

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

July 12, 2011

Council Chamber, 8th Floor

CONVENE: 1:34 p.m.

PRESENT: Councilmember Joseph Pontanilla, Chair
Councilmember G. Riki Hokama, Vice-Chair (In 1:38 p.m.)
Councilmember Gladys C. Baisa, Member (Out 3:01 p.m.)
Councilmember Robert Carroll, Member
Councilmember Elle Cochran, Member
Councilmember Donald G. Couch, Jr., Member
Councilmember Michael P. Victorino, Member
Councilmember Mike White, Member

EXCUSED: Councilmember Danny A. Mateo, Member

STAFF: Scott Kaneshina, Legislative Analyst
Camille Sakamoto, Committee Secretary

ADMIN.: Danilo F. Agsalog, Director, Department of Finance (Item Nos. 9, 3, and 8)
Maria E. Zielinski, Account System Administrator, Department of Finance (Item Nos. 9, 3, and 8)
Sananda K. Baz, Budget Director, Office of the Mayor (Item No. 36)
Lawrence Hudson, Police Inspector, Department of Police (Item No. 36)
Mollie Klingman, Captain, Deputy Chief, Department of Police (Item No. 36)
Robert J. Collum, Civil Defense Staff Specialist, Civil Defense Agency (Item No. 36)
Adrienne N. Heely, Deputy Corporation Counsel, Department of the Corporation Counsel

Seated in the gallery:

James Herrington, Account System Assistant Administrator, Department of Finance (Item Nos. 9, 3, and 8)
Robin Arita-Chang, Financial Analyst, Accounts Division, Department of Finance (Item Nos. 9, 3, and 8)
Angelita De La Pena, Accountant, Accounts Division, Department of Finance (Item Nos. 9, 3, and 8)
Scott K. Teruya, Administrator, Real Property Tax Division, Department of Finance (Out 2:25 p.m.)
Holly Perdido, Fiscal Officer, Department of Water Supply (Item Nos. 9, 3, and 8)
Brenda Lee, Accountant, Department of Water Supply (Item Nos. 9, 3, and 8)

OTHERS: Ralph Kanetoku, Engagement Partner at Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC (County's Consultant/Independent Auditor) (Item Nos. 3, 8, and 9)

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Joel Zablan, In-Charge Senior at Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs
LLC (County's Consultant/Independent Auditor) (Item Nos. 3, 8, and 9)
Jeff Girdner, Engagement Manager at Taketa, Iwata, Hara, & Associates LLC
(Independent Auditor's subcontractor) (Item Nos. 3, 8, and 9)

PRESS: *Akaku: Maui Community Television, Inc.*
Ilima Loomis, The Maui News

CHAIR PONTANILLA: . . .*(gavel)*. . . The Budget and Finance Committee meeting for July 12, 2011 is now in session. The time is 1:34. Good afternoon, Members. At this time the Chair would like to introduce the Members that are here this afternoon. We do have Member Carroll, Member Baisa --

COUNCILMEMBER BAISA: Good afternoon.

CHAIR PONTANILLA: --Member Cochran --

COUNCILMEMBER COCHRAN: Aloha.

CHAIR PONTANILLA: --Member Couch --

COUNCILMEMBER COUCH: Good afternoon.

CHAIR PONTANILLA: --and--good afternoon--Member White.

COUNCILMEMBER WHITE: Aloha, Chair.

CHAIR PONTANILLA: Aloha. Excused at this time are Members Hokama, Victorino, and Chairman Mateo. From the Administration we do have from Corporation Counsel, Adrienne Heely; our Budget Director, Mr. Sandy Baz; our Finance Director, Mr. Danny Agsalog. And, Members, joining us from the, the independent auditors, we do have Ralph Kanetoku, Jeff Grinder [*sic*], as well as Joel Zablan. Supporting the Committee we do have Camille Sakamoto and Scott Kaneshina. Is...Committee Secretary, anyone signed up for public testimony?

MS. SAKAMOTO: No, Mr. Chair.

CHAIR PONTANILLA: Okay. Since no one has signed up for public testimony, is there anyone out in the Chambers that want to provide public testimony? Seeing none, if there's no objections, the Chair would like to close public testimony.

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Thank you. Joining us now is Member Victorino.

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COUNCILMEMBER VICTORINO: Good afternoon, Chair.

CHAIR PONTANILLA: Good afternoon. Okay. Members, again, this afternoon we have our independent auditors with us, Ralph Kanetoku, Ralph [*sic*] Girdner, and Joel Zablan to discuss the audit of the fiscal year ended June 30, 2010.

ITEM NO. 9: SINGLE AUDIT REPORT (C.C. No. 11-95)

ITEM NO. 3: FISCAL YEAR 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT (“CAFR”) (C.C. No. 11-94)

ITEM NO. 8: DEPARTMENT OF WATER SUPPLY’S FINANCIAL AUDIT REPORT (C.C. No. 11-96)

CHAIR PONTANILLA: On the agenda this afternoon is BF-9 which is the Single Audit Report; BF-3 which is the Fiscal Year 2010 Comprehensive Annual Finance Report, CAFR; BF-8 Department of Water Supply’s Financial Audit Report. The audit team has prepared a presentation for the Committee, so without any delay, I would like to turn it over to Mr. Agsalog, Finance Director of the County of Maui, to make, I guess, opening comments.

MR. AGSALOG: Thank you, Mr. Chair and Members of the Committee. I’m very happy that this particular audit for the Fiscal Year 2010 for the County of Maui and of course, the Department of Water Supply came in a very timely manner, and it’s the first time in a long time that we have an audit that came this early. And I’m very proud to introduce to you our staff in the gallery. We have Ms. Maria Zielinski, our System Administrator; we have Ms. Robin Arita, the System Analyst; and Ms. Lita De La Pena, our Accountant V in the account; and we also have Ms. Holly Perdido from the Department of Water Supply. Mr. Chair, I had the opportunity to speak to Mr. Ralph Kanetoku earlier, and I don’t know if he had opportunity to speak with you to lump together the presentation for those three items as you mentioned earlier. So without any further adieu, Mr. Chair, I will allow the...our auditor that you have hired to audit our finances for the County to make a presentation, and I will be here, and my staff, to answer any questions you might have with regards to what they found in our audit.

CHAIR PONTANILLA: Thank you. So without any further adieu, I’m going to call on Mr. Kanetoku.

MR. KANETOKU: Thank you, Mr. Chair and Council members. We are pleased to be here to, to brief you on the results of our audit. What we’d like to discuss this afternoon is the scope of our services that we provided to the County, the reports we delivered, as well as the...what those reports contain, talk about our observations on the...that we observed during the conduct of the audit, and then discuss our findings, our recommendations. And after that we’d be pleased to answer any questions that you may have. Okay. And again, we’ll be speaking to this handout that you have, this blue handout here.

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Starting with Page 3, Scope of Services. We did perform an audit of the financial statements of the County of Maui and which included the Department of Water Supply. And because the County expended over \$44 million in Federal grants, we did perform a Single Audit in accordance with the Single Audit Act. The reports we delivered...we delivered seven reports. We delivered Independent Auditors' Report on the County's basic financial statements as well as an Independent Auditors' Report on the Department of Water Supply. In both of those reports we indicate that the audit was...that we believe that the financial statements were fairly presented in accordance with generally accepted accounting principles. So we, we issued clean opinions on both those financial statements. We also audit...we also issued two reports on Internal Control and Compliance. In those reports we indicate that we found no material weaknesses as a result of our audit, so we did find...we also found no material instances of noncompliance with laws and regulations. We did find some significant deficiencies and other matters which Jeff and Joel will be discussing shortly. Other reports that we issued, we issued a number of Single Audit Reports. We, we issued an unqualified opinion on the Schedule of Expenditures of Federal Awards, that's the schedule that summarizes all of the Federal grants the County received. And again, based upon our audit, we believe that that schedule was fairly presented in accordance with generally accepted accounting principles. We issued an unqualified opinion on compliance as it relates to the Federal grants that we tested. The OMB Circular A-133 requires the auditors to opine on whether or not the County complied with all significant grant requirements, and it's our opinion that the County did comply with those requirements. We found no material weaknesses in internal controls over compliance. There were a couple of Single Audit findings which we will be discussing with you. Jeff will take care of that shortly.

On Page 4 it summarizes the eight major programs. We tested our, our audit work on the Single Audit. It focuses on the major programs, and those are the major programs which we audit, audited. We did issue two required communication letters, those are letters that our professional standards require us to communicate to those charged with governance, so that would be the County Council. So we issued one communication in regards to the County of Maui and one communication in regards to the Department of Water Supply. And we will, we will be highlighting the significant aspects of those letters shortly.

On Page 5, it has those key communications that we discussed, and I'll go through them going on Page 6, Our Responsibility under Professional Standards. As, as auditors, we're required to perform the audits in accordance with all applicable professional standards, and we did perform in, in accordance with generally accepted auditing standards as well as government auditing standards. We are required to render an opinion on the financial statements based upon our audit work, and again we did render unqualified opinions on the County's financial statements as well as the Department of Water's financial statements. We are, we are also responsible to consider internal controls to determine the extent of our audit procedures to render an opinion on the financial statements. We don't look at internal controls to render an opinion on controls, but rather to determine the extent to which we need to perform procedures to render our opinion. And again, we found no material weaknesses in internal controls. We also considered internal controls over compliance with Federal requirements as part of the Single Audit, and we found no

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material weaknesses there. And, and we're also required by professional standards to communicate significant aspects of the audit with you, and that's what we're doing here today. And again, we've also issued a formal letter that you, you have previously received.

