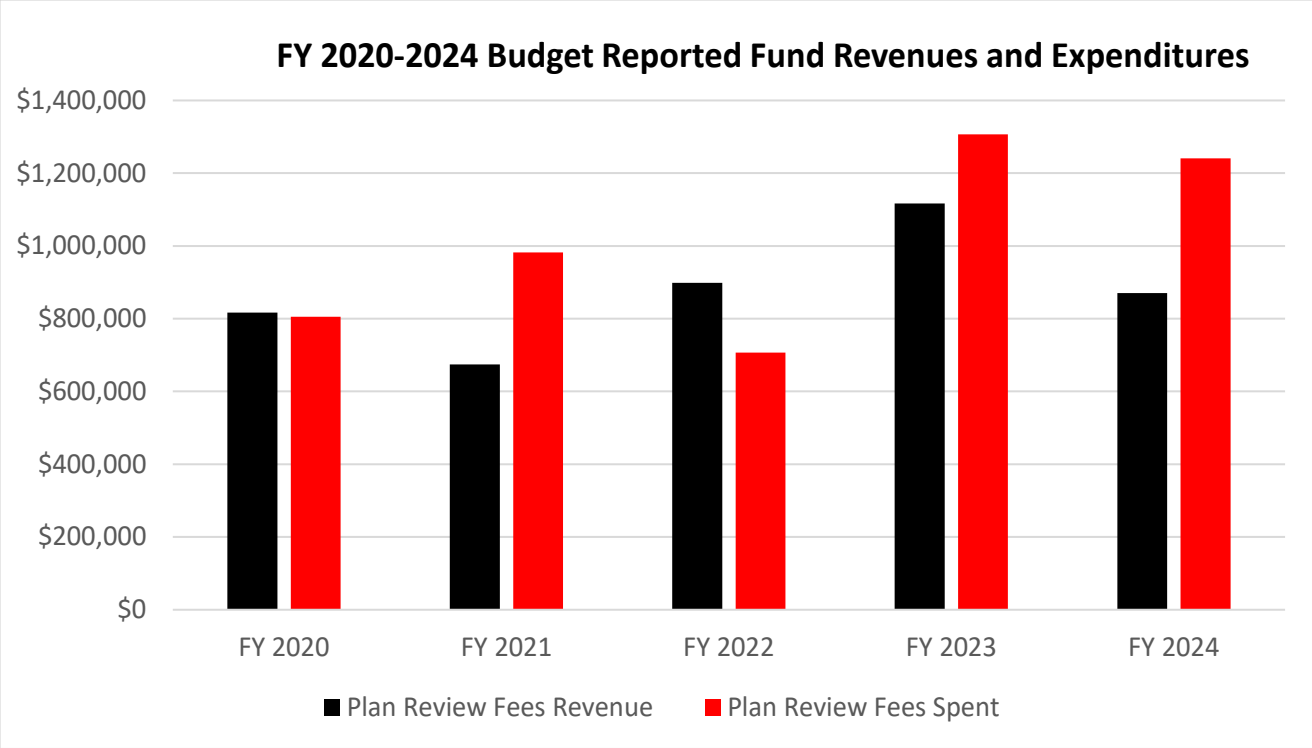
Key comparative takeaways:

- Both show that there was net revenue, or annual fund surplus, in two of five years where revenue collections exceeded fund spending
- Both show that there were three out of five years of annual fiscal deficits where fund spending exceeded collections
- There is disagreement in accounting between HFD and the city's executive budget books for which years had annual deficits and surpluses
- There is agreement between HFD and the city's executive budget books in both deficits and net revenues in FY 2021-2023, but differing assessments of extent
- There are two years, FY 2020 and FY 2024, where there is disagreement between HFD and the city's executive budget books as to whether there was an annual deficit or surplus
    - FY 2020 appears to be a nearly breakeven situation when comparing accounting
    - FY 2024 has a huge disparity of approximately $427,000 in whether it was a net revenue year or the largest annual deficit year in our review

### Limited demonstration of fund spending on purposes and accomplishments

There is no categorical or performance reporting demonstrating how expenditures advance specified categories of fire prevention activities as defined by the ordinance. Currently, there is no requirement for reporting on the FPRRF that includes spending by purpose category or performance reporting on the accomplishments resulting from this spending. During discussions, the department produced a spreadsheet that provided purposes for each spending item on a line-item matching basis. We did not review this information as it was not available during our initial review, and while it may provide internal justification for fund spending, it is not externally reported. Later in the chapter, we will examine how Maui County delivers comprehensive reporting on fund expenditures categorized by purpose, as well as an overview of achievements, in a summarized format.

**Exhibit 2.12 FY 2020-2024 Budget Reported Fund Revenues and Expenditures**




| Item (Budget Actual): | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | Total |
|---|---|---|---|---|---|---|
| Plan Review Fees Revenue | $816,989 | $674,505 | $898,702 | $1,116,865 | $870,247 | $4,377,308 |
| Plan Review Fees Spent | $805,479 | $981,950 | $706,604 | $1,306,560 | $1,241,055 | $5,041,648 |
| Expenditure as % of Revenue | 99% | 146% | 79% | 117% | 143% | 117% |
| Surplus (Deficit) | $11,510 | ($307,445) | $192,098 | ($189,695) | ($370,808) | ($664,340) |

Source: Executive Budget Programs FY 2022-2026

## The Fire Plans Review Revolving Fund Does Not Have the Same Administrative and Expenditure Ordinance Structure as City and County of Honolulu Non-Major Special Revenue Funds

The city's special funds in Chapter 6, Revised Ordinances of Honolulu (ROH), establish a consistent fund structure for special revenue funds that feature a combination of policy elements. These elements are relevant and applicable to all city special funds and county fire department funds. Our review of 18 non-major special revenue funds identified provisional language establishing additional control mechanisms to ensure proper use and administration of these funds. However, the city's FPRRF lacks a similar structure and is not subject to the same oversight as the listed special revenue funds in Chapter 6 of the ROH.

Appendix B provides a table detailing key fund structure elements of governance and oversight for a sample of non-major revenue funds from various counties in the State of Hawai`i. The following structural elements are provided in various combinations to ensure proper management, transparency in the use of funds, and accountability:

**Fund creation and purpose:** Documents show the establishment of specific funds with clear purposes, indicating a policy of allocating resources to defined activities or services.

**Fee collection:** Thirteen funds, including those from three county fire departments, collect fees or revenues for specific purposes to support city facilities or operations. The Fire Plans Review Fee fund, a revolving fund, uniquely allows expenditure upon receipt for specified purposes without requiring further city council action.

**Administration:** Most city special funds indicate that the Department of Budget and Fiscal Services (BFS) will serve as fiscal administrator. The Director of BFS plays a central role in administering many of these special funds across the City and County of Honolulu, indicating a centralized approach to financial management. Others allow the department with operational control of related or fund-supported activities to fiscally manage the fund.

**Expenditure controls:** Expenditure controls vary, some have specific limitations on the types or amounts of expenditures (e.g., administrative cost limits, designated uses for permit fees, restrictions on supplanting other funds). Others specify that expenditures of the fund must comply with the laws and procedures applicable to city revenue expenditures. Some specify that council authorization is required for expenditures if certain conditions are met.

**Reporting:** Funds like the Affordable Housing Fund and the Clean Water and Natural Lands Fund in Honolulu require formal reporting to the city council. This includes justifying budget programs, aligning with council priorities, and preparing functional plans. Administrative expenses must be identified separately and follow charter limits, explaining how the fund supplements rather than replaces regular appropriations. Maui County's Schedule of Revolving Special Funds provides an example of financial reporting on special funds. The Maui executive budget, specifically the fire department section, details revolving fund usage and historical data on special fund use, comparing it to current requests for plan review fee funding.

