

COUNCIL OF THE COUNTY OF MAUI

# BUDGET AND FINANCE COMMITTEE

October 2, 2009

**Committee  
Report No.** \_\_\_\_\_

Honorable Chair and Members  
of the County Council  
County of Maui  
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on September 15, 2009, makes reference to County Communication No. 09-189, from the Council Chair, transmitting copies of reports entitled "County of Maui, Auditor's Report to Management For the Fiscal Year Ended June 30, 2008" and "Department of Water Supply, County of Maui, Auditor's Report to Management For the Fiscal Year Ended June 30, 2008", submitted by the County's independent auditor, Kobayashi, Doi & Lum CPAs LLC.

Your Committee notes that the auditor's management letter describes reportable conditions that came to the auditor's attention during its work on the audit. A reportable condition involves significant deficiencies in the design or operation of the system of internal controls that could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The specific reportable conditions noted by the auditor involved relatively low levels of risk that undetected errors or fraud would exist in amounts that would be considered material in relation to the financial statements being audited. Therefore, the auditor did not believe the reportable conditions constituted "material weaknesses" in the audited financial statements.

Alan Kobayashi, from the firm now known as Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC, provided an overview of the auditor's reports. He stated that while there were no material weaknesses in either audit report, there were areas that the County could look at for improvement.

He recommended that the County address erroneous journal entries made to the County's general ledger system by non-Department of Finance personnel, accrued interest expense calculations related to the County's general obligation bonds, calculation errors in the payroll processing system related to overtime, timesheet processing methodology, and the development of an information technology strategic plan. In

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addition, he said that the Department of Water Supply needs to address inventory control procedure.

Your Committee voted 9-0 to recommend filing of the communication. Committee Chair Pontanilla, Vice-Chair Mateo, and members Baisa, Johnson, Kaho`ohalahala, Medeiros, Molina, Nishiki, and Victorino voted "aye".

Your Budget and Finance Committee RECOMMENDS that County Communication No. 09-189 be FILED.

This report is submitted in accordance with Rule 7 of the Rules of the Council.

  
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JOSEPH PONTANILLA, Chair

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