Going on to Page 7, Qualitative Aspects of Accounting Policies. Management is responsible for establishing the accounting policies and procedures. The significant policies and procedures of the County can be found in Footnote 1 to the financial statements. There were no new accounting policies adopted by the County in, in the current year.

Accounting Estimates, all financial statements have estimates embedded in the financial statements. For the County of Maui, the more significant estimates in the financial statements deal with the allowance for doubtful accounts, making sure that an appropriate reserve is set up for...based on historical experience and understanding of the collectability of the County's receivables. The valuation of auction rate securities was based on a third, third-party appraisal. Claims and judgments, liability based primarily on Corp. Counsel's estimates, and depreciation of capital assets based on the appropriate useful lives. And in all cases we were able to, to evaluate the key factors and assumptions, and we determined that the County's estimates for these items were reasonable.

Corrected and Uncorrected Audit Adjustments on Page 9. We found no significant audit adjustments as a result of our audit. There were two unrecorded audit adjustments which management believed was insignificant to the financial statements individually and in the aggregate. One related to depreciation of infrastructure assets. That was related to CIP placed in service in the prior year, but transferred and depreciated in the current year. And the other one dealt with the Department of Water Supply, the disposal of transponders. There were transponders that were disposed of in the prior year but recorded in the current year.

Let's see. Disagreements with Management. There were no disagreements with management as it related to financial accounting, reporting, and auditing matters. There were no difficulties that we encountered in performing our audit. We were provided full access to the County's accounting records. Management responded to all of our inquiries in a timely basis, and, and again, no, no difficulties in performing our audit.

We're also required by standards to inform you of the material communications between management and the auditors. There were two communications: one is the engagement letter which established the...our responsibilities and what we're tasked to do, and also the management representation. We received management representations as part of our audit evidence as part of the...our audit to...on the County's financial statements. Independence. We are required by standards to, to inform you, to communicate to you once a year, at least, as to our independence, and we do confirm that we are independent of the County of Maui.

Jeff will now go over the Significant Deficiencies and Single Audit findings that we identified, and then Joel will go over some other management that are comments.

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MR. GIRDNER: Good afternoon. My name's Jeff Girdner, and I was the manager in charge of the fieldwork during the conduct, conducting the audit for Fiscal Year 2010. I will go over on Page 12 and Page 13 what we have found. On Page 12 specifically are some general findings that we found in terms of what we felt were deficiencies in our general review of the internal controls in place with the County Finance Department. And then on Page 13, these are findings that specifically relate to the Federal grant programs that the County receives, and these are related to our Single Audit procedures that we perform on the Federal grants that you receive.

On Page 12, actually of these five findings, four of them are actually from the prior year, carried over from the prior year. And also the Finance Department has actually responded to these findings in the actual body of the Single Audit Reports that I think you folks have a copy of, but going through the significant deficiencies. Submitted timesheets continue to be...continue to lack proper authorization and contain incomplete hours. Considering that personnel is probably about 65 to 70 percent of the expenditures for the County, this is an area that we spent a lot of time testing and reviewing the controls over personnel and the processing of payroll. And we have continued to find that timesheets, again, are a little deficient as far as proper authorization, and this is the result of a sample of employees that we test over the fiscal year. I think within the response that the Finance Department submitted, they again talked about the ongoing conversion of the payroll system as an area where they're still trying to address some of these deficiencies. We also have the second significant deficiency. Excess time is spent by Department of Finance personnel to review and correct general ledger errors made by designated accounting personnel in the other departments. This is a...this is an area where, again, we've...we did some testing on transactions and actually found transactions that had to be corrected, because they were inputted by accounting personnel located outside the Finance Department. And again, the Finance Department has submitted a response to, to this finding. The third significant deficiencies, deficiency is journal entries were not consistently reviewed...and authorized by someone other than the individual posting the entry. There is a significant amount of entries made into the County's general ledger system that are made via journal entry, rather than a standard expenditure or cash receipt transaction entry into their automated system. Journal entries are made to reclassify expenditures between budgetary areas and some other types of transactions, and we found that, you know, these need to be reviewed a little more thoroughly by individuals that are actually just making these entries, receiving the information, and then making the entry into the general ledger system. Number four, as far as significant deficiencies, the accrual balances that are on the fund balance...Fund Financial Statement Balance Sheet are still an issue as far as making sure those are accurate, okay? Most of your Federal funds are accounted for on a reimbursement basis, meaning that expenditures have to be made and then you apply to the Federal grant to get reimbursed for those expenditures. During that time between being reimbursed and the time that you make the expenditures, there's, you know, there's balance sheet impact as far as an accrual of a receivable or something like that, and we found that those balances on the balance sheet oftentimes are not accurately reconciled at the end of the year. I will say that a significant amount of progress was made in this area between 2009 and 2010, and there was a lot of time spent on making sure that these balances were properly reconciled. And the fourth one...or the fifth significant deficiency relates to the accounting for your capital assets. You know this is an area...this includes your buildings, your roads, your other type of

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infrastructure and those types of things, and this actually did not become a significant item until the pronouncement GASB 34 was put into place where we actually had to start accounting for this stuff on our financial statements. The County is...it has...actually has...the Finance Department has made some significant strides in the way they're accounting for this information on the capital assets, but we did find...it, it ended up that a lot of this was done toward the end of our audit and had to be kind of pushed through right at the end.

If we move on to Page 13, these four area...four items are directly related to, to your Federal grants that you receive. The first item there was one of the major programs that we selected for our specific audit procedures in accordance with A-133, and this was essentially a grant received by the County and then passed through to a, another nonprofit agency on Maui. And what we found was that when we went to the County agency to try and start auditing this, this grant, this pass-through grant, we found that the, the County agency, the records that they were keeping really weren't adequate for us to do a proper review in accordance with the criteria that we need to use for the Federal programs. We were fortunate though that the pass through, the agency the grant was passed through to was very familiar with Federal grants and had done an excellent job in making sure that their records were in order and that compliance was being done in accordance with the Federal grant compliance requirements. The second finding under the Single Audit Findings, schedule of Federal expenditures of Federal awards contained incorrect catalogue of Federal domestic assistance numbers. This may seem a little trivial, but actually it's required on your CFA that you report and that we opine on that, that schedule of Federal assistance include the catalogue of Federal domestic assistant number. That's essentially the number that's assigned by the Congress when that funding is appropriated, so it's a great...it's the way that the Federal government and the Inspector General offices for the Feds track their Federal programs. And the last two items that we have on there relating to findings for the Single Audit are two items that have repeated from our prior year audits also, and I think are kind of at the root of any, any weaknesses that you have in the management of your Federal programs. And that is that the A-133 suggests but does not require that within a government entity that receives Federal programs, that a centralized position be created to monitor the compliance with the use of Federal money, and we really don't have that at the County of Maui Finance Department. It's not required, like I say, but we put it in as kind of a suggestion of something that could be considered. And the last one is just our recommendation as far as further training at the departments outside of Finance that receive Federal funding, to get some updated training as far as being familiar with the criteria for monitoring and for managing the Federal grant money. I think...my experience during the last couple of years working with the other departments, it seems like there's been some turnover as far as staff of maybe some of the earlier staff that was managing the Federal grant money and have retired or have left, and now people are put in...are made responsible for managing this Federal money and are not familiar with the criteria that they need to be familiar with. So that's a finding that we have there.

And now I'll turn it over to Joe Zablan who will talk about the last three matters that we have.

MR. ZABLAN: Good afternoon, Chair and Council members. The three, the three other items you can find on Page 14 are deficiencies that we wouldn't consider material or significant to the

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preparation of the County's financial statements, but they're areas that if work is done, if work is done would really help in improving the recordkeeping and the preparation of the financial records for the County in general for years to come. The first issue, first matter was the bid selection documents for some contracts had been purged under, under the 5-year documentation retention policy, even though the projects itself had not been completed. The second issue was the County's bank reconciliations for its operating bank accounts included stale-dated checks of more than \$800,000 in total. The County at the moment or at the time did not have an updated informal...updated formal Information Technology Strategic Plan. That was...that would have helped align with the goals and objectives of the County as a whole. All the matters listed here have, have been addressed subsequent to June 30, 2010. These are the matters that I'm sure is of...compared to everything else is probably more of the easier ones that could be addressed by, by the Financial Department.

MR. KANETOKU: That's the end of our, our formal presentation, and at this time we'd be happy to answer or provide additional information to you.

CHAIR PONTANILLA: Okay. The Chair is going to go from my right. Mr. White, you have any?

COUNCILMEMBER WHITE: Thank you, Mr. Chair. With respect to the completeness of employee timesheet submissions, do you have any recommendations of what measures could be implemented to...as a, I guess, as a stopgap measure until the ADP conversion is completed?

MR. GIRDNER: I know that with the implementation of the ADP, the new ADP system that actually the goal is to eventually get to a paperless type of hourly input. I think, again, this kind of goes back to our finding in terms of the accounting personnel at the department level. What my experience has been performing the...over...or overseeing the audit of the Payroll Division down in Finance is that most of the time the timesheets come to them incomplete. So I think that what needs to be possibly implemented would be, again, that finding that we have of the accounting personnel that's at the departmental level, whether they can be held more accountable for ensuring that the timesheets are completely filled out by the employee in the department, and ensuring that the proper authorization is obtained prior to submitting them into the Payroll Division at the Finance Department.

COUNCILMEMBER WHITE: Yeah. I think, I think in any payroll system that's the, the biggest challenge. But I guess the, the question in my mind is, have you recommended measures that would, would put the onus on the departmental managers? Because I don't remember the term, but I guess, oh it's the exception-based payment method where you get paid for what work you're supposed to do regardless...unless there is an exception noted, and if we don't have supervisors signing off that this work was done or that the person was there, I'm assuming that the ADP process will require some managerial signoff before the processing of the, of the payroll. But is there...do you see something that the, they could do? Or maybe I should address the Finance Director. Have you implemented something that will take care of that problem in the meantime?