Our review of the listed funds reveals consistent themes of financial accountability, earmarked revenue sources for specific uses, and prioritized administrative responsibilities. For example, Maui County exhibits a structured approach to account for plan review fee revenues, budgeting review fees, and reporting their application to fire safety prevention through its annual budget process. Current city guidance recommends city council legislation to create effective budgetary control of revolving funds. Policy decisions to amend the fire code section or reclassify this fund as a Chapter 6 special revenue fund may consider options that provide more transparency and accountability for fund revenues, transparent budgeting based on complete information, and transparent reporting of fund revenue, balance, actual expenditures, and accomplishment of fund purposes. Required changes should be proportionately scaled to avoid ineffective superficial changes or unnecessary overhaul.

## Maui County's Plan Review, Processing, and Inspection Revolving Fund Ensures Comprehensive Fund Management Controls

A review of Maui County's Fire Plans Review Fund in comparison to the City and County of Honolulu's Fire Plans Review Revolving Fund reveals that, despite similar authorization language, Maui County's Plan Review, Processing, and Inspection Revolving Fund offers more comprehensive information and reporting. By amending its ordinance, Maui County added spending controls, reporting requirements, and emphasizes transparency and accountability regarding fund purposes. Exhibit 2.13 below compares the City and County of Honolulu and Maui County's fire plans review fund structure.

## Exhibit 2.13 Fund Structure Comparison

| | Maui County | Honolulu County (HFD) |
|---|---|---|
| **Fund Name** | - Plan Review, Processing, and Inspection Revolving Fund (Fire) | - Fire Plans Review Revolving Fund (FPRRF) within Special Projects Fund |
| **Established by** | - Ordinance No. 3354 (Bill No. 5, 2006) | - Ordinance 12-4, Bill 56(2011), CD1 |
| **Code Basis** | - Hawai`i State Fire Code with Maui-specific amendments<br>- Chapter 16.04B.050, Maui County Code | - Hawai`i State Fire Code with Honolulu-specific amendments<br>- Section 20-1.1(3), Revised Ordinance of Honolulu 2012 |
| **Uses of Fund** | - May be expended/used for Salaries (No more than 2 plan reviewers), contracts, materials, supplies, equipment, travel, and Training that facilitates plan review, public education, fire investigation, permit processing and inspections | - May be expended for fire prevention activities relating to public education, fire investigations, plans checking, permit processing, fire inspections, and certifications |
| **Appropriation Process** | - Fees are deemed appropriated upon receipt | - Fees are deemed appropriated upon receipt |
| **Fee Structure** | - 17.5% of building permit fee, set in annual budget ordinance | - 10% of building permit fee, administratively capped by HFD at a maximum of $12,500 (in permit fees) |
| **Review Body** | - Part of administrative budget request, subject to Maui County council approval | - None |
| **Services Provided Using Fund** | - Listed in annual budget request | - Not reported |
| **Budget Request for Special Fund Use** | - Proposed programming of special funds for Salaries and Wages, Operations, Equipment and Positions included in annual budget request | - No budget request and review |
| **Special Fund Expenditure Reported** | - Three previous fiscal years totals for<br>- Salaries and Wages, including subcategories<br>Operations, including subcategories<br>- Equipment, including subcategories<br>- Spending caps on categories, incl. overtime. | - Actual expenditures for a single fiscal year from Special Projects Fund reported as a total amount 2 years after expended in current budget submission |
| **Positions Created by Fund** | - Reported for previous three fiscal years<br>- Budget Request for FY 2025: Capped at 2, positions funded identified | - Internally maintained, not reported to city council; no position cap |
| **Revenue information In budget** | - Provides estimates for special fund balance and anticipated revenues.<br>- Reports total actual revenues collected for previous fiscal year | - Fund balance maintained internally, not reported<br>- Current budget submission has fee revenue estimates for the proposed budget year and next one<br>- Actual revenue amount reported 2 years later |
| **Fund Health** | - No reporting on annual fiscal surplus/deficit (Revenues collected minus fund expenditures)<br>- Annual fiscal surplus/deficit: unknown | - No reporting on annual fiscal surplus/deficit<br>- (Revenues collected minus fund expenditures)<br>- Internally maintained, not reported<br>- Annual fiscal deficit: 3 of 5 fiscal years reviewed<br>- Total fiscal deficit of review period: -$43,517 |
| **Performance Measures for Plan Review** | - 90 plan reviews/reviewer per quarter<br>- Created in FY 2024<br>- FY 2024: 55% | - 30-day plan review requirement by law,<br>- not regularly reported<br>- Reported last in FY 2023: 7.6 days |

Source: Maui County Code Chapter 16.04B.050, Section 20-1.1(3)(9), ROH, and OCA Analysis

**Maui approach is more transparent and accountable for revolving fund use**

Maui County's budget process aligns fire prevention goals with needed resources, establishing objectives and allocations annually. The Maui Fire Department submits its annual use of fire plan review special funds to the county council for budget review, showing performance measures such as quarterly review goals for each plan reviewer. See Appendix C for a sample budget report on fire prevention activities. Its annual budget request is transparent in indicating the services that are supported by the special funding from the Plan Review, Processing and Inspection Revolving Fund, they are:

- Reviews plans for new construction and renovation projects
- Ensures that required fire and life safety provisions are met for the benefit of the public as well as first responders
- Provides fire and life safety instructions for special-use permits

**Expenditures and staffing:** Three years of historical expenditure and staffing data are provided for comparison. Proposed expenditures are arranged by similar categories to Honolulu: Salaries and Wages, Operations (Current Expenses), and Equipment, but also subcategory spending details. Although use of the special fund on staffing positions is controlled at a maximum of two plan reviewers, the two positions are identified by position titles, number of FTE, and change amount represented by the current year's staffing proposal.

**Revenues:** Maui County's Schedule for fiscal year 2026 estimates the balance and revenues of the Plan Review, Processing, and Inspection Revolving Fund. It sets caps on fund usage: salaries at $302,484, operations at $345,301, and equipment at $135,000.

**Comparing honolulu:** Unlike Maui, the Honolulu Fire Department is not required to categorize and report revolving fund expenditures in budget reports, leading to less transparency. Currently, FPB expenditures using plan review funds are disclosed two years after-the-fact and reported in total rather than by category. Key details are not reported, leading to a lack of transparency and accountability about special fund use. Applying Maui-style reporting to categorize Honolulu spending, we found the following:

**Salaries and premium pay:** From FY 2020-2024, the FPB spent $2.02 million on salary-related costs. Though this kind of spending is normally subject to budget review, these expenses are not budgeted, justified according to special fund purposes, nor later reported when actual expenditures appear in budgets. We found that approximately $500,000 in special funds were used for:

- Non-holiday OT: $356,911 (all values are 5-year totals)
- Stand-by pay: $140,567
- Provisional costs: retirement payout of accumulated vacation pay, $2,575

**Positions:** The FPB maintains four (4) to nine (9) contract positions annually to support their operations and fulfill specific fund objectives. These positions are not included in the budget, justified according to special fund purposes, nor eventually reported through the budgeting process. In total, $1.35 million was spent, averaging nearly $271,000 annually.

**Current expenses:** From FY 2020-2024, the FPB spent approximately $1.8 million on current expense-related costs. These expenses are not budgeted, justified according to special fund purposes, nor later reported when actual expenditures appear in budgets. Some unreported spending details include the use of special funds for:

- Other services – Not classified: $511,206 (5-year total)
    - Despite the vague accounting category, these are mainly for public service announcements, which may be justifiable as a special purpose-related public education expense. Without budget justification and reporting, it lacks transparency.

