

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

August 23, 2011

Committee
Report No. _____

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

Chair and Members:

Your Budget and Finance Committee, having met on July 12, 2011, makes reference to the following:

1. County Communication No. 11-94, from Council Chair Danny A. Mateo, transmitting the County of Maui's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2010 ("CAFR"), prepared by the Department of Finance and audited by Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC; and the required auditor's communication letter dated December 27, 2010, for Fiscal Year ended June 30, 2010, submitted by Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC.
2. County Communication No. 11-95, from Council Chair Danny A. Mateo, transmitting a report entitled, "COUNTY OF MAUI, STATE OF HAWAII: Single Audit Reports, For the Fiscal Year Ended June 30, 2010" ("Single Audit"), submitted by Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC.
3. County Communication No. 11-96, from Council Chair Danny A. Mateo, transmitting the Department of Water Supply's Financial Statements and Supplemental Schedules for the Years ended June 30, 2010 and 2009; the required auditor's communication letter dated December 27, 2010; and the Independent Auditor's Report ("DWS Audit"), submitted by Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC.

Your Committee notes that Section 9-13, Revised Charter of the County of Maui (1983), as amended, requires an annual independent audit of the County's accounts and other evidences of financial transactions of the County and its operations. The Council has designated the firm of Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC, as the County's independent auditor for the Fiscal Year ended June 30, 2010.

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

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

The County's independent auditor provided an overview of the auditor's reports, stating that the auditor had issued an "unqualified opinion" on the County's financial statements and Federal awards. An unqualified opinion reflects the auditor's judgment that the financial statements that were audited were presented fairly in all material respects. The auditor reported that there were no material instances of noncompliance that are required to be reported under the "Government Auditing Standards" issued by the Government Accountability Office of the United States Congress.

The auditor explained that government auditors are required to report any significant deficiencies in financial accounting processes identified while conducting an audit. By definition, these deficiencies are not serious enough to cause the financial statements to be misleading to the intended users. The five deficiencies noted in this audit were related to: (1) completeness of employee timesheet submissions; (2) effectiveness of designated accounting personnel at the departmental level; (3) review and authorization of miscellaneous journal entries; (4) timely reconciliation of reports for Federal and State grant programs; and (5) timely recording of transactions for capital assets and construction in progress. Appendix 1 of the Single Audit included recommendations for addressing each of these matters.

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

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

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Your Committee voted 5-0 to recommend filing of the communications. Committee Chair Pontanilla, Vice-Chair Hokama, and members Cochran, Couch, and Victorino voted "aye". Committee members Baisa, Carroll, Mateo, and White were excused.

Your Budget and Finance Committee RECOMMENDS the following:

1. That County Communication No. 11-94 be FILED;
2. That County Communication No. 11-95 be FILED; and
3. That County Communication No. 11-96 be FILED.

This report is submitted in accordance with Rule 8 of the Rules of the Council.



JOSEPH PONTANILLA, Chair