

does not possess an available supply of skilled clerical technicians. These conditions have allowed project construction to draw away from intended internal audit checks.

VI. CONCLUSIONS

27. After a study of the organization of the office of the District Engineer in Honolulu, and preliminary visits to various construction projects under the supervision of that government agency, the following conclusions have been drawn:

a. That the system of safeguards, for the protection of government funds, property, and plant (inspection, cost accounting, and auditing), as directed by the Chief of Engineers, have been established by the District Engineer.

b. That deficiencies do exist within the organization, apparently caused by inadequate inter-office coordination and a lack of sufficiently-skilled clerical employees. These deficiencies have generally allowed clerical controls to lag behind the progression of actual construction, resulting in partial failures in the system of cost accounting, procurement, and storage-and-lease.

c. That conscientious efforts, on the part of the District Engineer and his key assistants, are apparently being made to correct these deficiencies, as soon as they manifest themselves.

d. That skilled clerical technicians for administrative duties are difficult to obtain because of the large number needed by other competing government agencies and because of higher wages offered by civilian firms for similar services.

e. That the field areas, established for the prosecution of the construction projects under contract, appear to be well organized and to be working generally in an efficient manner.

f. That progress on the construction of many projects has been delayed by the shortage of material, which in turn has been caused (1) by (1) the shortage of transportation facilities from the mainland, (2) the inability of local firms to deliver materials on schedule, and (3) the status of defense priorities established for the District Engineer's office.

VII. RECOMMENDATIONS

28. Based upon this initial survey and inspection of the office of the District Engineer in Honolulu, the following recommendation is submitted:

a. That the District Engineer institute adequate measures to correct the deficiencies noted in paragraph 25 and in subparagraph 27b above.

E. B. WHISNER,
Lieut Colonel, Infantry.
Asst Dept Inspector General.

1 Incl—
Exhibit "A" (Organization Chart)

ARMY PEARL HARBOR BOARD EXHIBIT No. 28

[1] HEADQUARTERS HAWAIIAN DEPARTMENT,
OFFICE OF THE DEPARTMENT INSPECTOR GENERAL,
4 November 1941.

IG 333.1—Dist Engr
Honolulu, TH, FY 1942
Subject: Special Report on the Organization of the Office of the Hawaiian Constructors, Honolulu, T. H.
Thru: Hawaiian Constructors and District Engineers, Honolulu, T. H.
To: Commanding General, Hawaiian Department, Fort Shafter, T. H.

I. DATE OF INSPECTION AND BY WHOM MADE

1. This is the initial inspection report on the organization of the Hawaiian Constructors, the civilian organization which furnishes the skilled technicians and actually performs the construction work for the District Engineer in the Hawaiian Department under Cost-Plus-A-Fixed-Fee contract W 414-Eng-602. The inspection was made by Lieutenant Colonel E. B. Whisner, Infantry, Assistant Department Inspector General, during the period 4 to 11 September 1941, pursuant to a

directive from the Commanding General, Hawaiian Department, in accordance with the provisions of letter AG 600.12 (2-13-41) M-1G, WD., AGO, 17 February 1941 subject: "Inspection of Cost-Plus-A-Fixed-Fee Construction Projects."

II. ORGANIZATION

2. General.—*a.* This report deals with the administrative framework which has been created by the Hawaiian Constructors to accomplish the construction work required by their contract. Reference is made to my report IG 333.1—Dist Engr, Honolulu TH, FY 1941, 2 September 1941, subject: "Special Report on the Organization of the Office of the District Engineer, Honolulu, TH."

b. The Hawaiian Constructors consist of a corporation of the construction firms listed below, who have pooled their resources of plant and personnel to carry out this contract:

W. E. Callahan Construction Company of Nebraska

Gunther and Shirley Company of Nebraska

Rohl-Connally Company of Nevada

Ralph E. Woolley Company of Honolulu

c. The main office of the Hawaiian Constructors is located at Pier 2-A, Honolulu, T. H., where the administrative work of the overhead is conducted. See the attached chart marked Exhibit "A".

d. The Hawaiian Constructors receive and acknowledge all project plans and specifications from the District Engineer. They are held responsible by the District Engineer for planning projects well in advance of construction in a manner which meets with the approval of the engineer in charge of the field area in which the projects will be con- [2] structed. The contractor is responsible for transporting materials, equipment, and property from points of issue to the respective projects, and is responsible for the organization and direction of all construction crews.