- Educational, recreational, and scientific supplies: $95,613
- Parts and Accessories (Furniture and Fixtures): $135,652
- Parts and Accessories (Computer Equipment): $98,114
- Parking Fees: $78,529
- Printing and Binding: $24,833
- Out of state travel: $15,073

**Equipment:** During the review period, no equipment funds were requested by the FPB in their annual budget requests. However, the FPB spent a total of $984,527 from the special fund on equipment. Some unreported equipment spending details include the use of special funds for:

- Passenger vehicles: $121,447 (all values are 5-year totals)
- Scientific equipment: $70,403
- Work tools: $509,400
- Containers – 15 years: $283,277

**Absence of typical special fund structure leads to lack of transparency and accountability for use**

The absence of a special fund structure leads to insufficient transparency and accountability for the FPB's use of funds. The annual budget request does not include fire plan review fees from the Special Projects Fund, resulting in an understated FPB budget approved by the city council. This discrepancy is revealed two years later when BFS reports actual expenditures.

The Government Accountability Office (GAO) highlights the importance for legislative bodies to have complete information on proposed activities for accurate budget decisions. Our review found that the lack of transparency in budgeting for the revolving fund, which suggests the fire department relies only on general funds, underestimates FPB's actual expenditures by 15% annually, 19% in FY 2023. Actual expenditures of the FPB does include special funds spent, but these were not accounted for in initial budget approvals. From FY 2020-2024, the city council appropriated $28.7 million in general funds for FPB, with actual spending including an additional $5.04 million from special project funds. This extra spending, authorized by the fire ordinance, lacks city council review.

The current revolving fund method results in understating FPB annual spending, by excluding activities from the charter-required budget process. In comparison, Maui's approach offers greater transparency through council oversight. To improve oversight, the city council should consider amending the fire code to include administrative review controls and reinstating annual budget reviews for this revolving fund.

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# Chapter 3

## Fire Plans Review Revolving Fund Expenditures Generally Met Program Requirements, but Lacks Sufficient Transparency and Reporting

While the department generally complied with the fund requirements, we could not definitively determine whether $157,175 in expenditures were directly related to fire prevention activities. Over the past five years, about 80% of Fire Plans Review Fee revenues collected went toward salaries and other day-to-day costs, including $1.35 million for personal services contracts (PSC). These contracts funded 4 to 9 unbudgeted positions each year, and equipment purchases totaling nearly $1 million were made without formal budget requests. While many of these expenses may be related to fire prevention work, the department does not break down, justify, or report how the fund is being used. As a result, it is difficult to determine whether the spending is advancing the fund's intended goals or simply filling budget gaps in the Fire Prevention Bureau's (FPB) regular operations. Under Ordinance 12-4, which created the Fire Plans Review Revolving Fund (FPRRF), the fire department is not prohibited from making such expenditures, nor does it require city council review or oversight.

### The Department Generally Complied With Fund Spending Requirements; but Some Fire Prevention Purposes Could Not Be Determined

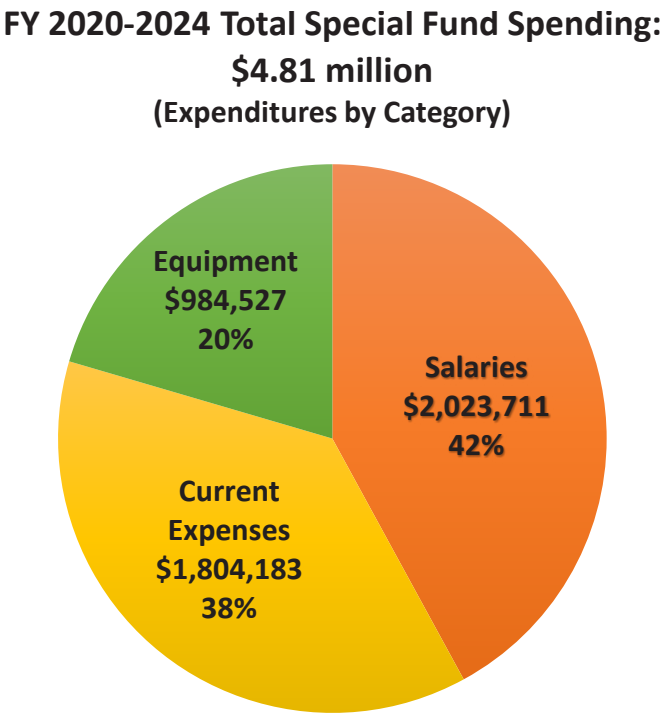
Our five-year review of 67 fire prevention expenditures showed that transactions generally complied with fire prevention activity spending requirements, with one exception. We were unable to determine the specific fire prevention fund spending purpose for 31 of the 67 expenditures, or 46% of the sample reviewed, totaling $157,175, because items were not separately justified or classified in that way. Many of these expenses were mainly operational, including costs for parts and equipment, repairs and maintenance, electrical, solid waste disposal, parking fees, and drinking water for staff. While the department was not specifically prohibited from spending FPRRF monies for such expenditures, we found them to be questionable because they were not justified by or obviously in support of fire prevention spending purposes.

While the FPRRF aims to finance specific categories of fire prevention activities, some operational costs like salaries may be essential for fund management, according to department administrators. These costs, although not directly tied to fire prevention, support the broader departmental fire prevention infrastructure. The Honolulu Fire Department confirmed that special funds are critical for FPB operations overall. If FPRRF continues to be an integral source for departmental operations, it should be programmed annually for city council review.

***On average, 80% or approximately $3.8 million of the Fire Plans Review Revolving Fund's expenditures were used for operational costs, including salaries and current expenses***

Our analysis of the recent five-year expenditure report for the FPRRF indicates that a significant portion of the fund's expenditures have been allocated to salaries and current expenses. Specifically, 42% of recent spending has been directed towards salaries, with $1.35 million expended on personal services contracts within the Fire Prevention Bureau, and 80% of the overall spending supported bureau administrative costs. However, due to the lack of detailed justification or reporting on these spending activities, it is challenging to determine whether these expenditures align with the intended fire prevention objectives of the revolving fund.

