

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

July 2, 2010

**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 June 15, 2010, makes reference to the following:

1. County Communication No. 10-104, from Danny A. Mateo, Council Chair, transmitting the County of Maui's "Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2009" ("CAFR"), prepared by the Department of Finance and audited by Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC.
2. County Communication No. 10-105, from Danny A. Mateo, Council Chair, transmitting the Department of Water Supply's "Financial Statements for the Years Ended June 30, 2009 and 2008, Supplemental Schedules for the Year Ended June 30, 2009, and Independent Auditors' Report", ("DWS Audit") submitted by Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC.
3. County Communication No. 10-106, from Danny A. Mateo, Council Chair, transmitting a report entitled "COUNTY OF MAUI, STATE OF HAWAII: Single Audit Reports, Fiscal Year Ended June 30, 2009", submitted by Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC.

By correspondence dated June 7, 2010, Council Chair Mateo transmitted correspondence dated March 29, 2010, from Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC, transmitting Supplemental Schedules for the Fiscal Year Ended June 30, 2009.

Your Committee notes that Section 9-13, Revised Charter of the County of Maui (1983), as amended, requires an annual independent audit of the County's accounts and other evidences of financial transactions of the County and its operations. The Council has designated Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC, as the independent auditor for the Fiscal Year Ended June 30, 2009.

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Your Committee further notes that the CAFR, the DWS Audit Report, and the Single Audit Report are prepared in conformance with the financial reporting requirements prescribed by the Government Accounting Standards Board. The Single Audit Report resulted from the consolidated audit process required by the Federal government as a condition of Federal grants of funds to the County.

Your Committee further notes that the Council's role in the audit review process is to exercise oversight regarding the efficiency and effectiveness of County operations. The auditor's responsibility is to conduct an audit in accordance with generally accepted auditing standards and express an opinion on the County's, including the Department of Water Supply's, financial statements.

Ralph Kanetoku, from Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC, provided an overview of the auditor's reports. He stated that his firm had issued an unqualified opinion on the County's financial statements and Federal awards. He reported that there were no instances of noncompliance that are required to be reported under the "Government Auditing Standards" issued by the Government Accountability Office of the United States Congress.

Mr. Kanetoku explained that government auditors are required to report any significant deficiencies in financial accounting processes identified while conducting an audit. These deficiencies are not serious enough to cause the financial statements to be misleading to the intended users. The seven deficiencies noted in this audit were related to: (1) the payroll bank account; (2) general ledger errors; (3) timesheets; (4) auction rate securities; (5) receivables and advances from the Federal and State government; (6) capital asset records; and (7) liabilities in the basic financial statements. The Single Audit Report included recommendations for addressing each of these matters.

The Director of Finance explained the County administration's perspective on each of the significant deficiencies, as well as its position on the auditor's recommendations.

Your Committee noted that the CAFR, the DWS Audit Report, and the Single Audit Report show that the County is appropriately accounting for the taxpayers' money.

Your Committee voted 8-0 to recommend filing of the communications. Committee Chair Pontanilla, Vice-Chair Mateo, and members Baisa, Kaho'ohalahala,

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Medeiros, Molina, Nishiki, and Victorino voted “aye”. Committee member Johnson was excused.

Your Budget and Finance Committee RECOMMENDS the following:

1. That County Communication No. 10-104 be FILED;
2. That County Communication No. 10-105 be FILED; and
3. That County Communication No. 10-106 be FILED.

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



JOSEPH PONTANILLA, Chair