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CHAIR PONTANILLA: Mr. Agsalog?

MR. AGSALOG: Thank you, Mr. Chair. Currently, our Department has been implementing the electronic timesheets, and in our Department almost 75 percent is now complete in implementing that electronic timesheets. What does the electronic timesheets will do is the approval process where we had this findings will be eliminated, because the system administrator had put some failsafe that makes sure that the proper authority will click the button before it comes to us, and that also gives us a quicker turnaround to look at the timesheets that will come to us. So once we train every single department which they have started doing, but I ask our Department to go first as the guinea pig for this, and we've been successful in the 75 percent implementation, sir.

COUNCILMEMBER WHITE: Now was that 75 percent implementation within the entire...

MR. AGSALOG: Department of Finance, sir.

COUNCILMEMBER WHITE: Okay.

MR. AGSALOG: Because we do it by divisions. I think we have the Treasury, we have the Risk Management, we have part of DMV, and of course Accounts, and the Director's Office.

COUNCILMEMBER WHITE: What is your estimate of, of how long it will take to implement ADP for the remainder of the, the departments that are not on it at this point?

MR. AGSALOG: That would, that challenge will depends on the cooperation of the department that we do and also the number of people, our ability to train them in the way that we have to do it. So I'm hoping that by the end of this fiscal year we are complete as, as a whole County, because we have to go to every department and show them. Because sometimes when people look at electronic timesheets it seems to be so, oh, much to worry about, but once they look at it and try it, it's easier than the paper timesheets that we have now. Yeah. So it's more of getting them to cooperate and adopt into this particular system that we are now embarking to do as County of Maui.

COUNCILMEMBER WHITE: Okay. Thank you, Mr. Chair. I think it's, it's really important that we get a handle on this, because with payroll being one of our largest expenses by far, it's, it's really critical that we have people focused on making sure that those timesheets are accurate. Thank you.

CHAIR PONTANILLA: I agree with you, Mr. White, you know, coming from an industry that had gone paperless. Mr. Agsalog, just a fast question. In regards to this audit reports and the findings and the recommendations, has this report been shared with the different departments in regards to...because you need to work with all of the departments, they all need to be on board.

MR. AGSALOG: Thank you, Mr. Chair. As far as the...I know my Accounts Division have trained the accountants. Since this thing came out we have gone and worked with them for some training. I

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know they had a meeting way back in March in our conference room to share this particular findings because of the decentralization and my...the management is not so centralized, because a lot of these accountants report to different directors. And sometimes the, the training are not uniform, so my Accounts department...Division have been very diligent in trying to call them into their attention that we need to be speaking the same language, that when our auditors come, they can see that we are more uniform that way. So there are some discussions within the management, Budget Director, the Mayor, myself, into addressing this in a different way, but right now I'm not privy to share that publicly, Mr. Chair.

CHAIR PONTANILLA: Thank you. I sure...you know, I'm hoping that you guys have all these shared goals, you know, if auditors are finding some deficiencies that the department that shares the same goals are, you know, you know, put abreast in regards to correcting this deficiencies.

MR. AGSALOG: Yes, Mr. Chair. And I can assure you that I know some of this findings are repeats, but our new team right now, we are very diligent in looking at ways to be more efficient and address this issues...these issues accordingly and in, in, in the best way as efficient as possible, Mr. Chair. And believe me, we have discussions with management how to address this. Given that we are only six months with this new Administration, and we have recognized that there are some room to improve and be able to work with our auditor in more efficient way.

CHAIR PONTANILLA: Thank you. Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you, Chair. And back to the auditors. The next two items are almost playing hand in hand with the excessive time spent by the Department of Finance personnel to review and correct general ledger, and then the same time the general...the journal entries are not consistently reviewed and authorized by someone other than the person entering it. You know, I think both play hand in hand. How widespread is this? Because, you know, beyond payroll this would be the next area of wasted time, and if any mistakes and/or improprieties would occur, and which I'm not saying it has or has...or, or could have, but it opens up when you allow just, just about any journal entry without anyone else really scrutinizing. So I guess that's my question, how do these two play in hand in hand?

MR. GIRDNER: I'll address, I'll address that question. I think the, the finding on the time spent or the, the efforts had...having to be made by Finance personnel to correct entries being made by other department accounting personnel, I think that's another area that improved in Fiscal Year 2010. We found instances of that, but I don't think it was as pervasive in our testing as it was in the prior years. And, and as you indicate, both of those findings kind of go hand in hand. The journal entries are essentially what are submitted by the outside departments as, as a result of reviewing the monthly statements that Finance sends out to them with budget to actual expenditure information that they get, and they submit requests to have reclassifications done and those types of things based on their review of that information they're getting from the Finance Department. I would probably say as far as the authorization of the journal entries, again because of the magnitude of those entries, I think it does still continue fairly often that journal entries are received by accounting staff, requests for journal entries to be made by

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accounting staff in Finance, and then are just made without actually being reviewed. And our point is, is that at least one person, a supervisor of some kind or something, or somebody within Finance should initial that journal entry as being reviewed.

COUNCILMEMBER VICTORINO: Okay. And I guess I turn this question to Mr. Agsalog, if I may?

CHAIR PONTANILLA: Go ahead.

COUNCILMEMBER VICTORINO: Has the new Administration with, with, with this portion, has you have taken any actions with the various departments to require that for...so that there is some kind of review process as these journal entries are coming to your Department?

MR. AGSALOG: Mr. Chair, if I can bring my System Administrator, because she's been working with the Department very diligently and she's meeting with them a lot. But I can say this, I can say that this particular findings comes because of the lack of controls or supervisions from the Finance Department of some of those department...account, accountants from different departments.

COUNCILMEMBER VICTORINO: Right.

MR. AGSALOG: Because...an engineer sometimes cannot supervise an accountant, so again, these particular challenges has been for years. And I would...I, I had made some recommendations as far as our management team is concerned, how to address this. Again, I am not privy to or give the detail right now because of what the discussions that we have done. But to answer your question as far as what our Accounting Department has done, I know Ms. Zielinski has been working with the departments involved, because I have asked them to show me all this findings when it came out, and I would hope that we don't have any other repeats or, or repeat findings again for this coming one. Or at least we can make more stride to, to minimize this particular findings that's been repeated for many years. So I have Ms. Zielinski.

COUNCILMEMBER VICTORINO: If that's okay with you, Mr. Chair?

CHAIR PONTANILLA: Yeah. Go ahead, Ms. Zielinski.

MS. ZIELINSKI: Thank you, Chair.Council member, basically what happens is the departments will work with our Finance staff and, you know, they'll determine, okay, this has to be adjusted or whatever, they'll submit the information, the journal entry they'd like to have made or whatever and they send it to Finance. Now in the past is, is...we...it, it's always been reviewed but it has not been necessarily marked as initialed or anything like that, but typically our manager, our general ledger manager Angelita De La Pena will do the review of that, or myself. But now we're actually formally putting the initials on it, but they are actually all reviewed, because we don't just blindly...that...we don't blindly put in a journal entry, we want to make sure there's a, there's a reason why we're doing it. Because ultimately it affects our financial statements, so I think what we're trying to do is certainly put in more...greater controls, but also

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working more closely with the, with the other departments. And, and typically there'll be conversations going back and forth, so the journal entry doesn't even get to us until we're, we're pretty comfortable with what the results are, too.

COUNCILMEMBER VICTORINO: Okay.

MS. ZIELINSKI: Yeah.

COUNCILMEMBER VICTORINO: Okay. And I can appreciate that. And I, and I thank you. And again, what was I was trying to get to is with this knowing that this exists for years now, not just, just yesterday or last year or two years ago, that you are taking literally the bull by the horn and saying, saying, yeah, we need to initial, we need...I mean if these, these simple things are put in place, it's not, not cost...very costly, in fact if anything, more prudent in the business world. I mean I gotta initial things every time I want something done. I mean that's the way it has to be, because if there's some liability involved, then I'd be personally held responsible, because that's my business, yeah. So that's just, you know, I think that's what we need to have, and if you are...you assure me that's what's occurring, I'm comfortable with that. Thank you very much. Thank you, Chair.

CHAIR PONTANILLA: Thank you. Mr. Hokama?

VICE-CHAIR HOKAMA: I'm glad you're satisfied, Mr. Victorino.

COUNCILMEMBER VICTORINO: Oh, I never say "satisfied", I said "comfortable".

VICE-CHAIR HOKAMA: Comfortable, comfortable, that you're comfortable. My concern, Chairman, is what reoccurs, and I understand from Director Agsalog, this is a six-month-old Administration to a certain point. The accountants and those in Finance are not six-month employees, they're tenured employees. So for me to see reoccurring things happening, regardless of who's the Mayor and who's the Finance Director, disturbs me. 'Cause where are the set internal controls there should be regardless of who's the Finance Director? So I'm not comfortable, I'm not satisfied. But but I'm happy to hear what Ms. Zielinski and the Director is saying that they are trying to implement, and I hope the Finance Director will consider reporting back to this Committee halfway through the fiscal year on what progress you, you have been able to, to make to assure us that as we move hopefully in the new audit whether it's by these gentlemen or not, that your goal can be achieved, Mr. Agsalog, because I would like you to achieve that same goal, too, if you can appreciate my, my responsibilities and my position as one that is the overseer of capital and operational expenditures. What I would like to know from the accountants though at this time is that...it's making me not too happy, is your comments regarding the capital asset records, and of course the last one by Mr. Zablan, the, the stale-dated checks and those kind of things. But on the capital asset, what do you believe is it...is the issue? We don't have a designated person that should be doing this and that, you know, it's random assignments or there's not a sense of responsibility to a position? Is it training? Is it a lack of proper

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communication? Because this disturbs me, especially when I know there's still encumbrances on projects six years old and still hasn't been done and yet we throwing away documentation.

