

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA ĀINA



KEITH A. REGAN  
COMPTROLLER  
KA LUNA HO OMALU HANA LAULĀ

MEOH-LENG SILLIMAN  
DEPUTY COMPTROLLER  
KA HOPE LUNA HO OMALU HANA LAULĀ

**STATE OF HAWAII | KA MOKU'ĀINA O HAWAII'**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

June 15, 2023

Ms. Chris Kinimaka, Administrator  
Department of Accounting and General Services,  
Public Works Division  
1151 Punchbowl Street, Room 426  
Honolulu, Hawai'i 96813

Dear Ms. Kinimaka:

The Department of Accounting and General Services, Audit Division (Audit Division) completed its review of invoices for other direct costs (ODC) submitted to the Department of Accounting and General Services, Public Works Division (Public Works Division) by Crawford Architects LLC (Crawford). Our report is organized as follows:

Section I	Objectives, Scope, and Procedures Performed
Section II	Observations and Recommendations

We would like to extend our appreciation to you and your staff for the assistance provided to the Audit Division for this project. If you have any questions on the report, please call me at 586-0400, or have your staff contact Ron Shiigi at 586-0359.

Sincerely,

A handwritten signature in blue ink, appearing to read "KEITH A. REGAN".

KEITH A. REGAN  
Comptroller

## Section I

### Objectives, Scope, and Procedures Performed

## **OBJECTIVES**

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At the request of the State Comptroller, the Audit Division conducted a review of the invoices for other direct costs submitted by Crawford to the Public Works Division for the development of the New Aloha Stadium Entertainment District (NASD). The contract for professional services between the Department of Accounting and General Services, State of Hawai'i (State) and Crawford was effective on January 2, 2019. The objectives of the review were:

1. Determine whether the State's reimbursements for other direct costs complied with contract provisions, policies and procedures, and were reasonable; and
2. Prepare report detailing our observations and make recommendations, as appropriate.

## **SCOPE**

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Our review included Crawford's other direct costs submitted for reimbursement to the State between January 2019 and March 2023. Our review excluded labor and overhead costs incurred by Crawford during this period. Our review also excluded the procurement process of selecting Crawford and the Public Works Division's process for approving and reimbursing other direct costs submitted by Crawford.

## **PROCEDURES PERFORMED**

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The procedures performed consisted of the following:

- Reviewed the contract for professional services between the State and Crawford, including supplemental contract amendments; summary of expenses spreadsheets and memorandums submitted by Crawford; Public Works Division's Revisions to the "Policies and Procedures Governing Design Consultant Contracts," dated November 1981; and Chapter 103D General Conditions.
- Reviewed Crawford invoices for other direct costs submitted to the Public Works Division for reimbursement and determined whether:
  - Crawford's other direct costs complied with contract provisions, Public Works Division's policies and procedures, and Chapter 103D General Conditions.
  - The supporting documentation provided was adequate and whether additional information from Crawford was necessary before reimbursements were approved.
  - Reimbursements were reasonable.

## Section II

### Observations and Recommendations

## **OBSERVATIONS**

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### **Reimbursements for first class airfares violated contract provisions.**

The contract provisions included Public Works Division's Revisions to the "Policies and Procedures Governing Design Consultant Contracts," dated November 1981 and Chapter 103D General Conditions. According to the policies and procedures, allowable air transportation costs "shall be based on the coach fare available at the time of travel." Similarly, as stated in Chapter 103D General Conditions, "Reimbursement for air transportation shall be for actual cost or coach class airfare, whichever is less." In addition, the Hawai'i State Procurement Office requires for out-of-state travel a minimum of two quotes from two different sources (i.e., travel agency, airlines, or online travel site) for the most economical airfare itinerary, which is a practice used by other construction project authorities when approving airfare. Nevertheless, first class airfares were approved and reimbursed to Crawford and WT Partnership executives for travel to Honolulu between August 2018 and February 2023, and airfare price comparisons were not included in the invoices submitted to the State.

### **Lodging and meal expenses were not reimbursed in an economical way.**

According to the Hawai'i State Procurement Office, the current per diem rate for out-of-state travel is \$145.00 per 24 hours which includes an \$85.00 hotel allowance with excess lodging costs requiring approval. The Defense Travel Management Office per diem rates for Honolulu include a maximum rate of \$202.00 for lodging, which is used by other construction project authorities for approving lodging reimbursements.