**Exhibit 3.1 FY 2020-2024 Total Fire Plan Review Fees Fund Spending, Expenditures by Category**



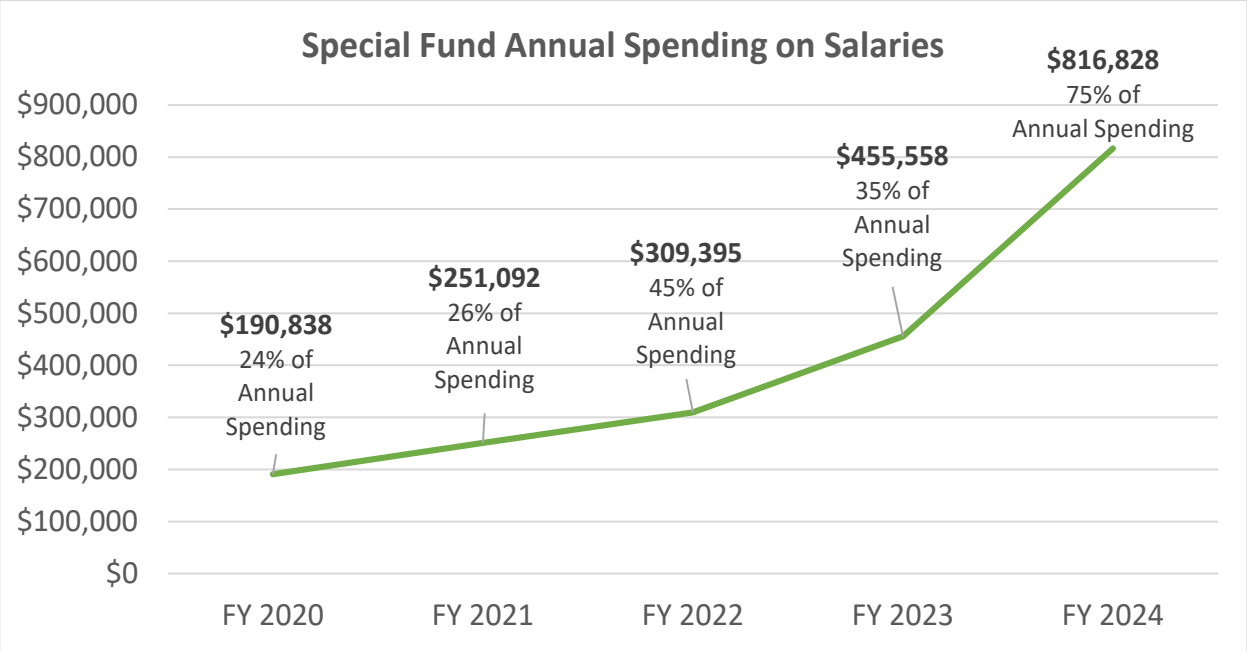

| Character of Expenditures: | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| **Salaries** | $190,838 | $251,092 | $309,395 | $455,558 | $816,828 |
| **Current Expenses** | $471,255 | $350,887 | $375,202 | $338,694 | $268,145 |
| **Equipment** | $121,447 | $353,680 | $0 | $509,400 | $0 |
| **Total** | $783,540 | $955,659 | $684,597 | $1,303,652 | $1,084,973 |

Source: Honolulu Fire Department and OCA Analysis

**Transparency issues:** There are issues with transparency in budgeting and reporting fund spending. Personal services contracts and the number of unbudgeted positions created are not annually budgeted or reported. Although the department was appropriated one to two temporary or contract positions per year, an additional four to nine unbudgeted contract positions were funded annually, supported by the fund. Equipment funding by general funds was not requested in annual budgets, yet expenditures later showed almost a million dollars ($984,527) spent.

**Trends:** The exhibit above indicates that fund spending has increased in four of the past five years. During our review period, salary spending rose annually, growing as a proportion of total special fund spending from 24% to 75%.

**Exhibit 3.2 FY 2020-2024 Fire Plans Review Revolving Fund Annual Spending on Salaries**




Source: Honolulu Fire Department and OCA Analysis

As discussed earlier, although revenues are increasing, in three of the past five years, there has been an annual fiscal deficit where annual spending has been greater than the annual revenues collected in both the internal accounting and the Department of Budget and Fiscal Services (BFS) budget reporting.

**Unknown spending effectiveness:** We were unable to evaluate how effectively fund spending supports the fire prevention activities outlined in the ordinance. Our review found no clear way to determine whether expenditures align with these purposes, as the department is not required to budget, justify, or report on how the funds are used. Without this information, we question whether the department may be relying on the fund to cover unbudgeted expenses that would otherwise lack approved funding. Under Ordinance 12-4, which created the FPRRF, the fire department is not prohibited from making such expenditures, nor does it have a reporting requirement or require city council review or oversight.

***Personal services contract expenses account for 20%-41% of total fund allocations annually***

Fire plan review funds have been used to expand Fire Prevention Bureau staffing with personal services contracts. However, the department is not required to fully report its use of these funds on personal services contracts. So the amount of funds spent on personal services contracts and the number of unbudgeted positions created annually are not reported or subject to review.

A significant portion of the total expenditures from plan review fees for each fiscal year is allocated to personal services contracts, as shown in Exhibit 3.3. For example, during our review period, $1,354,121 was spent on personal service contract expenses, which comprised 28% of the total spent in FPRRF funds. Annually, spending on PSCs varied from 20% to 41% of the annual spending of FPRRF funds.

**Exhibit 3.3 Personal Services Contracts as a Percentage of FPRRF Total Annual Expenses**

| Year | Total Amount PSC costs | Total FPRRF Expenditures | Percentage of Total Expenses |
|---|---|---|---|
| **FY 2020** | $153,587 | $783,540 | 20% |
| **FY 2021** | $231,351 | $955,659 | 24% |
| **FY 2022** | $278,605 | $684,597 | 41% |
| **FY 2023** | $296,950 | $1,303,652 | 23% |
| **FY 2024** | $393,632 | $1,084,973 | 36% |
| **Total Spent** | $1,354,125 | $4,812,421 | 28% |

Source: Honolulu Fire Department and OCA Analysis

**Personal services contracts were used to create unbudgeted and unreported positions in the Fire Prevention Bureau**

From FY 2020 to FY 2024, the Fire Prevention Bureau used fire plan review fee funds to add between four and nine temporary or contract positions. According to budget reports, the FPB was appropriated 41-43 positions per year through budgeting. Since FY 2021, 41 of these positions have been permanent program positions in the FPB, supported by general funds. The additional special-funded positions were filled at the bureau's discretion to meet fund purposes and support the bureau's general work.

The use of FPRRF funds for added contracts increased the appropriated staff of FPB by 15% to 21% annually. However, these positions and their costs were not reported in the department's annual budget request and were not included in actual position counts when reported two years later. These positions were created and funded without council review and approval, leading to concerns about transparency and accountability regarding the use of these funds.

**Exhibit 3.4 FY 2020-2024 Fire Prevention Bureau Actual Program Positions**

| FPB Actual (Program Positions): | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| **Permanent** | 40.0 | 41.0 | 41.0 | 41.0 | 41.0 |
| **Temporary** | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Contract** | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 |
| **Budgeted Positions** | 41.0 | 41.0 | 41.0 | 43.0 | 41.0 |
| **Added Contract Positions (FPRRF)** | 4.0 | 6.0 | 6.0 | 9.0 | 8.0 |
| **Total** | 45.0 | 47.0 | 47.0 | 52.0 | 49.0 |
| **Percent increase in Positions** | 10% | 15% | 15% | 21% | 20% |

Source: Executive Program and Budgets FY 2022-2026

**The number of personal services contract positions grew from four in FY 2020 to eight positions in FY 2024**

Our review of the contract positions funded by the FPRRF revealed that in FY 2020, the fund allocated resources to support 4 positions, with total contract salary costs of $153,587. By FY 2024, the fund supported 8 positions, resulting in total contract salary costs of $393,632. This represented a 156% increase in contract salary costs over the five-year period. The growth in funding indicated an expansion in FPB contract personnel supported by the fund, reflecting an increase in staffing levels and salary allocations over time.

The exhibit below shows the contract positions and the associated increased costs. Refer to Exhibit 3.5 for further details.

**Exhibit 3.5 Personal Service Contract Workers and Expenditures**

| Positions: | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| **Community Relations Specialist III** | $55,893 | $60,854 | $59,748 | $67,842 | $71,166 |
| **Senior Account Clerk** | $34,727 | $36,654 | $40,485 | $42,753 | $41,758 |
| **CODES Administration Specialist I** | $35,393 | $37,152 | $37,212 | $18,872 | $0 |
| **Plans Checker II (1)** | $27,574 | $27,167 | $27,783 | $27,996 | $30,285 |
| **Public Affairs and Media Liaison** | $0 | $42,248 | $88,184 | $89,784 | $93,690 |
| **Fire Prevention Specialist I** | $0 | $27,276 | $25,193 | $25,098 | $27,948 |
| **Certificate of Fitness Fire Inspector (1)** | $0 | $0 | $0 | $8,402 | $45,549 |
| **Certificate of Fitness Fire Inspector (2)** | $0 | $0 | $0 | $3,730 | $56,776 |
| **Plans Checker II (2)** | $0 | $0 | $0 | $12,473 | $26,460 |
| **Total Salaries** | $153,587 | $231,351 | $278,605 | $296,950 | $393,632 |
| **Total Personal Service Contract Positions** | 4 | 6 | 6 | 9 | 8 |

Source: Honolulu Fire Department and OCA Analysis

We reviewed the use of FPRRF for personal services contracts to ensure they were reasonably related to the fund's fire prevention purposes. HFD reported that its spending on contract staff was to support the five special fund purposes. Our review confirmed that the spending was generally justifiable by matching/classifying them to fire prevention purposes. We note, however, that the five spending categories noted in Ordinance 12-4 are so broad that expenditures can easily be matched and that the department has wide discretion for spending FPRRF revenues.