MR. GIRDNER: Again our, our finding is related to the fact that the records are there, they're, they're just not being updated on a timely basis. Our recommendation was if...I believe within our Single Audit Report, that the capital asset ledgers should be updated at least on a quarterly basis. I think the circumstances over the last couple of years that we've been involved in the audit, we've tested large transactions that were involved with the acquisition of equipment or the construction of infrastructure, and as we test those through the system, we see that they're tagged to go to the fixed asset area, to be marked in the fixed asset area. But they are just not rolled up into the summary fixed asset ledgers or capital asset ledgers so that you could, you could review that as complete at any point in time. It just was not...it just wasn't occurring on a timely basis, and as we got at the end of our audit fieldwork, then it was pushed forward to get done. So I think, I think it possibly was a lack of personnel available that understood how to do all this. The fixed assets are maintained on kind of a separate system that then has to be updated into the IFAS system, and that takes somebody that knows how to do that to do that. So I, I think that probably the number one reason for the letting this slide was just there wasn't the right individuals available to make sure they got updated and summarized as they should.

VICE-CHAIR HOKAMA: So, Mr. Girdner, in, in your professional experience and, you know, understanding of the changes from the GASB requirements from the, the Federal level on down, what level do you think this...that we need to beef up? Is it the immediate supervisory level over the, the accounting...the accountant? Should it be at the directorship level? Should it be in the Mayor's Office that we need to get this communication?

MR. GIRDNER: I think...

VICE-CHAIR HOKAMA: Should it be the Managing Director who has oversight of all these departments?

MR. GIRDNER: I think, I think the Finance Department has, you know, during the course of us finishing up our audit procedures and then following and corresponding with them to follow up on their responses to this, they have, they have designated an individual to assist in this area. I, I probably should turn this over to the Finance Department to address that, but I am familiar with them indicating that an individual that will be responsible for updating this and getting this to be able to report on this on a more timely basis. So I'll defer to the Finance Department people.

MR. AGSALOG: Mr. Chair?

VICE-CHAIR HOKAMA: Mr. Chair, would you allow the Department to --

CHAIR PONTANILLA: Sure.

VICE-CHAIR HOKAMA: --make a comment, please?

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CHAIR PONTANILLA: Mr. Agsalog?

MR. AGSALOG: Thank you, Mr. Chair. And I, I'm kind of uncomfortable because one of your Members uncomfortable with what is being presented. Bear in my mind, Mr. Chair, that this document that's being presented to you was an audit before I came in into office. As for the capital improvement that was asked just now, I was told by my System Administrator that today we are up to date. I can also tell you, Mr. Chair, that when I came into the office I have mandated or implemented an upgrade for the IFAS system, something that I haven't been bragging about, but if, if...when it's done, this will be a more efficient way of reporting to you and to the public. So, Mr. Chair, I'm kind of concerned that one of your board member feel that way, I mean Council member, feel that way. I can assure you that under my directorship, your money, the people's money of this County will be taken care of, and under my watch, this particular write-ups or findings that we will have, I will try to do my best that it will not be repeat and repeat and repeat. Thank you, Mr. Chair.

CHAIR PONTANILLA: Thank you. Thank you for your comments. And again, this is question and answers, you know, there's no disrespect in the things that any of us...what we do as your department heads as Council members. So, you know, we just trying to find out some answers. We understand that this Administration had been in existence for approximately six months, and, and, you know, the issues that are being brought forward today are issues that from prior Administration...two prior Administrations. So, you know, I'm hoping that we all take this as a positive direction that we should take, looking at some of the findings and, and creating plans and action plans in trying to correct the deficiencies. I, I, I know we not going to do it in one year, you know. If we could, fine, but coming from a private business in regards to goals and objectives, actions plans, you know, it's going to take a number of years. So thank you for your comments again, Mr. Agsalog, in regards to the things that you are doing to correct some of the deficiencies that we, we seeing today. So, Mr. Hokama?

VICE-CHAIR HOKAMA: Thank you, Chairman. And to Mr. Agsalog, please, do not misinterpret what I, what I shared earlier with the Committee, the authors, and with yourself, Mr. Director. I know that you are new at your position. My concern, again, Mr. Chairman, is that it has been repeated and, and reported by our auditors for more than one...you know, it's been what, three-four consecutive years. That is my concern, that it has been repeated for such a long time, and that I am pleased to hear this current...the Finance Director has already started improvements by implementation of his policies with...that are internal within his purview. So I applaud him for those things. But nonetheless, it still makes me uncomfortable that it's been reoccurring for such a long time, Chairman. And I think the auditors have made comment too, because it stays in the management letters, and we use that as a tool to guide us into making better informed decisions on what resources we need to provide the departments to be able to accomplish the goals that we believe are to be achieved or to make the appropriate adjustments and cuts. But my, my... the one that I, I would like to ask a comment from the auditors please, is the, the, the one I think Mr. Zablan worked on. Regarding the bank reconciliation issues, Mr. Zablan, you know \$800,000 is a lot of money for anybody, even for a County our size with our

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size budget, 800 is still a lot. So when you say stale-dated checks, are those checks that the County has sent out and has not been cashed or utilized? Or are we holding company's or personal checks that is three-four-five-six months old? I'm trying to understand what does this mean by stale-dated checks.

MR. ZABLAN: Well for the most part it's, it's checks cut by the County --

VICE-CHAIR HOKAMA: Okay.

MR. ZABLAN: --to, to the outside to whoever particular vendors, maybe employees, it just depends on where exactly the checks are going to. But for what it is, it's for the amount of time I believe the, I believe the checks...it should have just...I think it's after six months, I believe, is the period.

VICE-CHAIR HOKAMA: The void, the void...

MR. ZABLAN: The void period.

VICE-CHAIR HOKAMA: Right.

MR. ZABLAN: But then I think on the, on the County's side it's just a matter of review of, you know, actually looking at the bank reconciliation, seeing what's still standing as...what's sitting there as outstanding, and wondering...and just I guess you can say researching, finding out what, what's the holdup there. If it's...is the vendor not getting the check or for whatever reasons why are they not cashing it? But there is no, I guess you could say, no formal policy or procedure within Finance just to say like okay this is how we handle the checks coming in. 'Cause I could see where on our end we see it as well you cut the check to the vendor, you would think the vendor would have no problem, would happily deposit these checks.

VICE-CHAIR HOKAMA: Right. Right.

MR. ZABLAN: So it does become a little bit more of a head scratcher when you do see these outstanding checks which I think at the moment for what it stands as, it might be a matter of just Finance looking into and just saying hey, calling up whoever the particular checks went to and saying what's going on, do we need to reissue these checks to you?

VICE-CHAIR HOKAMA: So I would assume that this is a consolidation issue, especially at year end closing, when we're ready to close the books and we all have these checks we mailed out but nobody wants to take our money, per se. And so how do you, how do you close your books since you still know that there's almost a million dollars that people can yank out of your account? Is that an issue for us or is that not an issue?

MR. ZABLAN: It's not, it's not an issue in the sense that it is when you...on the bank recon itself, it does back itself out from whatever you...whatever cash is being held in the banks, at the banks.

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So on your bank statements it's one, it's one of those issues of this is what our bank statement says, but these checks technically are still out there. But if you had to look at it in retrospect where if it's six months and these guys aren't, aren't clearing checks, then talk about this is how much cash you actually still, still have, I guess you could say.

VICE-CHAIR HOKAMA: Well at least from my, my, my perspective, I know that it's not the Department at all, you know, it's the third party outside of the, the County. The County did its job, Finance did its job, so it's not, you know, and for me an issue of, of County operations and personnel. You know, they did their job, for whatever reason people don't want to cash our checks and take our \$800,000. So I'm happy 'cause I'm, I'm assuming we collecting interest on short-term investment. Thank you, Chairman.

COUNCIL MEMBERS: . . .*(Laughter)*. . .

MR. AGSALOG: Mr. Chair?

CHAIR PONTANILLA: Thank you. Mr. Agsalog?

MR. AGSALOG: Let me add a little bit more of information, what we have on this 800,000 so that we have an understanding of what it is. Yes, it's a check...or it's money that's in our bank right now, and when this thing came out in the newspaper, in fact, we look at it and there are some checks that's like five cents, ten cents, and a lot of them are like that and some of them are old. So what our Department, our Division has done since then, Mr. Chair, HRS allow us, allows us to write off under \$50, so we did that, but that only amounted to about \$40,000. So we have more to go, and we are looking at who we issued these checks, because some of them are long. So we went to our banks and got a printout, and so that's what we're doing right now, we are notifying them again to...if they're still interested we'll cut the check for them, that type of things. And it will end up some of this check will be the unclaimed properties which ultimately is the State will be the repository of unclaimed checks, but for now we are doing our due diligence to make sure that we issue it to our vendors that done services or we bought something from them so that they get paid before we turn it over to the State. So that's what we have been doing since then, Mr. Chair. Our Division, Treasury and Accounts has been very busy trying to address this issue, because I myself was kind of alarmed when I seen \$800,000 in our bank. Thank you, Mr. Chair. I hope that helps.

VICE-CHAIR HOKAMA: Just one quick follow-up, Chair, please.

CHAIR PONTANILLA: Sure, go ahead.

VICE-CHAIR HOKAMA: So how long, what kind of period, Director, before you would consider turning over to the State? One year later or I mean I'm just...if you get that information, if you could share it.