Hotel room charges, including taxes and resort amenity fees, as high as \$446.00 per night and Airbnb lodging as high as \$356.00 per night were approved and reimbursed to Crawford and WT Partnership executives. Crawford and WT Partnership executives did not receive per diem from the State for travel to Honolulu in the initial contract period and meals, excluding alcoholic beverages, were reimbursed to the travelers. Meal receipts submitted and approved for reimbursement included a steak, lobster and sushi dinner for four people at StripSteak Waikiki for \$349.64, which included gratuity. A receipt which included a meal for a visiting State official associated with the project, who probably also received per diem from the State for meals, was also approved and reimbursed to Crawford. Some meal receipts included multiple meals but lacked details on who the meals were for. A receipt from Moku Kitchen for \$205.97, which included gratuity, did not include the items ordered and was logged in Crawford's summary of expenses as a meal expense for a Crawford executive and three guests. A dinner receipt for eight people for Nico's Upstairs included four guests who were not part of the consulting team. Crawford merely multiplied the receipt total by 50% instead of submitting the actual meal amounts for the consulting team. Reimbursed receipts were also for meals in multiple cities and states and excluded details of the attendees and purpose for travel or the meal. Crawford submitted meal receipts when they were not traveling as well, which included a \$149.18 receipt for a meal delivered to Crawford's home office in Kansas City and a \$282.13

receipt labeled Hawai'i reimbursement for dinner in Kansas City for three Crawford executives and a WT Partnership executive.

On December 28, 2021, Crawford signed a one-year rental agreement, which began on January 1, 2022, and ended on December 31, 2022, for a one-bedroom condo at 'A'ali'i at Ward Village for \$4,554.97 per month. The State reimbursed Crawford \$22,774.85 for rent from January to May, but it is unknown if reimbursements were made for other months' rents since all invoices were not made available for review and some lacked supporting documentation. Crawford's consultants stayed at the condo for a total of 71 nights from January to May at an average cost of \$321.00 per night. According to a Hawai'i Tourism Authority hotel performance report, the average daily rate for a hotel room in Waikiki was \$230.00 in the first quarter of 2022, which indicates the condo rental was not the most economical lodging for consultants who traveled to Honolulu. During the rental agreement period, the Crawford executive listed as the tenant in the rental agreement started to submit for reimbursement at the Defense Travel Management Office Honolulu maximum per diem rate of \$326.00 per day for hotel, meals, and incidentals in lieu of receipts. There was no explanation for this change or reason it was approved included in the documents provided by the Public Works Division.

**Excessive costs were reimbursed by the State, which may have included travel costs unrelated to NASED.**

A Crawford executive regularly splits his air travel itinerary to Honolulu so he can include stops and stays in San Diego. It is unknown why he makes these regular stops in San Diego and whether it's for pleasure or other business. It appears through emails to his office manager that these San Diego trips are included because he believes it is on the way to Honolulu and it does not matter which city east of San Diego he departs from, when he departs or at what extra cost. One of his trips submitted for reimbursement included a flight from San Diego to Honolulu, also included was a separate flight from Indianapolis to San Diego he took six days earlier. Another Honolulu trip included separate airfare for a flight from San Diego to Kansas City on July 9, 2019, which was 18 days after he arrived in San Diego from Honolulu on June 21, 2019, which was his completed travel date. The same executive purchased three separate airfares for a trip to Honolulu from Kansas City. The first was a United Airlines flight (\$653.00) from Kansas City to Orange County; another was a next day Alaska Airlines flight (\$164.29) from Orange County to San Francisco; and the last flight (\$2,429.29) was from San Francisco to Honolulu. All three airfares were submitted and reimbursed for his trip to Honolulu.

A Southwest Airlines return flight on February 29, 2020, from San Diego to Kansas City was purchased by a Crawford executive for \$689.96. On February 28, 2020, he informed his office manager that he had to make a flight change and purchased a United Airlines flight from San Diego to Kansas City for \$654.05 that departed on February 28, which was one day earlier than his original flight. The reason for this change may have been so he would have the same return flight schedule as his colleague. Crawford submitted both flights for reimbursement.

Another Crawford executive purchased first class airfare (\$2,433.99) to Honolulu with stops in Denver and Los Angeles. According to the executive, his flight was delayed and he missed his

connecting flight in Los Angeles. He received a credit (\$505.72) from United Airlines and was told by a Crawford senior executive to book a first-class one-way flight (\$1,919.63) from Los Angeles to Honolulu so he could be in Honolulu the next day. In addition to the two first class airfares, a one-night hotel stay (\$195.27) in Los Angeles and an unused hotel stay (\$203.48) in Honolulu both on June 18, 2019, were also submitted and reimbursed to Crawford.

The consultants traveled to Honolulu multiple times a month and some trips were only for a day. A WT Partnership executive returned to Los Angeles from Honolulu on March 22, 2019, after a two-night stay only to return five days later to Honolulu on March 27, 2019, for another two-night stay. Both travels included first class airfare which totaled to \$3,759.40 and although his departure date was March 29, the hotel receipt showed a March 30 departure date which included an additional night that was reimbursed. The same executive submitted a \$295.00 receipt which included a \$200.00 airfare change fee. A Crawford executive was charged three airfare change fees (\$600.00) and another was charged for two (\$400.00) for a trip to Honolulu in March 2019. All five change fees were included with their airfare for reimbursement.

Some of the travel included airfare and hotel for travel to other cities, such as Phoenix to Austin and Los Angeles to Cleveland, which were reimbursed to Crawford. However, no justification for these trips, including what type of services were performed and how it was related to NASED, were included in the invoices submitted to the State.