**Two contract positions related to public education and outreach are similar to functions performed by the department's existing Public Information Officer**

During our five-year review period, we found that 46% of the plan reviews funds ($629,409) were spent on two contract positions for public education activities, which is an allowable expense. Our analysis showed that these contracts were funded through the FPRRF, despite their roles being similar to a permanent employee supported by the general fund.

The Public Information Officer (funded by the General Fund), the Community Relations Specialist III, and the Public Affairs Media Liaison (both funded by the FPRRF) share overlapping responsibilities related to communication and community

engagement. According to the department, the two positions funded by the FPRRF cannot be consolidated into the Public Information Officer role due to workload demands. We determined that if the contractor roles are deemed essential to ongoing operations, the department could request that they be converted to permanent positions through the regular budget process, which the department did in its FY 2026 budget submittal. In its FY 2026 budget request, the department requested approval to convert the Community Relations Specialist III contract position to a permanent position funded through the FPRRF. In this instance, the city council appropriately reviewed and vetted the budget request. All other expenditures from the FPRRF do not receive council oversight or review because Ordinance 12-4 and general revolving guidance does not require it.

**Disproportionate spending on salaries for public information and education over plan reviewers is questionable**

Only 14% of the contract funds, or $179,737, supported two plan reviewers. The department's focus on clearing the city building permit backlog increased its workload. From FY 2021 to FY 2023, plan review fees rose by 66%, from $674,505 to $1,116,865, due to handling this backlog. Despite the increased workload, more funds were allocated to public information and education, raising questions about funding decisions. Nearly $56,000 in special funds covered salary increases ($24,467) and overtime pay for public information positions ($31,270), which could have been avoided with a budget request for permanent staffing. Because the fire department is not required to report or receive city council approval for FPRRF expenditures, funding allocation for positions and salaries rest solely with the department.

**Public service announcement expenditures generally align with program goals**

From our sample review of special funded expenditures, we determined that expenses for public services announcements were aligned with the public education spending purpose of the ordinance, which supported fire prevention efforts. Our review of 67 expenditures between FY 2020 and FY 2024, totaling, $45,526 had been allocated to Public Education, which included public service announcements, community outreach, and the explorer's program.

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# Chapter 4
## Conclusion & Recommendations

### Conclusion

The Fire Plans Review Revolving Fund (FPRRF) lacks the transparency, oversight, and accountability required by Ordinance 12-4. Instead of establishing a standalone revolving fund, the city deposits and expends fire plan review fees through its Special Projects Fund, creating a conflict with both revolving fund and special revenue fund requirements. Under the city's financial framework, budgetary control for revolving funds is exercised through legislation; however, because the FPRRF is managed internally by the Honolulu Fire Department (HFD), fund balances, revenues, and expenditures are not subject to city council oversight or public reporting. As a result, spending decisions are made without sufficient external review, justification, or accountability.

Without reporting requirements, neither the city council nor the public can determine whether fund resources are spent appropriately or whether specific fire prevention purposes in Ordinance 12-4 are being met. Of 67 fire prevention expenditures reviewed, 31 expenditures (totaling $157,175) could not be tied to a specific fire prevention purpose and instead appeared operational. More broadly, over the past five years, approximately 80% ($3.8 million) of FPRRF expenditures were for operational costs such as salaries and contracts, including unbudgeted personal services contracts that created positions outside of the normal budget process. Although not prohibited, this type and level of spending without outside budgetary oversight undermines transparency and accountability.

Compared with other city special revenue funds, which are subject to consistent ordinance-based administrative structures and reporting requirements, the FPRRF is a notable exception. Maui County's Fire Plan Review Fund, which is based on similar enabling language, demonstrates a more accountable model by including clearer purposes, controls, and public reporting requirements. To ensure the FPRRF fulfills its intended purpose, changes to Ordinance 12-4 are necessary to strengthen transparency, accountability, and oversight.

## Recommendations

The Department of Budget and Fiscal Services should:

1. Formally establish the Fire Plans Review Revolving Fund as authorized by Ordinance 12-4;

The Honolulu City Council should:

2. Consider amending Ordinance 12-4 to:

   - Remove the "appropriated upon receipt" clause, which would make the Fire Plans Review Revolving Fund subject to city council oversight;

   - If the council opts to leave the "appropriated upon receipt" language in the ordinance, clarify the fund purposes, establish applicable controls, and implement reporting requirements; and

The Honolulu Fire Department should:

3. Establish appropriate policies and procedures for administering the Fire Plan Review revenues and receipts, and prepare an annual report of fund activities for the Honolulu City Council.

## Management Response

The Honolulu Fire Department provided a written response to the draft audit report. The department noted that the FPRRF has helped to bolster the fire prevention efforts and expenditures are consistent with Fire Code requirements. HFD acknowledged the transparency and accountability shortcomings identified in the audit report and committed to working with the Department of Budget and Fiscal Services (BFS) to address these issues.

The Department of Budget and Fiscal Services also responded to the draft and recommended an alternative approach to improve fund transparency without requiring separate revolving fund management or additional accounting records. BFS recommends that HFD submit an annual report to the city council that details FPRRF activities. While we acknowledge BFS' alternative approach, it remains contrary to Ordinance 12-4, which directs the city to establish a revolving fund for receiving and disbursing fire plan review fees. If the city council concurs with BFS' recommendation, the council would have to amend Ordinance 12-4 to codify the proposed funding structure.

We did not make any substantive changes to the draft audit report as a result of HFD or BFS' comments, but made technical, non-substantive amendments for the purposes of clarity and style. A copy of management's full response can be found on page 46.

**HONOLULU FIRE DEPARTMENT**
***KA 'OIHANA KINAI AHI O HONOLULU***
**CITY AND COUNTY OF HONOLULU**

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July 25, 2025

**MEMORANDUM**

TO: Troy Shimasaki, Acting City Auditor
Office of the City Auditor

FROM: Sheldon K. Hao, Fire Chief SKH

SUBJECT: Response to the Second Draft of the Audit Report Relating to the Fire Plans Review Revolving Fund (FPRRF)

In response to the e-mail dated June 27, 2025, regarding the abovementioned subject, the Honolulu Fire Department (HFD) reviewed the submitted second draft of the audit report and responds with the following comments.

The HFD appreciates the effort put forth by the City Auditor to audit the FPRRF. This report has provided feedback on ensuring the fund is being used as intended by the Fire Code of the City and County of Honolulu. Expenditures from this fund are only authorized if they are related to public education, fire investigations, plans checking, permit processing, fire inspections, and certifications. The findings in the report recommending additional transparency and accountability of these expenditures were appropriate, and we appreciate this feedback. The HFD will coordinate with the Department of Budget and Fiscal Services on a solution to address this issue.

In regards to the expenditures identified in the audit report, the HFD has endeavored to increase our fire prevention efforts as intended when the fund was created. The HFD's goals for this fund are to increase its capabilities in the following areas of fire prevention:

1. Public Education. The FPRRF contributes in supporting public education on fire safety. The Department actively engages with the community through various outreach programs, including museum tours, its Fire Explorer Program, public service announcements, and news releases. These initiatives help raise awareness about fire safety and promote preventive measures to protect the community.