e. The Hawaiian Constructors are controlled by an executive committee composed of Mr. Paul Grafe, vice-president of the W. E. Callahan Construction Company, Mr. Ralph E. Woolley, a local general and building contractor, and Mr. E. E. Ashlock, a supervising operations engineer with the W. E. Callahan Construction Company. This committee operates as the corporation's administrative control board, and is responsible for designating the policies which govern construction operations. Mr. Grafe is the senior executive and has been delegated the authority to contractually bind the corporation. He divides his time between Los Angeles and Honolulu, and serves as the corporation's mainland representative. Mr. Woolley acts in the capacity of an operating consultant, giving to the corporation the value of his experience and also the value of his many local contacts. Mr. Ashlock is the general superintendent in charge of engineering, operations, and administration.

f. On 19 May 1941 the stipulations of the original contract were modified and the responsibility for procurement, timekeeping, and the preparation of payrolls was transferred from the Hawaiian Constructors to the District Engineer. (See paragraph 25 of the report mentioned in subparagraph 2 *a* above.) This change resulted in all procurement clerks, payroll clerks, and timekeeping being transferred to the District Engineer, which considerably reduced the number of office employees on the Hawaiian Constructors monthly payroll. However, a sufficient staff was retained to act as a coordinating unit between the departments referred to above and the field superintendents in charge of operations. In effect the District Engineer has taken from the Hawaiian Constructors the responsibility for all overhead functions leaving them a pure responsibility for project construction.

3. *Engineering Division.*—The engineering division is responsible for studying and analyzing all project plans and specifications, in order that periodic operating estimates can be outlined and a satisfactory procedure established for the operations division. At the present time the engineering division has a staff of only four employees. However, this is not adequate and additions are contemplated in the near future.

4. *Operations Divisions.*—The Hawaiian Constructors have placed an operating superintendent in charge of the projects in each of the field areas which have been established by the District Engineer. The superintendent in each field area situated on the island of Oahu (Hickam, Wheeler and Bellows Fields) is responsible to a field superintendent who functions as an assistant to the general superintendent. The project superintendents [3] in the areas located on islands other than Oahu, are directly responsible to the general superintendent.

Besides controlling area superintendents, the field superintendent on Oahu also has charge of a group of specialized construction foremen, who, with their crews, are shifted between projects as they are needed. There are five foremen of this type who are respectively responsible for concrete buildings, heavy excavating, underground work, equipment, and transportation.

5. *Administrative Division*.—*a. Office Manager*.—An office manager is in charge of the several administrative duties. He is a bonded employee and is responsible for supervising the clerical staff assigned to the subdivisions described below.

b. General Office.—The general office concerns itself with all correspondence and filing, and is responsible for the control and issue of office equipment and supplies. The section has five employees, who are sufficient to perform adequately the assigned duties.

c. Personnel and Payroll Auditing.—(1) This subdivision is the hiring agency for the Hawaiian Constructors. In each instance where it is necessary for the contractor to hire personnel, the District Engineer requires that a request must first be submitted for his written approval. The personnel section of the subdivision is responsible for securing this written approval as requisitions for employees are received from operating supervisors.

(2) The personnel and payroll-auditing subdivision was formerly a time-keeping and personnel subdivision. When the District Engineer took over time-keeping and the preparation of payrolls, the contractor retained sufficient personnel to check the payrolls against the hiring authorizations from the District Engineer, prepare social security records, and prepare a bimonthly payroll for about one hundred employees. The payroll comprises employees of the supervisory staff and clerical group hired by the contractor on a monthly-pay basis. The District Engineer has ruled that this payroll will continue to be prepared and submitted by the contractor. It is also necessary for this subdivision to keep in contact with the contractor's foremen in charge of construction crews, as these foremen must keep a daily time record of employees in order to have a check against time rolls prepared by government timecheckers before they are submitted for record.