Crawford did not provide details for Uber rides that appeared to be unrelated to travel to and from the hotel, airport, home, office or worksite. Some of the questionable rides included one where a Crawford executive submitted a receipt for an Uber ride that occurred two days after his travel ended and it was not for travel from the airport to his home. On a separate trip, the same executive submitted receipts for Uber rides that occurred one day before his departure to Honolulu and one day after his scheduled arrival in San Diego, both for transportation from San Diego International Airport to a residential block in Coronado. According to his flight itinerary, he was scheduled to depart San Diego for Kansas City on December 13 which was the day before his Uber ride in San Diego on December 14. Another Crawford executive submitted an Uber receipt which included a wait time charge and appeared to be for a ride to his hotel after having dinner at SALT in Kaka'ako. Many of the Uber receipts appeared to be for rides to restaurants and walkable destinations. A \$69.00 Uber ride that arrived in the early evening at a house in Kailua and a \$53.00 ride from a home in Hawai'i Kai at 11:55 p.m. were also submitted. Uber receipts with questionable addresses and days included no explanations when submitted for reimbursement.

Crawford submitted and was reimbursed for duplicate receipts which included Lyft and Uber fares that also appeared as separate line items in their summary of expenses. In one instance, two Uber receipts were submitted and reimbursed for the same ride, one included tip and the other did not. Some other excessive costs included an Alamo SUV rental with no justification provided. Crawford executives also used Uber on the same day the SUV was rented. Hotel parking as high as \$45.00 per night was included with other car rentals and a Lyft Lux Black fare for \$148.95 was also reimbursed. Crawford consultants claimed roundtrip mileage when they were dropped off at the airport and roundtrip mileage when they were picked up from the airport.

Every Crawford invoice submitted for other direct costs included a markup for administrative costs which ranged from 5% to 15% of total expenses. Most invoices included a 15% markup for other direct costs which consisted mostly of travel expenses.

**Discretionary payments, premium fees, penalties, personal expenses and exorbitant charges were reimbursed by the State.**

The following items were reimbursed to Crawford by the State:

- Entry into the Delta Sky Club at airports in Los Angeles and Honolulu.
- Private lunch meeting at the Pacific Club with a local public relations firm which Crawford submitted as a hotel expense.
- United Airlines Economy Plus, American Airlines Main Cabin Extra, Hawaiian Airlines Extra Comfort, and preferred seating upgrades.
- Alohilani Resort Tree fee which is an optional fee.
- Gratuities for Uber, Lyft and taxi rides; meals; and hotels.
- Uber cancelation fees and wait time charges as high as \$15.00.
- Batteries, sunscreen, baby powder, Tums, and sore throat lozenges from the ABC Store.
- Toothpaste, batteries, sewing kit, and dental picks from Longs Drugs.
- Advil Liqui-Gels from Salt Lake City International Airport.
- Pack of gum from Starbucks.
- HDMI cable and umbrellas from Walmart.
- Apple watch USB-A charge cable from the Apple Store.

**Expenses were approved and reimbursed even though supporting documents and receipts were incomprehensible, omitted, or ambiguous.**

Some of the invoices contained no supporting documentation or receipts for expenses incurred by the consultants which included a \$1,400.00 payment for data and material to RCLCO Real Estate Consulting; \$1,400.00 for an unknown other direct cost; and \$1,570.68 for sound reinforcement for a meeting. Several receipts were illegible and unclear; thus, the expense sources, descriptions and totals could not be determined, yet these expenses were reimbursed by the State. Crawford submitted Square and other receipts which included only the payment dates but excluded paid amounts, descriptions of what was purchased and from where; and at times Crawford submitted only partial receipts instead of the entire receipt.

## **RECOMMENDATIONS**

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The Public Works Division should:

1. Approve only the economy airfare amount at the time of travel for reimbursement and require the vendor to provide comparison quotes from different sources (i.e., travel agency, airlines, or online travel provider) for the most economical airfare itinerary.



2. Provide out-of-state vendors traveling to Honolulu or other destinations reasonable per diem, prorated for travel days, in lieu of meal receipt reimbursements, including a hotel allowance with excess lodging costs requiring approval or set a maximum rate for lodging.
3. Approve vendors' travel itineraries and services to be performed after travel is determined necessary and before their travel plans are finalized and arrival at their destination. Verify flights and hotel stays are related to their travel to Honolulu and for contracted services. If two or more airfare itineraries (separate legs) are submitted for the same travel, ensure the costs do not exceed the ticket amount for a single airline reservation.
4. Require justification from the vendor for car rentals; Uber, Lyft and taxi receipts for travel other than to and from the hotel, airport, home, office or worksite; rides that occur outside of travel days; luxury rides; and other questionable expenses.
5. Exclude gratuities, optional fees, other similar discretionary payments, premium fees, penalties, personal expenses, duplicate receipts, costs for airfare and hotel changes not requested by the State, and other exorbitant charges from reimbursements.
6. Require clear and legible receipt copies and complete supporting documentation from the vendor for all other direct costs submitted for reimbursement. Receipts should include the date, amount paid, purchased item(s), location, and business purpose.
7. Determine if the 15% markup on other direct costs is reasonable and consistent with other professional service contracts entered into by the State.