Troy Shimasaki, Acting City Auditor
July 25, 2025
Page 2

2. Fire Investigations. The FPRRF contributes to the acquisition of essential tools for fire investigations, including labor costs, equipment, and tools relating to fire investigations, e.g., a live burn prop for studying fire behavior and the costs associated with the Accelerant Detection Canine Team. These investments ensure the Department is equipped with the necessary resources to conduct fire investigations.

3. Plans Checking Section. The FPRRF supports the review, approval, and processing of building plans and specifications for compliance with applicable fire codes, statutes, ordinances, and rules and regulations. The HFD's Plans Checking section charges a ten percent fee of the building permit fee payable to the City and County of Honolulu prior to the issuance of the building permit.

4. Fire Inspections. The FPRRF supports the HFD's Fire Codes Enforcement section in performing inspections to ensure compliance with the fire code. Additionally, this supports the maintenance and upgrading of computer software and databases used to track fire inspections conducted by the Department.

5. Permit Processing Section. The FPRRF supports staffing for fire code-related permit processing, including tasks, such as check processing, bookkeeping, and reviewing tank permits, assembly permits, fireworks permits, and licenses. This funding ensures staff can manage and process these permits and licenses that contribute to overall fire safety and regulatory compliance.

6. Certifications. The FPRRF contributes to funding Fire Inspector I and II certification classes. A Fire Inspector I certification qualifies individuals to inspect buildings for fire code compliance. It requires training in fire prevention, fire and life safety codes, and fire protection systems followed by passing an exam. This certification is issued by the HFD through the International Fire Service Accreditation Congress and is essential for those pursuing careers in fire code and safety inspection.

After an HFD internal review, the 67 expenditures in the auditor's five-year sample are in alignment with one or more of the categories above. The operational costs identified by the audit reports enables the Fire Prevention Bureau (FPB) to effectively promote fire and life safety programs, thereby supporting the HFD in achieving its mission of preventing loss of life, property, and environmental damage.

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July 25, 2025
Page 3

To bolster fire prevention efforts as this fund intends, additional manpower is required. Expenditures for contract salaries have assisted in multiple areas of fire prevention, such as public education, fire plans review, and fire code enforcement. When the HFD identifies areas where manpower would help, the FPRRF has been used as a funding source. The two contract positions identified in the audit report that are related to public education and outreach have assisted the HFD with its goals. They have increased our capacity to reach the public through effective messaging and community outreach. With their assistance, the HFD has been able to increase its community education efforts through the media, the HFD's website, and by increasing the number of fire and life safety events we attend.

The day-to-day costs identified in the audit report are necessary to support these additional fire prevention efforts. Expenditures to maintain facilities, the added equipment, and resources needed for these fire prevention efforts have been essential. The HFD has used the FPRRF as the funding source to support these efforts, as intended by the fire code.

The HFD continues to progress and enhance the capabilities of the Department and believes the FPRRF has assisted with our continued commitment to the community. We recognize this audit provides the HFD with an opportunity to reflect on our collective efforts. We will continue to look inward and identify areas of improvement, celebrate our successes, and learn from our mistakes.

Should you have questions, please contact Battalion Chief Pao-Chi Hwang of our FPB at 808-723-7151 or hfdfpb1@honolulu.gov.

**DEPARTMENT OF BUDGET AND FISCAL SERVICES**
***KA 'OIHANA MĀLAMA MO'OHELU A KĀLĀ***
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CARRIE CASTLE
DEPUTY DIRECTOR
*HOPE PO'O*

August 8, 2025

**MEMORANDUM**

TO: Troy Shimasaki, Acting City Auditor
Office of the City Auditor

FROM: Andrew T. Kawano
Director

SUBJECT: Response to Audit of the Fire Plans Review Revolving Fund, Resolution 25-4 - Confidential Draft Report No. 25-04 dated August 2025

This is the Administration's comments to the Office of the City Auditor's Audit of the Fire Plans Review Revolving Fund (FPRRF), Resolution 25-4 - Confidential Draft Report No. 25-04 dated August 2025. With regard to the Budget and Fiscal Services (BFS) department, the report commented on the current reporting structure for the collection and use of the fire plan review fee revenues and emphasized the fact that transparency and accountability could be improved. Considering the amount of revenues and expenditures related to the proposed FPRRF activity as provided in the City Auditor's report, BFS recommends a simple solution that will help to enhance transparency and accountability on the receipt and use of these funds without adding the burden of having to maintain a separate revolving fund and set of budgetary and accounting accounts. BFS is not responding to the recommendations provided to the Honolulu Fire Department and City Council in City Auditor's report.

**City Auditor's Recommendation to BFS in Chapter 4 in the City Auditor's Report:** The Department of Budget and Fiscal Services should formally establish the Fire Plans Review Revolving Fund as authorized by Ordinance 12-4.

**BFS Response:** In 2012, the Council passed Ordinance 12-4 which authorizes the establishment of the FPRRF; however, prior administrations never established it. While we are uncertain as to why, a supposition may be made that Ordinance 12-4 allows the funds to be automatically appropriated for the allowed use.

Troy Shimasaki, Acting City Auditor
August 8, 2025
Page 2

Instead, to account for the collection and use of fire plan review fee revenues, a specific unit in the City's Special Projects Fund (SPF) was set up to be a revolving fund with the balance rolling forward each year. Funds are automatically appropriated whenever revenue is recorded. Since this revolving fund is self-appropriating, HFD can never spend more than the inception to date revenue collected, and as a result, there are no true deficits in the fund. The SPF unit has a carry forward balance each year to offset any annual SPF unit deficits. The carry-forward in a self-appropriating fund is a rollover of unused appropriations from prior years and it increases and decreases each year based on current year activity. Therefore, there is no risk of HFD overspending from inception to date.

Further, the City Auditor's report states on page 9:

> "**The City Has Not Established a Standalone Fire Plans Review Revolving Fund as Directed by City Ordinance, and Instead Deposits and Expends Fire Plan Review Fee Revenues Through the City's Special Projects Fund.**"

**BFS Response:** To address this issue and above recommendation to BFS, we recommend that HFD prepare an annual report on the activity of FPRRF and present it to the City Council during an informational briefing for the Committee on Budget.

Should you have any questions, please contact me at (808) 768-3901.

# Appendix A

## Defining the Categories of Fire Prevention Activities for Fund Use

The department's interpretation of the appropriate use of funds for fire prevention activities is as follows: *The purpose of the fee is intended to cover the cost of fire prevention activities. This includes public education, fire investigations, plans checking, permit processing, fire inspections, and certifications.*

1. Public Education:
    - *The fire plans review fund contributes in supporting public education on fire safety. The department actively engages with the community through various outreach programs, including HFD museum tours, the fire explorer program, public service announcements, and news releases. These initiatives help raise awareness about fire safety and promote preventive measures to protect the community.*

1. Fire Investigations:
    - *The fire plans review fund contributes to the acquisition of essential tools for fire investigations. This includes the labor costs, equipment, and tools relating to fire investigations. Examples would be the live burn prop for studying fire behavior, and costs associated with the Accelerant Detection Canine Team. These investments ensure that the department is equipped with the necessary resources to conduct fire investigations.*

2. Plans Review Checking Section:
    - *The fire plans review fund supports the review, approval, and processing of building plans and specifications for compliance with applicable fire codes, statutes, ordinances, and rules and regulations. The Fire Plans Section charges a fee of ten (10) percent of the building permit fee payable to the City and County of Honolulu prior to the issuance of the building permit.*

3. Fire Inspections:
    - *The fire plans review fund helps support the Fire Codes Enforcement Section to perform inspections to ensure compliance with the fire code. Additionally, this supports the maintenance and upgrading of computer software and databases used to track the fire inspections conducted by the department.*