(3) This subdivision lacks proper coordination for most efficiently performing assigned duties. It is in a state of reorganization following the recent transfer of the timekeeping and payroll responsibility to the District Engineer, systems in use are not fully developed, duties are not clearly outlined, and the subdivision head does not exercise a sufficient control over the personnel section. These deficiencies are aggravated by inadequate office accommodations.

d. Procurement.—(1) This subdivision, consisting of [4] eight employees, is necessary for operation of the purchasing procedure directed by the District Engineer. The contractor is required to submit to the District Engineer's Procurement Division requisitions for supplies as they are needed in construction. These requisitions must show a description of the required item and the accounting symbol designating the procurement authority under which the purchase is to be made.

(2) This subdivision also acts as the contact agency between the Contractor's project engineers and the storage-and-issue subdivision of the District Engineer's organization. Purchases are catalogued by delivery dates so that this information can be relayed to project engineers to assist them in the preparation of efficient work schedules.

e. Plant Records.—(1) A major portion of the constructing equipment used on defense projects is obtained by the Hawaiian Constructors under third-party lessor agreements and is rented to the District Engineer at a monthly rate equal to one-twelfth plus one percent of its purchase value. These procurements are made only with the prior approval of the District Engineer. All payments covering purchase and rental of equipment are made by the District Engineer.

(2) This accounting subdivision composed of five employees, was established primarily for the purpose of maintaining an up-to-date record of all plant purchases, to insure that all obligations are settled in accordance with purchase stipulations.

(3) This subdivision also records transactions of a miscellaneous nature, such as employee transportation expenses and the cost of certain office supplies, and prepares invoices which are audited and paid by the District Engineer.

f. Property Records.—(1) In order to conform to contract stipulations a property subdivision was established, with a total of nine employees, consisting of one section head, one office clerk, and seven property clerks.

(2) Its functions are to maintain records of all property issued to the contractor on memorandum receipt by the District Engineer. The receipts are recorded by project areas, the section head and office clerk posting property control ledgers to show accountability vested in the property clerks of the different engineer field areas. This requires a system of tally-in and tally-out for all property issued for temporary use by individuals.

(3) The property records kept by the section head were found to be up-to-date and accurate. Those kept by area clerks are, in most instances, incomplete and carelessly posted. These irregularities were most prominent on Job 5.0 at Wheeler Field, and Job 9.0 at Hickam Field.

g. Commissary (Wheeler Field Tent Camp).—Because of the shortage of housing facilities for men employed on defense contracts, the [5] Hawaiian Constructors have established a tent camp at Wheeler Field for the purpose of housing and feeding approximately one hundred and twenty employees. The system installed for handling cash collections for boarders at the camp is not sufficiently safeguarded. Bookkeeping records are untidy and entries are made in a haphazard manner.

III. IRREGULARITIES AND DEFICIENCIES

6. *Irregularities.*—*a.* Property records kept by area clerks re incomplete and carelessly posted. (II 7f (3))

b. The handling of cash collections and bookkeeping records at the commissary are unsatisfactory. (II 7g)

7. *Deficiencies.*—*a.* Need for additional personnel in the engineering division. (II 3)

b. The personnel and payroll auditing subdivision lacks proper departmental coordination and adequate office accommodations for most efficient performance of duty. (II 5e (3))

IV. CONCLUSIONS

8. That the contractor is not exercising adequate supervision over property accounting and operations of the commissary.

9. That the corporation executives are attempting to effect an organization that will insure completion of project construction with the greatest degree of efficiency.

10. That shortages of building supplies, skilled clerical assistants and trained construction laborers are adversely affecting efficient operations; that these conditions will continue for sometime due to the lack of adequate transportation and manufacturing facilities, and to the time required to train personnel properly.

V. RECOMMENDATIONS

11. That action be initiated to correct the irregularities and deficiencies noted in paragraphs 6 and 7 of Section III above.

/s/ E. B. Whisner,
E. B. WHISNER,
Lieut Colonel, Infantry,
Assistant Dept Inspector Gen.

1 Incl:
Exhibit "A" Organization Chart.

ARMY PEARL HARBOR BOARD EXHIBIT No. 29

Exhibit F

[4]

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, 29 August 1914.

Refer to File No. 87EAF.

Subject: Priorities on Hawaiian Construction—Army Pearl Harbor Board Investigation.

To: Colonel D. I. McKay, Room 6114—War Dept. Bldg.

1. Pursuant to Major Loring's request, the facts revealed by the records in the Office of the Chief of Engineers and the personal recollections of the undersigned on prioritizing matters relating to Hawaiian construction projects are set forth