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MR. AGSALOG: HRS, the, the, the one I read about the checks, it depends on the type of property. Checks, I think seven years of the cashier checks, traveler checks. I have to review that again, that HRS, but there is a...I think seven years.

VICE-CHAIR HOKAMA: But, you know, for the checks you sent out with the County of Maui check?

MR. AGSALOG: Oh, that's --

VICE-CHAIR HOKAMA: So if the guy doesn't want to --

MR. AGSALOG: --19

VICE-CHAIR HOKAMA: --cash it for six months, of course it's void.

MR. AGSALOG: Yes. Six months.

VICE-CHAIR HOKAMA: And then I guess they can come and ask you for reissuance of a new check to, to be valid and cashed, but if they don't do that even for the request of reissuance, Mr. Director, is that when you make a decision to turn it over to the State? Or you still kind of like hold on, hoping to pay the vendor?

MR. AGSALOG: That's what we working on with Treasury and Account now, Mr. Chair, that once we inform them, because like I said, it's the State that will take over once we turn it over to them, according to HRS, if they become unclaimed properties.

VICE-CHAIR HOKAMA: Okay.

MR. AGSALOG: So...

VICE-CHAIR HOKAMA: So we have...we, we...wait, does that mean we give them our money?

MR. AGSALOG: Yes, sir.

VICE-CHAIR HOKAMA: Don't do that, don't do that.

COUNCIL MEMBERS: ...*(Laughter)*...

MR. AGSALOG: That's why we doing our due diligence, sir, that...

VICE-CHAIR HOKAMA: I would rather give it to the vendor than the State, trust me.

CHAIR PONTANILLA: Okay. Mr. Couch?

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COUNCILMEMBER COUCH: Thank you, Mr. Chair. That kind of, sort of negated one of my questions, but I'm going to ask it anyway. What's the cost benefit of us chasing down that money if, if we can leave it in the bank if it gets even, you know, half a percent interest, and we're spending a lot of time chasing after that money. You know, I don't know what's the cost benefit to that, if we should even be doing that until the seven years run out.

CHAIR PONTANILLA: Yeah, Mr. Agsalog, you know, for the short time that you did, five, five, five cents, ten cents, \$40,000, hey.

MR. AGSALOG: Yeah.

COUNCILMEMBER COUCH: Yeah. I'm just trying to...

MR. AGSALOG: As long as I don't get written up again from the auditor for not returning it to --

COUNCILMEMBER COUCH: ...*(Laughter)*...

MR. AGSALOG: --the rightful owners.

COUNCILMEMBER COUCH: Speaking of a couple of these write-ups here, I'm asking I guess the audit team. Where it says excessive time spent by Department of Finance personnel to review and correct general ledger errors, and then the one underneath it, journal entries were not consistently reviewed. Kind of sounds like they're reviewing...you're telling them they're spending too much time reviewing the general ledger and then below saying they're not, 'cause aren't journal entries put into the general ledger? I'm not an accountant, so I may be way off on that.

MR. GIRDNER: Well the first, the first issue with the, the excessive time description is that there were, you know, journal...or there's information that comes in from the departments that is sometimes difficult to interpret, and, and it could be, it could be a lot better flow, I believe, if the departmental people were accurately preparing the journal entries and that type of thing and submitting them.

COUNCILMEMBER COUCH: That aren't being reviewed by the Department?

MR. GIRDNER: Well that, that are coming into the Finance Department --

COUNCILMEMBER COUCH: Okay.

MR. GIRDNER: --in the final.

COUNCILMEMBER COUCH: I guess for the Department. Has there been...I know you, you talk about in your, in your response to their recommendation of basically making some level of management responsibility underneath the Department of Finance. I know that's kind of

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difficult with all the, the rules, civil service, and, and union rules. Any thoughts of just taking...making all the department accounting officers and department personnel officers actual employees of the Department of Finance, and assigning them to the departments? That way they're more...they, they are accountable to you for the accounting stuff. Or do they do other things in the Department that aren't related to DAO and DPO stuff?

MR. AGSALOG: Mr. Chair?

CHAIR PONTANILLA: Go ahead.

MR. AGSALOG: I'm not sure as far as if it is 100 percent accounting, what they doing in their departments, I...that, I do not know. But I can tell you this, in other jurisdictions like the City and County of Honolulu, accountants are housed or supervised by the accountants. They are just like Corporation Counsels, they are assigned to departments to service them. So I'm not sure if that's the way we want to go, but the way I seen it there, it works more efficiently in the supervision of those accountants. But again, you know, we are a different County, and, you know, we do different ways, but again, we have the same standard that we do our accounting. So it's something that I have thought about in, in, in looking into, but discussion has to occur in how we achieve it.

COUNCILMEMBER COUCH: Okay. Sometimes because we do things different ways doesn't mean we do 'em the right way. And these guys, this is their profession, and if they recommend...and, and this sounds like this is one that keeps coming up over and over again, if they recommend doing that, I think you have a good leverage. It just makes more sense to have accountants being supervised by the Finance Department, so that would be something I'd strongly consider, and you may...that, that will most likely alleviate both of those bullet, you know, both of those issues. And you did mention that you did update IFAS. Is it going to allow for the importing of the fixed asset system data so you don't have to rekey it in, you just do what you have to...either...import function of some sort?

MR. AGSALOG: Yes.

CHAIR PONTANILLA: Mr. Agsalog?

MR. AGSALOG: Yes, Mr. Chair. The new...the, the upgrade of the IFAS, it's now more user friendly, it interface with the other systems. So it's, it's, it's really, it's, it's really be more efficient for all of us, and I'm just so encouraged every time I talk to our System Administrator, as far as the progress of this particular project that we have started, I think sometime in the middle of February. And I think when we complete the projects, it will truly benefit all of us. Reporting to you, it's, it's will be a lot better. I, I was so happy, June, June 30th the Mayor was down at the office and we have our Assistant Administrator working on the program and showed the Mayor what kind of report he can get on just his computer, and what he said was that put it in my computer upstairs soon as it's ready to go live. And I was very excited because he understood the reporting even though in only about five minutes of the Assistant Administrator showing it to

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him, so I'm very, very encouraged, Mr. Chair, with this particular project. It's not for everybody to see, but for us that use it, I think we are very encouraged.

COUNCILMEMBER COUCH: Okay. Thank you. One last question, if I can, Mr. Chair?

CHAIR PONTANILLA: Go ahead.

COUNCILMEMBER COUCH: It says--the Single Audit Findings--that the County does not have a centralized position to monitor its Federal program compliance. And you mentioned that other jurisdictions do...or I can't quite remember what you said about that.

MR. GIRDNER: Yeah. Actually what Circular OMB A-133 suggests is that for entities, government entities receiving Federal funds to have a centralized individual who is charged with the responsibility of overseeing the compliance of the use of the Federal funds. They don't require it, it's not...you don't have to, I mean, but it's a suggestion within OMB A-133. We put it here in the idea that right now the County kind of functions under a decentralized monitoring procedure for the Federal grants. In essence each department is responsible for overseeing those compliance requirements that are attached to the Federal funding that they receive. And as I stated earlier, there's been some turnover in some of the departments with older employees that I think probably got some training during the initial implementation of A-128 that then became A-123 [*sic*] for the Single Audit, some of those people are gone. And so you have some people that may be have not been versed as well as they should have been with what those requirements are.

COUNCILMEMBER COUCH: Then I guess--thank you--the question to the Department is I know the response and, and I'm assuming this isn't your response, this is last Finance Director's response, saying that they don't...they're going to consider it in the future, but right now they're not going to do that. Do you know how many people we have in each department that are doing this compliance? And are they doing that full time?

MR. AGSALOG: Mr. Chair, I do not have any number, I can get it to you though. But for Federal program we have the Section 8, we have CDBGs, we have, we have WIA programs, and those are all over. WIA is handled by the Mayor's Office, Economic Development. Section 8 is Housing and Human Concerns. I think Police have some Federal grants also. So again, they are all over as, as the auditor found, that we do not have a single focal point in doing so. Again, I...and you probably don't like me saying this, but in Honolulu they do reside in different departments, but the accountant that overseeing these programs resides, again, in the, in the Accounting Department. So that particular one is, is very similar to the situation where Corp. Counsel is servicing the departments, although the program manager themselves resides on different department.

COUNCILMEMBER COUCH: Thank you. That, that brings up the question then, can...if they centralize the accountant, can the accountant kind of oversee that...the, the people doing that in the department? Or is that two separate functions? Or are they separate enough that, that they're...they wouldn't?

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MR. GIRDNER: I, I, I wouldn't...I would think that that could be something that could be combined, that if the accounting staff that is assigned to the various departments and, and the change is made that they answer directly to the Finance Department, that they could be trained to be also the Federal grant compliance person in that department. That makes sense.

COUNCILMEMBER COUCH: Or at least a, a prod, saying --

MR. GIRDNER: Sure.

COUNCILMEMBER COUCH: --hey look, I need this for my...to get my job done, too.

MR. GIRDNER: Sure.

COUNCILMEMBER COUCH: So that's something to consider. That way you, you clear three, three things just like that, by just, I would think, a slight organizational change, but I don't know all the civil service ramifications of that. 'Cause it's the same amount of bodies, you just...they report to different people.

CHAIR PONTANILLA: Thank you.

COUNCILMEMBER COUCH: Thank you.

CHAIR PONTANILLA: Thank you. Yeah. It seems like, you know, reorganization is something that they gotta take a look at, and when you read the report, Members, there's a lot of areas where training is lacking. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And thank you, audit team and departments, for being here. Pretty much I think my fellow Members here have touched on most...all the significant findings that your audit team has addressed to us that I wanted to address. So I was just curious as a generalized question, how long does it take you folks to complete this audit? When did you folks start and end?