4. Permit Processing Section:
    - *The fire plans review fund supports staffing for fire code-related permit processing, including tasks such as check processing, bookkeeping, and reviewing tank permits, assembly permits, and fireworks permits and licenses. This funding ensures the staff can manage and process these permits and licenses, contributing to overall fire safety and regulatory compliance.*

5. Certifications:
    - *The fire plans review fund contributes to funding the Fire Inspector 1 and 2 certifications classes. A Fire Inspector 1 certification qualifies individuals to inspect buildings for fire code compliance. It requires training in fire prevention, fire and life safety codes, and fire protection systems, followed by passing an exam. This certification is issued by the Honolulu Fire Department through the International Fire Service Accreditation Congress (IFSAC) and is essential for those pursuing careers in fire code and safety inspection.*

Source: Honolulu Fire Department

# Appendix B

## Non-Major Special Revenue Funds and County Comparison Ordinance Structure

| | Name | Fund Creation and Purpose | Administration | Expenditure Controls | Reporting | Review Mechanisms |
|---|---|---|---|---|---|---|
| 1 | Affordable Housing Fund | X | X | X | X | X |
| 2 | Bikeway Fund | X | X | X | | |
| 3 | Clean Water and Natural Lands Fund | X | X | X | X | X |
| 4 | Community Development Fund | X | X | X | | |
| 5 | Golf Fund | X | X | X | | X |
| 6 | Hanauma Bay Nature Preserve Fund | X | X | X | | |
| 7 | Highway Beautification and Disposal of Abandoned Vehicles Revolving Fund | X | X | X | | |
| 8 | Honolulu Zoo Fund | X | X | X | | X |
| 9 | Housing and Community Development Rehabilitation Loan Fund | X | X | X | | X |
| 10 | Housing and Community Development Section 8 Contract Fund | X | X | X | | |
| 11 | Liquor Commission Fund | X | X | X | | |
| 12 | Parks and Playgrounds Fund | X | X | X | | |
| 13 | Patsy T. Mink Central Oahu Regional Park Fund | X | X | X | | X |
| 14 | Rental Assistance Fund | X | X | X | | X |
| 15 | Special Events Fund | X | X | X | | X |
| 16 | Waipio Peninsula Soccer Park Fund | X | X | X | | X |
| 17 | Federal Grants Fund | X | | X | X | X |
| 18 | Special Projects Fund | X | | X | X | X |
| 19 | Kauai County Fire Code Amendments | X | X | X | | |
| 20 | Kauai County Ordinance No. 1001 Bill No. 2623 Amending Kauai County Fire Code | X | X | X | | |
| 21 | Hawai`i County Ordinance No. 23-5 Bill No. 221. | | X | | | |
| 22 | Hawai`i County Fire Code | | X | | | |
| 23 | County of Maui, Hawai'i Code of Ordinances, County of Maui, Schedule of Revolving Special Funds | X | | X | X | X |

Source: OCA Analysis and Honolulu's ordinance/fire code, other county ordinance/fire codes, Chapter 6 special funds ROH

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# Appendix C

## Maui County Fire Prevention Program – Revolving Fund Budget Report

**FIRE AND PUBLIC SAFETY** **COUNTY OF MAUI**

**Fire Prevention Program—Revolving Funds**

**Program Description**

The Plan Review, Processing, and Inspection Revolving Fund was established for the collection of fees for the review of plans and specifications submitted under section 132-9, HRS. Funds are to be expended for the salaries of two Fire Fighter IVs (plan reviewers), contracts, materials, supplies, equipment, payment of overtime, travel expenses, and training that will facilitate plans review, public education, fire investigation, permit processing, and inspections.

The Fire Hazard Removal Revolving Fund provides for the clearing of brush and debris from parcels that have been deemed as a fire hazard. The costs are recoverable against the owner or occupant of the property.

**Countywide Outcome(s)**

The Fire Prevention Program supports the following countywide outcome(s):

- An Affordable, Healthy, and Thriving Community
- An Environmentally Responsible and Sustainable Community
- A Prepared, Safe, and Livable County

**Population Served**

This program serves the residents and businesses of Maui County.

**Services Provided**

**Plan Review, Processing and Inspection Revolving Fund**

- Reviews plans for new construction and renovation projects.
- Ensures that required fire and life safety provisions are met for the benefit of the public as well as first responders.
- Provides fire and life safety instructions for special-use permits.

**The Fire Hazard Removal Revolving Fund**

- Receives complaints/notices from the public regarding overgrown parcels posing a potential fire hazard to neighboring lots.
- Informs land owners of applicable fire safety requirements.
- As necessary, arranges for abatement of overgrown brush conditions.
- Coordinates with other county departments for reimbursement from land owners for abatement services rendered.

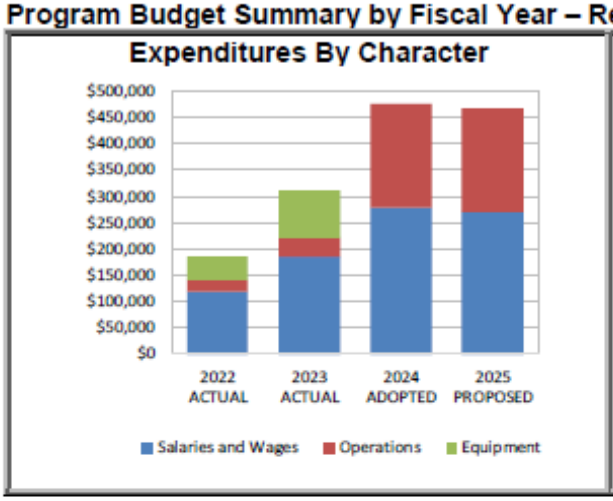
**Key Activity Goals & Measures**

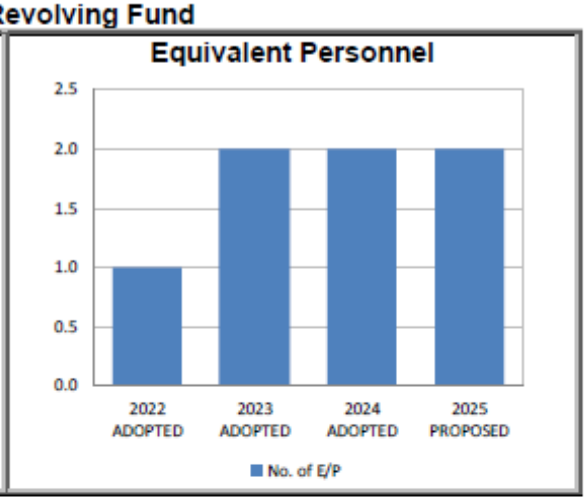
| GOALS/OBJECTIVES | SUCCESS MEASUREMENTS | FY 2023 ACTUAL | FY 2024 ESTIMATE | FY 2025 ESTIMATE |
|---|---|---|---|---|
| *Goal #1: Provide timely and quality plans review service while ensuring new construction, fire safety systems, and large events are compliant with fire code requirements.* | | | | |
| 1. Complete plans review at an average rate of 90 reviews per reviewer per quarter. | % of the target number of plan reviews completed. | N/A | 100% | 100% |

