

**COUNCIL OF THE COUNTY OF MAUI**  
**BUDGET AND FINANCE COMMITTEE**

March 11, 2014

**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 February 18, 2014, makes reference to County Communication 14-32, from Council Chair Gladys C. Baisa, transmitting a proposed resolution, entitled "TRANSFERRING FUNDS FROM THE COUNCIL SERVICES PROGRAM TO THE COUNTY AUDITOR PROGRAM WITHIN THE OFFICE OF THE COUNTY COUNCIL".

The purpose of the proposed resolution is to transfer \$70,000 from the Council Services Program to the County Auditor Program within the Office of the County Council for additional expenses for the independent annual financial audit of the County of Maui for the Fiscal Year ended June 30, 2013.

At the request of the Chair of your Committee, the Department of the Corporation Counsel transmitted a revised proposed resolution, approved as to form and legality, incorporating structural revisions to the applicable sections of the Fiscal Year 2014 Budget Ordinance.

The County Auditor informed your Committee the requested funds will be used to compensate Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC ("firm"), the firm contracted to perform the independent annual financial audit. In the course of its work, the firm encountered unexpected delays and audit issues, while also providing accounting training to County employees.

The County Auditor stated unanticipated staff turnover of key individuals within the Department of Finance during calendar years 2012 and 2013 contributed to delays in the firm receiving required reports, schedules, and analyses relating to the County Comprehensive Annual Financial Report. Numerous revisions were required to the Schedule of Expenditures of Federal Awards, which contributed to the additional expenses.

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He further stated the Department of Water Supply required the firm to expend additional effort to address account and audit issues related to the Department's new billing system, Capital Improvement Projects, and capital assets.

Your Committee acknowledged the unanticipated turnover of employees in the Department of Finance, and stressed the importance of job training.

A representative from the firm stated the Director of Finance requested the firm to provide guidance and accounting assistance to the Department of Finance staff in the areas of reconciling interfund balances and transfers, ascertaining the completeness of liabilities, recording debt issuance entries, recording and reconciling cash and investment balances, reconciling grant expenditures and accruals, and classifying fund balances. He further stated the firm's guidance and assistance will minimize the occurrence of delays in the future.

Your Committee noted concern that the additional expenses may fall outside the original scope of the contract. The contract does contain provisions allowing for adjustments to the scope of work when scheduled deadlines are not met.

The County Auditor determined the additional expenses were necessary for the timely completion of the annual financial audit. He ordered the expenditure from the County Auditor Program in order to maintain the auditing firm's independence and avoid any potential concerns relating to a conflict of interest.

Your Committee voted 8-0 to recommend adoption of the revised proposed resolution and filing of the communication. Committee Chair White, Vice-Chair Hokama, and members Baisa, Cochran, Couch, Crivello, Guzman, and Victorino voted "aye". Committee member Carroll was excused.

Your Budget and Finance Committee RECOMMENDS the following:

1. That Resolution \_\_\_\_\_, as revised herein and attached hereto, entitled "TRANSFERRING FUNDS FROM THE COUNCIL SERVICES PROGRAM TO THE COUNTY AUDITOR PROGRAM WITHIN THE OFFICE OF THE COUNTY COUNCIL", be ADOPTED; and
2. That County Communication 14-32 be FILED.

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



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MIKE WHITE, Chair

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# Resolution

No. \_\_\_\_\_

## TRANSFERRING FUNDS FROM THE COUNCIL SERVICES PROGRAM TO THE COUNTY AUDITOR PROGRAM WITHIN THE OFFICE OF THE COUNTY COUNCIL

WHEREAS, Section 3.A of Ordinance 4044, Bill 43, Draft 1, as amended, the Fiscal Year 2014 Budget of the County of Maui, consolidates appropriations for legislative functions to allow transfers or other adjustments by Council resolution; and

WHEREAS, the Council wishes to transfer \$70,000 from the Council Services Program to the County Auditor Program within the Office of the County Council for additional expenses for the independent annual financial audit of the County of Maui for the fiscal year ended June 30, 2013; now, therefore,

BE IT RESOLVED by the Council of the County of Maui:

1. That Section 3.A of Ordinance 4044, Bill 43, Draft 1, as amended, items 2.a and 2.b, be amended to read as follows:
  - “2. Office of the County Council
    - a. Council Services Program [5,466,036] 5,396,036
      - (1) Provided, that disbursement for salaries and premium pay is not restricted by Section 5.
    - b. County Auditor Program [900,000] 970,000
      - (1) Provided, that disbursement for salaries and premium pay is not restricted by Section 5.”; and
2. That material to be repealed is bracketed and new material is underscored; and
3. That certified copies of this resolution be transmitted to the Director of Council Services, the County Auditor, the Director of Finance, the Budget Director, and the Mayor of the County of Maui.