MR. GIRDNER: We've been...the coming year, Fiscal Year '11 which we are getting ready to do will be our fourth year. In the first two years of our prior three years that we were engaged, we...the first year we got a really late start because it was our year, but we started in August and we had trouble getting done and we got done in something like February and issued the reports at the end of February, 2009 we got an earlier start. And so to answer your question directly, we usually...it should take us...we plan on getting started here the end of this month, July, and we're hoping to have final draft reports by Thanksgiving is what our plan is.

COUNCILMEMBER COCHRAN: So it's pretty ongoing.

MR. GIRDNER: Yes.

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COUNCILMEMBER COCHRAN: And you've been I guess in a sense a regular auditor for this County the past seven or so years?

MR. GIRDNER: No, this will be our fourth year.

COUNCILMEMBER COCHRAN: Fourth year. And so I wanted to address, I think, probably the Department then just to follow up on some other...the other discussions that have occurred already. In regards to the, you know, the deficiencies in the completion of timesheets, that significant finding, has there actually been a dollar amount of overpayment that has occurred because of that? I don't know if audit has an answer to that, or the Department. Or is that just a possible can happen if we stay on this path of, you know, inaccurate type of reporting?

CHAIR PONTANILLA: Maybe the Department. Mr. Agsalog, Cochran's question?

MR. AGSALOG: I'm not aware of that much overpayment, if that has occur. If nothing else, it's more underpayment that would...we have to readjust for our employees when they see that their paycheck is now --

COUNCILMEMBER COCHRAN: Wasn't submitted timely or...

MR. AGSALOG: --submitted properly. The reason being is that when we make a lot of adjustments in the timesheets when there's overtime, and we did not adjust it because they have the best base pay that we paying them. Unless the employee did not submit a timesheet and they worked overtime or they have premium pay such as shift works and things like that, then the payment will not be accurate. But in that way I know they monitor their paychecks, so they will come back for adjustment of their paycheck to the proper adjustment.

COUNCILMEMBER COCHRAN: Thank you, Mr. Agsalog. And to the, the bidding documents and the document retention policy, I guess, certain, you know, documents were discarded prior to the, to the date they should have been held.

MR. AGSALOG: Mister...

COUNCILMEMBER COCHRAN: Do we, do we have a plan, are we archiving and scanning in place of...because I guess storage is an issue with all this paperwork.

MR. AGSALOG: Mr. Chair, yes. The scanning of the contracts, the bid documents now are being scanned and stored. I think the particular write-up that we have here is a project that it was awarded and it was not completed, and it was seven years or five years later, and apparently the Procurement Department...Division did not retain it because of the time, but the project still ongoing because it was delayed. So but now we have started...been scanning documents, so we will have more documentation now. And in fact, I think that would be a part of some discussions in one Committee in your Council soon as far as the management of our documents. And, but

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right now we know that all contracts that go through is documented electronically right now. So if you need a contract, you have a contract number, I can go to the Purchasing Division and we can recall those...that contract number, we can print it for you.

COUNCILMEMBER COCHRAN: Thank you, Mr. Agsalog. And a follow-up, Chair. The idea about that centralized position, is that in the talks? Is that on the table with your Department to, to pursue that particular recommendation?

MR. AGSALOG: Yes. If, if you ask me as the Director of Finance, I would like to have a more efficient reporting of our financials, and the only way we will be able to have that uniformity in training as well as reporting is that when we have a centralized authority to ensure that every single one that do accounting should be trained that way in the way that we do reporting. So I, I would support that, yes.

COUNCILMEMBER COCHRAN: Well that's excellent. That does lead me into the training aspect. To, you know, I, I heard the concerns of my senior Members who have seen audits and the repetitive significant findings happening over and over and over which for me is a concern, too. So you have senior members within the Department who are continuously there, but yet continuously have, you know, insufficient whatever work. Yes, you're new to your position, and I applaud you also, Director Agsalog, for your enthusiasm and passion actually. You know, you got a little hot under the collar, but you are...I can tell you're really trying, so I applaud you. And it'll just take some time, as, as Chair Pontanilla mentioned, it's not going to happen overnight, and I get that. But I really feel your passion and your, your, your interest to want to move forward and take recommendations and suggestions, and by all means, you know, know that I'm here to, to support that. So I just want to say, you know, don't get disheartened and keep up the good work, and looking forward to seeing the positive results, and thank the auditors. But, you know, I think that's where the system is somewhat broken or doesn't work all that well when you have Administration changing hands all the time, and you have the ongoing, regular, behind-the-scenes people who are just...who are there, and the new Administration walks in and goes, okay, what's going on? You're trying to get up to speed or try and arrange, so it's training and, you know, all these new ideas are...it's nice that they're on the table and we're discussing it here today. So I just want to say thank, you know, thank you, and, and it's very enlightening and eye opening for me to see how this process works, too. So thank you, Mr. Agsalog and auditors --

CHAIR PONTANILLA: Thank you.

COUNCILMEMBER COCHRAN: --and Chair.

CHAIR PONTANILLA: Member Baisa?

COUNCILMEMBER BAISA: Yes, thank you, Chair. There's not a whole lot more to be said after...you're at the end of the row here, because everybody has dealt with the more obvious things. But I just wanted to share my perspective. You know, I look at an audit conference or a

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discussion of an audit probably from a different perspective. I spent almost 40 years being the person who was responsible for doing the accounting and making sure the audit was clean, and so I understand what the Finance Department goes through and what you go through as auditors in getting this to us. And I'd like to take the opportunity to point out that I'm extremely happy to see in an audit unqualified opinion on schedule of expenditures, unqualified opinion on compliance, no material instances of noncompliance, no material weaknesses in internal controls. I mean I think that, that needs to be pointed out, and well done needs to be told to the people that have this responsibility, along with all of the concerns that we have expressed. Thank you very much for a job well done. I am very happy that this is a timely report. I also am very interested in the corrective actions, and I...Mr. Aagsalog, we offer you our support. We know that these are challenges that are difficult. I've been listening to this whole thing about the payroll system ever since I got here, in fact, before I got here, because my husband was a County employee getting the paycheck, complaining. So, you know, I'm very familiar with how long this has taken, and I sure would like to see it wrapped up, I think we can do better than this. I'm concerned about the remark about the Federal compliance person. I think that that is an investment that needs to be made. You know, as we go through the budget, we go through grant after grant after grant after grant. All the departments have grants, in fact, some of them do tremendous amounts of grants like Police Department, Housing Department, I mean they do a lot of Federal programs. And I think it would be really a good investment to have one individual. You know, every...everybody, somebody, and nobody. Whose job is it? So I think that that...that's something we ought to take a look at, and I strongly support that. The other thing is I understand your need for centralization. You know, if you're going to be held...your feet to the fire for performance and for making sure that our money is safe, then I think you have to have a little bit more hands-on ability to direct that, so I think that's good. The other concern that I've had ever since I got here, and, you know, I come from a private sector where capacity building of staff is a priority. You have to, have to, have to invest in training and upgrading of your staff, and so I really feel that, you know, an emphasis on providing staff training is really necessary, and I think it's a Countywide issue. I think we have to spend more time in developing our staff, and that way when we deal with internal promotions, they are ready to step up, because they have received the training. Also, it's hard to evaluate people and hold their...hold them responsible for nonperformance when you don't provide training and upgrading. So I for one, you know, share the concerns, and share that we can do things better. But I do want to say that I am very pleased. Thank you.

CHAIR PONTANILLA: Thank you. Mr. Carroll?

COUNCILMEMBER CARROLL: Thank you, Chair. I wasn't here in the past four years, so I'm very pleased having come back to see this particular audit. I found it especially helpful, and I read this through twice. And all the questions my fellow Members have asked have been covered, the ones that I had notes on. But what I will be keeping and making a copy of this is especially the views that are responsible officials and plan corrective actions. I found this extremely helpful, and this is what I will be keeping, and this is what I will be using as we proceed throughout the year. And I am very happy of the format they have used, I think it will be...make it a lot easier for all of us, Budget Chair and all of the Committee to be able to go back and refer to this during

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the year as we proceed. It...sometimes it seems like we're driving down a dark road without headlights, well, here's the light, so maybe we won't hit all those potholes anymore. Thank you.

CHAIR PONTANILLA: Thank you. Members, I know it's been a grind. The Chair is...you know, if you do have any more questions if you can provide the questions --

VICE-CHAIR HOKAMA: Chairman?

CHAIR PONTANILLA: --to the Chairman and we'll try get some answers from the Department as well as the people that are here, the auditors. Mr. Hokama?

VICE-CHAIR HOKAMA: Real quick.

CHAIR PONTANILLA: Sure.

VICE-CHAIR HOKAMA: To, to the, you know, the...our, our auditors that our Chairman hired. Did you folks review revolving funds and the County's short-term investment policy regarding our cash? Because those are two large pots of...well one is an extremely large pot of cash for our short-term investments, and we got a lot of money in various revolving funds of this County. So I was just curious if you folks reviewed it, and if you didn't, why? And, and maybe we need to recommend to the Council Chair that that might be part of the expanded or revised scope of work that you should occasionally take a look at and report back to Council on.

MR. GIRDNER: The scope, the scope of our audit includes all of the funds of the County's operations, so I believe the revolving funds that you're speaking about, most of them are accounted for in the presentation of the financial statements under...the fund financial statements under what's called the County funds. Okay. So those are covered in that fund category on the governmental fund presentation. As far as your short-term investment policy, we do state in the footnotes what the County's investment policy is. We do have a copy of that, and we are required to disclose the major points of the investment policy which I believe is also the same...it's essentially the State's investment policy also. And so those are...that's reflected in the footnotes.