**FIRE AND PUBLIC SAFETY** **COUNTY OF MAUI**

## Fire Prevention Program—Revolving Funds

### Program Budget Summary by Fiscal Year – Revolving Fund




### Expenditures Summary by Character & Object – Revolving Fund

| CHARACTER/ OBJECT DESCRIPTION | 2022 ACTUAL | 2023 ACTUAL | 2024 ADOPTED | 2025 PROPOSED | CHANGE AMOUNT | CHANGE PERCENT |
|---|---|---|---|---|---|---|
| **Salaries and Wages** | | | | | | |
| OTHER PREMIUM PAY | $24,485 | $28,356 | $54,420 | $55,920 | $1,500 | 2.8% |
| WAGES & SALARIES | $95,952 | $157,539 | $224,568 | $215,480 | -$9,088 | -4.0% |
| **Salaries and Wages Total** | **$120,437** | **$185,895** | **$278,988** | **$271,400** | **-$7,588** | **-2.7%** |
| **Operations** | | | | | | |
| MATERIALS & SUPPLIES | $3,140 | $8,458 | $5,700 | $5,700 | $0 | 0.0% |
| OTHER COSTS | $1,650 | $2,458 | $53,350 | $53,350 | $0 | 0.0% |
| SERVICES | $7,672 | $11,774 | $22,500 | $22,500 | $0 | 0.0% |
| TRAVEL | $2,583 | $5,302 | $35,250 | $35,250 | $0 | 0.0% |
| UTILITIES | $6,084 | $6,283 | $12,319 | $12,319 | $0 | 0.0% |
| INTERFUND COST RECLASSIFICATION | $0 | $0 | $66,182 | $66,182 | $0 | 0.0% |
| **Operations Total** | **$21,129** | **$34,276** | **$195,301** | **$195,301** | **$0** | **0.0%** |
| **Equipment** | | | | | | |
| MACHINERY & EQUIPMENT | $44,313 | $89,883 | $0 | $0 | $0 | 0.0% |
| **Equipment Total** | **$44,313** | **$89,883** | **$0** | **$0** | **$0** | **0.0%** |
| **Program Total** | **$185,879** | **$310,054** | **$474,289** | **$466,701** | **-$7,588** | **-1.6%** |

### Equivalent Personnel Summary by Position Title – Revolving Fund

| POSITION TITLE | 2022 ADOPTED | 2023 ADOPTED | 2024 ADOPTED | 2025 PROPOSED | CHANGE AMOUNT | CHANGE PERCENT |
|---|---|---|---|---|---|---|
| Fire Fighter IV | 1.0 | 1.0 | 2.0 | 2.0 | 0.0 | 0.0% |
| Fire Fighter V | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| **Program Total** | **1.0** | **2.0** | **2.0** | **2.0** | **0.0** | **0.0%** |

Source: County of Maui FY 2025 Operating and Capital Budget

# Appendix D
## Honolulu City Council Resolution 25-4

**HONOLULU CITY COUNCIL**
*KE KANIHELA O KE KALANA O HONOLULU*
CITY AND COUNTY OF HONOLULU

No. 25-4

RESOLUTION

REQUESTING THE CITY AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE FIRE PLANS REVIEW REVOLVING FUND.

WHEREAS, Section 3-501 of the Revised Charter of the City and County of Honolulu 1973 (Amended 2017 Edition), as amended ("Charter"), establishes the Office of the City Auditor; and

WHEREAS, Charter Section 3-114 authorizes the City Council ("Council"), at any time by adoption of a resolution, to "provide for and direct the [C]ity [A]uditor to conduct or cause to be conducted a performance audit of any agency or operation of the [C]ity"; and

WHEREAS, Section 20-1.1(3), Revised Ordinance of Honolulu 2021 ("ROH"), establishes the Fire Plans Review Revolving Fund ("FPRRF") as a repository for fees collected from the Fire Department's review of certain plans required by the City's Building Code and provides that the FPRRF monies may be expended for fire prevention activities relating to public education, fire investigations, plans checking, permit processing, fire inspections, and certifications; and

WHEREAS, on October 24, 2024, and November 19, 2024, the Council, through its Committee on Public Safety, discussed matters relating to the FPRRF with the Honolulu Fire Department; and

WHEREAS, the Committee on Public Safety received Departmental Communication 795 (2024) as well as oral testimony from the Honolulu Fire Department attesting to the impact and importance of the FPRRF; and

WHEREAS, according to the Departmental Revenue Summary of the Mayor's Executive Program and Budget Fiscal Year 2025 ("Mayor's FY 2025 Program Book"), transmitted to the Council as Mayor's Message 38 (2024), the Honolulu Fire Department collected $1,116,865 in "Plan Review Fee" revenues in fiscal year 2023, and projected "Plan Review Fee" revenues of $837,074 and $1,515,600 for fiscal year 2024 and fiscal year 2025, respectively; and

WHEREAS, according to the Detailed Statement of Revenues and Surplus of the Mayor's FY 2025 Program Book, the City has been depositing the "Plan Review Fee" revenues into the Special Projects Fund, a fund that is typically used to account for monies received under special contracts entered into, by and between the City and the State of Hawai'i; and

**HONOLULU CITY COUNCIL**
***KE KANIHELA O KE KALANA O HONOLULU***
CITY AND COUNTY OF HONOLULU

No. 25-4

# RESOLUTION

WHEREAS, Ordinance 24-9, the Executive Operating Budget and Program for Fiscal Year 2025, included no FPRRF or Special Projects Fund appropriations for the Honolulu Fire Department; and

WHEREAS, while ROH Section 20-1.1(3) provides that the revenue from fire plans review fees deposited into the FPRRF are deemed appropriated upon receipt, Charter Section 9-102.3 states that "[a]ppropriations to fund the activities of the executive branch shall only be made through the annual budget ordinances for the executive branch and amendments or supplements thereto"; and

WHEREAS, in light of concerns about FPRRF appropriations made outside of annual budget ordinances for the executive branch, the Council believes it is appropriate to ensure that there are adequate safeguards to prevent the loss of public funding through waste, fraud, or error; promote efficient operations; and to encourage adherence to prescribed management policies as outlined in Charter Section 3-114.2(b); now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the City Auditor is requested to perform a performance audit of the Fire Plans Review Revolving Fund, including a review of the receipt of fees and the detailed expenditure of funds for salaries, current expenses, and equipment; and

BE IT FURTHER RESOLVED that the Council requests the City Auditor to complete the performance audit within one calendar year after the adoption of this resolution and file the completed audit report with the City Clerk, in accordance with Charter Section 3-114.2; and

**HONOLULU CITY COUNCIL**
***KE KANIHELA O KE KALANA O HONOLULU***
CITY AND COUNTY OF HONOLULU

No. 25-4

## RESOLUTION

BE IT FINALLY RESOLVED that copies of this resolution be transmitted to the Mayor, the Managing Director, the Director of Budget and Fiscal Services, the Fire Chief, and the City Auditor.

INTRODUCED BY:

DATE OF INTRODUCTION:

JAN 6 2025
Honolulu, Hawai'i

Councilmembers

3

OCS2024-1031/12/3/2024 10:01 AM

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII
CERTIFICATE

**RESOLUTION 25-4**

Introduced: 01/06/25 By: VAL OKIMOTO Committee: BUDGET (BUD)

Title: REQUESTING THE CITY AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE FIRE PLANS REVIEW REVOLVING FUND.

Voting Legend: * = Aye w/Reservations

| | | |
|---|---|---|
| 01/06/25 | INTRO | Introduced. |
| 01/14/25 | BUD | Reported out for adoption.<br><br>CR-3<br><br>5 AYES: CORDERO, DOS SANTOS-TAM, KIA'ĀINA, NISHIMOTO, WEYER* |
| 01/29/25 | CCL | Committee report and Resolution were adopted.<br><br>9 AYES: CORDERO, DOS SANTOS-TAM, KIA'ĀINA, NISHIMOTO, OKIMOTO, TULBA, TUPOLA, WATERS, WEYER |

I hereby certify that the above is a true record of action by the Council of the City and County of Honolulu on this RESOLUTION.

GLEN I. TAKAHASHI, CITY CLERK

TOMMY WATERS, CHAIR AND PRESIDING OFFICER