VICE-CHAIR HOKAMA: You mean as far...when you say that's the same as the State's investment policy, you mean the goals and that it cannot be for more than five year before maturity and those type of...

MR. GIRDNER: Exactly. Exactly. Short term. has to be at least AAA grade rated, those types of things.

VICE-CHAIR HOKAMA: Not how and who --

MR. GIRDNER: Exactly.

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VICE-CHAIR HOKAMA: --makes decisions on where that money goes and those kind of things. And I just bring it up because it was in...I, I forgot which, maybe it was in the CAFR's report. As part of the management letter there was some appendixes if I...yeah, that's what it is, somewhere have recorded audit adjustments and it was based because of some of our short-term investment issues regarding auction rate securities.

MR. GIRDNER: That...go ahead.

MR. KANETOKU: I think what you're referring to is the presentation of short-term investments on the financial statement. So again, we as part of our audit we make sure that the, that the amount of cash and short-term investments is complete and accurate, that the appropriate disclosures for the readers of the financial statements, they're able to understand what's, what's the makeup of cash and short-term investments. As far as the operations of, of the investment activities, that's beyond the scope of the audit.

VICE-CHAIR HOKAMA: Okay.

MR. KANETOKU: That's a management function.

VICE-CHAIR HOKAMA: Okay. Okay. No, no, I, I appreciate you explaining how you folks approached this particular area, and, you know, understand what you shared with the Committee. So thank you very much.

CHAIR PONTANILLA: Okay. Members, if you do have any more questions, you know, if you can send it to the Chair and we'll get information for you either from the auditors or through the Finance Department. So again, Mr. Kanetoku, Mr. Girdner, and Mr. Zablan, thank you for being here this afternoon. Mr. Agsalog, thank you for allowing the auditors to explain the report that they had done for County of Maui. Members, the Chair is going to call for a recess to 10 after 3:00, and then we'll take the last item, the request from the Police Department. This meeting is in recess 'til 10 after 3:00. . . .(gavel). . .

RECESS: 3:04 p.m.

RECONVENE: 3:11 p.m.

CHAIR PONTANILLA: . . .(gavel). . . The Budget and Finance Committee meeting is now in session. Members, the Chair's recommendation, if there's no objection, the Chair want to make a recommendation in regards to...

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Okay, fine. Thank you. The Chair's recommendation regarding the first item on our agenda is to file County Communication Nos. 11-95, 11-94, and 11-96.

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VICE-CHAIR HOKAMA: So move, Chairman.

COUNCILMEMBER VICTORINO: Second, Mr. Chair.

CHAIR PONTANILLA: It's been moved by Member Hokama, second by Member Victorino. Any more discussion, Members? All in favor of the motion, please say "aye".

COUNCIL MEMBERS: "Aye".

CHAIR PONTANILLA: Motion is carried with five "ayes"; four "excused", Members Carroll, Baisa, White, and Mr. Mateo. Motion is carried.

VOTE: AYES: Chair Pontanilla, Vice-Chair Hokama, and Councilmembers Cochran, Couch, and Victorino.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmembers Carroll, Baisa, Mateo, and White.

MOTION CARRIED.

ACTION: Recommending FILING of communications.

CHAIR PONTANILLA: Okay. At this time the Chair would like to recognize--I should have done it earlier--the presence of Member Hokama.

COUNCILMEMBER VICTORINO: After you went vote.

COUNCILMEMBER COUCH: We wondered who it was.

CHAIR PONTANILLA: Hey, get 'em on the record.

COUNCILMEMBER COUCH: Director Agsalog recognized it.

ITEM NO. 36: AMENDING FY 2012 BUDGET: CIVIL DEFENSE PROGRAM AND COUNTYWIDE POLICE FACILITIES (C.C. No. 11-181)

CHAIR PONTANILLA: Okay, Members, the next item on our agenda and this is the final item is--thank you, Mr. Agsalog--BF-36, Amending Fiscal Year 2012 Budget: Civil Defense Program and Countywide Police Facilities. The purpose of the proposed bill is to: (1) decrease the

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appropriations for the Civil Defense Agency by \$250,000 as it relates to the matching funds requested by the agency for Homeland Security grants; (2) increase the appropriations for Countywide Police Facilities CIP by \$250,000 as it relates to the chiller at the Wailuku Police Station. At this time the Chair would like to call on the Budget Director, Mr. Baz.

MR. BAZ: Thank you, Mr. Chair. And good afternoon, Members. This budget amendment as we're discussing today is related to the Countywide Police Facilities project and also the Civil Defense. During the deliberations on the Fiscal Year '12 Budget we heard from the Civil Defense Agency that the possibility of a requirement of County matching funds for our Civil Defense grant would be required, and subsequently to that we found out that it's not required. They did not require any matching funds, and so these funds, the \$250,000 has become available. The, the...and so the Department has generously let us know that the funds would not be required and are now available for General Fund operations throughout the County. This request for the Countywide Police Facilities is something that during the Fiscal Year '12 Proposed Budget we had asked for \$300,000, and the final number that came out was \$150,000. The Department here will explain the details of the actual project itself, and we're happy to answer any questions that you may have.

CHAIR PONTANILLA: Thank you. Department?

MR. HUDSON: Good afternoon, Chair and Council members. I'm Assistance Chief Lawrence Hudson with the Police Department. With me today is Captain Mollie Klingman who has been assigned as project manager for this particular project. We'll, we'll answer any questions after she gives a briefing.

CHAIR PONTANILLA: Thank you.

MS. KLINGMAN: Good afternoon. As the Chief stated, I'm Mollie Klingman, Captain of the Technical Services in the Support Services Bureau. I just wanted to give you a little historical information on this situation. The chiller that we have now is 25 years old and it's the original chiller, was put in about 1986, and it's a 200-ton Trane Centravac Chiller. It runs R-11 refrigerant. R-11 is very hard to come by now. We're leaking our R-11 refrigerant at about 100 pounds every six weeks. The situation is dire. And as you know, that refrigerant now is banned within the European Union, even for servicing, and it depletes the ozone layer. It's horrendous. Anyway, during April in fact that, there was a crack on the bottom of the chiller, it gave way, all the refrigerant leaked out, and on that Easter weekend we actually had to shut down and go to our auxiliary unit. And we were able to get a copper patch on there and, and we're limping it along, it's deteriorating. And we're very concerned to have to try and run on auxiliary. So at this point we've been looking out...we did put it out to bid, the bid opening was July 6th. We're looking at a McQuay Turbo Chiller, it's very efficient, there's no oil, there's magnets actually inside, it's what everyone is using now at this point, and we would like to move forward to be able to do that and take care of our aging police station.

CHAIR PONTANILLA: Thank you.

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COUNCILMEMBER VICTORINO: Chair?

CHAIR PONTANILLA: Before I --

COUNCILMEMBER VICTORINO: Oh, okay.

CHAIR PONTANILLA: --ask any of the Members to ask any questions, Chair would like to just provide some comments in regards to this chiller. I understand that the chiller need to be replaced and that's the first priority, but how do we replace it through a budget amendment or...because we're into the new fiscal year, and we haven't expended monies yet. So I had a meeting with the Police Department and the plan was to utilize the CIP portion of the Police Department which was \$150,000 which is General Fund cash, and then through the Countywide Facilities, utilize 118,000, again, General Fund cash to do this particular replacement. You know, to come in and say we need a budget amendment because we, you know, we found \$250,000 is fine, but, you know, we just into the new year, and, and my philosophy is that, why don't we work with the existing budget that we have and move forward. If we need to come back later to do budget amendments, then we can come back later. But for me, just to let you know, Members, to utilize Countywide as, as well as the CIP for the Maui Police Department to replace this chiller. So, Mr. Victorino followed by Mr. Hokama.

COUNCILMEMBER VICTORINO: Thank you, Chair. And, and I can concur with that, you know, I just think they are coming with a legitimate need, and environmentally, efficiency-wise, et cetera, et cetera, et cetera, I mean there is no shortcoming in changing right now. And so long as the money can be found and in whatever area you can use it from I have no qualms, and then if the need is later, I would agree with Chair, come in for a budget amendment at that point. Whichever way, just so long as we can provide them with that new chiller and, you know, be more friendly in every area, environmentally and economically. You know, I think that's, that's what we need to do.

CHAIR PONTANILLA: Yeah.

COUNCILMEMBER VICTORINO: So whatever way you want to present it, Mr. Chair, I can go along with it, or whatever the Department would like to do, I can support the need of this being something immediate.

CHAIR PONTANILLA: Thank you. It's, it's...yeah, we know the need is required, it is very important that we replace the chiller, but how do we fund it is the issue. Mr. Hokama?

VICE-CHAIR HOKAMA: Chairman, I was going to share some similar thoughts. I mean to get a budget request before the start of the new fiscal year--I'll be consistent today--it disturbs me. I would like to see the departments and for this case with the Police Department work with the appropriate people in the Mayor's Office and make those administrative decisions to make this happen. I believe the Department needs that chiller, they should receive it, but I believe we have

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placed enough cash in General Fund accounts that we don't need this consideration today. It disturbs me that from the beginning of this fiscal year we're going to keep doing budget amendments. When will this Committee do what we had talked about during budget session and look at other components of the Budget and Finance Committee's responsibilities? We bogged down with budget amendments. I would like the department heads to see how they can utilize the funding we have gave...given them, Chairman, and if they have no money, then come back to us and, and make a consideration for us to review and see if it has enough merit for us to provide those resources at that point in time. When you basically you got still 100 percent of your wallet full, I don't appreciate coming today asking me to make this kind of changes. I think there is enough flexibility administratively to still provide the Police Department the needed resources to provide for this replacement chiller. Thank you, Chairman.

CHAIR PONTANILLA: Thank you. Members, any more discussion? Member Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. This is, this is one spot where I, I respectfully disagree with my colleagues. You know, we had cut the budgets significantly from all the departments, including the Police Department. When we...we told them to come and if they needed certain funds to come and ask for it, and they said that they were going to come right away. I mean this isn't a surprise to me. It's interesting that they found the money, which is fine, and they, they're doing what we asked them to do in the Budget Hearing, in the budget process. If we want to say, okay, spend whatever...what other money you had that we've, we've put a really tight rein on, and then come back to us in six to eight months, that's fine, but this Committee has to remember that we told them to do that. We also told them to come to us when they, when they have the need, even if it's right up front. So I just gotta say that they're doing what we asked them to do after we cut their budgets tremendously, and, you know, I'd rather see them be upfront about it as opposed to come back in eight months, say you know what, we spent \$250,000 extra on the chiller that we didn't anticipate and now we need the 250 to come back for whatever else we need. This is something that they, they found a set of funds for and said we need it for an unanticipated expense, and so we're trying to fix it at the beginning as opposed to way down at the end and have to fight for it and have us remember, some of us, myself included, can...cannot remember sometimes eight months back saying yeah, go ahead and do that. So I, I...that's...I just have to put my comments in there, because I, I think they're doing the right thing in this point, in my opinion.

CHAIR PONTANILLA: Thank you. I...thank you for your comments. Normally I don't this, but in regards to your comments, if we went through the budget amendment that is being proposed, then, you know, looking...we're looking at a timeframe probably in September. But by going and utilizing existing funds that we have, you know, we can...they can do it almost instantaneously. The other thing, Mr. Couch, is that, yeah, I, I agreed to listen to budget amendments, but we've only started the year. Coming in with a budget amendment at this time? You know my philosophy is that, you know, as you go through the months and if you feel...if we feel that any department is falling short, then, yeah, why don't we do a budget amendment so, you know, they could continue operating. Let me give you some information in regards to a report that I received on the Countywide facility building improvement side. Currently, you

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know, we have encumbered 683...\$83,000 dollars. Allotment balance for Fiscal 2011 is 147,000. We do have projects that dates back to 2006 that we still have monies. So we have money to do the work, but through a budget amendment at this time, you know, I, I cannot move forward on that. The other thing is that there's a projection of a \$2 million Carryover/Savings through the Maui Police Department, that's the projection for 2011. So, yeah, you know, we gonna have cash, we'll have cash. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And thanks for, you know, showing all perspectives on this particular issue we have in front of us today. I'm just curious, Mr. Baz, our Budget Director submitted this, so I, I kind of want comments, if possible, from Mr. Baz. As you stated, there's Carryover, there's, you know, encumbered funds, and, and this and that, so I just kind of wanted some comments from that Department please.

CHAIR PONTANILLA: Mr. Baz?

MR. BAZ: Thank you, Mr. Chair, Members. Yeah, just a few comments. The discussion as it relates to this project and funding of it, mister...the Chair's recommendation to utilize the Countywide Public Facilities funds was the first avenue that we approached. When I met with the Countywide CIP Coordinator in the Managing Director's Office we reviewed the projects that are currently active and that would be up and coming within in the next few months, and determined that there would not be funds available out of that Countywide Police Facility...excuse me, the Countywide Building Facilities project or any of the other Countywide projects that would be eligible to pay for this. So that was the first place we looked at. The second place we looked at was Fiscal Year '11 funds. Unfortunately the bid opening date was July 6th, so there would be no way we could execute a contract to pay for it with Fiscal Year '11 funds. So we would have been very happy to do that if we could have. The other...well, the other item to look at is that this is a CIP project and not a operational project. The General Funds that have been appropriated for the CIP project or for CIP projects within the Police Department is \$150,000. They do have funds, you know, this is a whole brand new pot of money as far as their operations goes, you know, but as you heard, you know, the last life cycle on, you know, the current air conditioning system was 25 years, and it is an asset that the County want...we would like to, to, you know, put into our capital base and keep as an asset. So utilizing operational funds versus CIP funds, I don't think would be appropriate in, in our view of, of that, and that's why we have requested a budget amendment to put money into the actual CIP project.

COUNCILMEMBER COCHRAN: Thank you, Mr. Baz. And so I was just...it sounds like this has been an ongoing issue with this chiller. And so this is an AC unit?

MR. BAZ: Correct.

COUNCILMEMBER COCHRAN: So I, I didn't know if this chilled bodies or, I was like this is some chiller. Anyways, I mean it's been an ongoing issue, so was this...I don't recall hearing about this during the budget session, and, you know, it's a big chunk, so if it was brought up for

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funding for it this past...during the budget of this past session. 'Cause it sounds like an ongoing problem since '80...you know, it's old and you've had problems.

CHAIR PONTANILLA: Ms. Cochran, it, it wasn't brought up in the budget.

COUNCILMEMBER COCHRAN: It was not. Okay. So we didn't. Okay.

CHAIR PONTANILLA: Yeah.

UNIDENTIFIED SPEAKER: ...*(Inaudible)*...

COUNCILMEMBER COCHRAN: Okay. Did the Department have a comment?

MR. HUDSON: So the, the chiller's been failing for a while. Well actually for several years it's been failing. We, we, we keep on repairing it because we've been, we've been asking the County Council for an, for an awful lot of funding for other projects, and we, we try and stretch with whatever we got. Towards the end of this and, and actually I think during the budget process it failed, it, it...there comes a point in time where it become irreparable, and, and this, this machine is now irreparable. Not only is it irreparable, it's, it's actually a danger to, to the community, we gotta get rid of that.

COUNCILMEMBER COCHRAN: Okay. Thank you. Thank you, Chair --

CHAIR PONTANILLA: Thank you.

COUNCILMEMBER COCHRAN: --and Department.

CHAIR PONTANILLA: And again, you know, the...it, it needs to be replaced, it's just the funding mechanism. Before I call on Mr. White, just a fast question to the Police Department. Are you ready to go on this project?

MR. HUDSON: Yes, sir. We have...the bidding opening is done, if we have the funding we can request contract immediately.

CHAIR PONTANILLA: Okay. And, and in my opinion, you should take first crack at as far as the Countywide Facilities Improvement dollars. Mr. White?

COUNCILMEMBER WHITE: Yeah, Mr. Chair, I, I don't disagree with your direction as long as they can, they can fund it somehow. Because the...not only is it failing but...and I don't think it's too long before R-11 is outlawed, and, you know, you've got to switch to R-134. And once you order a chiller it's at least 12 to 16 weeks for it to get here. So I totally support the need, I totally support them going ahead with it, and but I agree with you that coming in with a budget amendment this early is a little problematic for me. The Police with the Carryover and the differential between last year's budget and the budget that was approved for 2012, the money is

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there, and I want them to know as I've said before, if you run into challenges financially down the road, we'll be here for you. So that's...I, I support it totally.

CHAIR PONTANILLA: Thank you. Mr. Hokama?

VICE-CHAIR HOKAMA: So, Chairman, your understanding from our CIP Coordinator, Ms. Taomoto, they plan to encumber all this money in three months that we've placed in Countywide? That's why we...they, they...but they just don't want to make those hard priority choices and make us do the choices for them. Because, you know, there was over \$100,000 left as I understood what I read in the last report regarding Fiscal '11 Countywide, so they could have already started encumbering those funds and move this chiller, forward it before the end of Fiscal Year '11 on June 30th, and use the balance...and use a portion of the Fiscal Year '12 to, to finish up the funding. I mean there's so many administrative ways that you and I are aware of that could make this work without coming forward for an amendment, Chairman. I know, you know. And, you know, I looked in the binder, maybe you have it, Chairman, so I was going to ask how and when did Civil Defense find out they...regarding this matching fund issue and the need not to have \$250,000? You know, did we get a notification from the State? Did we get a letter from the Feds? I don't see no supporting documentation that we don't need this money. And interesting enough, tomorrow at Policy we're going to bring up a consideration for Civil Defense. Thank you, Chair.

CHAIR PONTANILLA: Thank you. Members, any more questions? If not, Chair's would like to make...Chair would like to make his recommendation.

COUNCIL MEMBERS: Recommendation.

CHAIR PONTANILLA: Chair's recommendation is to defer County Communication No. 11-181.

VICE-CHAIR HOKAMA: So moved. No objections, Chairman.

UNIDENTIFIED SPEAKER: No objections.

COUNCIL MEMBERS VOICED NO OBJECTIONS. (excused: GB and DAM)

ACTION: DEFER pending further discussion.

CHAIR PONTANILLA: Thank you. And, and just for the Police Department, if you could work with the Budget Director in regards to getting the Countywide Facilities dollars like we talked before, so you can go ahead and, and do your contract to replace the chiller. So, Members, that's all we have for today. The Chair is...since we don't have anything, Chair is going to adjourn this meeting. Thank you very much. Thank you, Department of Police, for being here.

MR. HUDSON: Thank you, Chair. Thank you, Members.

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CHAIR PONTANILLA: This meeting is now adjourned. . . .(*gavel*). . .

ADJOURN: 3:34 p.m.

APPROVED:


JOSEPH PONTANILLA, Chair
Budget and Finance Committee

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Transcribed by: Daniel Schoenbeck

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CERTIFICATE

I, Daniel Schoenbeck, hereby certify that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 27th day of July, 2011, in Haiku, Hawaii

A handwritten signature in black ink that reads "Daniel Schoenbeck". The signature is written in a cursive style and is underlined.

Daniel Schoenbeck