It is declared to be the policy of the County to promote economy, efficiency, and improved service in the transaction of the public business in the legislative and executive branches of the County.

Warren Suzuki, Chair
Ron Vaught, Vice-Chair
Craig Anderson, Member
Leo Caires, Member
John Del Gatto, Member
Malcolm Findley, Member
Gina Flammer, Member
Robert Hill, Member
Rebecca Kikumoto, Member
I. APPEARANCES BEFORE THE COMMISSION

The following persons made presentations:
- Greg King, Procurement Specialist, Department of Finance
- Charmaine Tavares, Mayor, County of Maui
- Sheri Morrison, Managing Director, County of Maui
- Lance Hiromoto, Deputy Director, Department of Personnel Services
- Terry Driskell, private citizen, Abandoned Vehicle Issue
- Victor Reyes, Energy Commissioner, Office of Economic Development
- Roy Van Doorn, private citizen, Change Management Presentation

II. RECOMMENDATIONS

The Cost of Government Commission formed five subcommittees to study various program areas and organizational units. The Subcommittees are Audit, Capital Improvement Programs (CIP), Energy, Managing Director's Office, and Department of Personnel Services (DPS). Here are their recommendations, which the Commission has endorsed.

AUDIT SUBCOMMITTEE

A potential annual savings of up to $5 million, which is one percent of the County's budget, is estimated by implementing the following recommendations:
1. Significantly increase the number of operational audits and assure that they are performed on a regularly scheduled basis.
2. Provide capacity for internal (staff) audits by promptly filling the two positions that have been advertised.
3. Assure that those performing internal audits maintain independence from those audited.
4. Follow-up on all completed audits to assure that recommendations requiring corrective action are properly closed out.
5. Establish a central repository where copies of all completed audits are maintained.
6. The audit component of the vacant position under the Council with job title Legislative Analyst (Audit and Finance) needs to be strengthened to focus on audits; therefore, the job title, position description, and appointment term should be revised using the Hawaii State Auditor position as a template.
7. When the vacant auditor positions are filled, the incumbents should appear before the Cost of Government Commission on a regular basis with the position under the Mayor becoming an ex-officio member.

CIP SUBCOMMITTEE

In reviewing the list of outstanding CIP projects there are a large number of outstanding projects with encumbered funds. Some of these date back to 2004. Effective CIP management would allow for timelier project completion and better
use of CIP funds. Potential savings (encumbered funds returned for use) $3,000,000.
1. The reports used by the Director of Finance should be used as a tracking tool to "clean-up" old projects and track progress.
2. As a part of the budget process, department heads should be held accountable to close out old projects and provide --- report on encumbered funds.
3. Job descriptions should include fiduciary/financial objective and metric other than merely operating within the budget. There should be more specific language to direct managers and department heads to be proactive and to initiate cost effective process improvements.
4. Best practices should be identified in those departments with effective CIP management process and other departments should be required to import those practices.
5. Review process within departments with inventories of equipment (i.e. Parks, Public Works) to ensure that asset care and personal responsibility is in place.

ENERGY SUBCOMMITTEE
It is recommended that a Department of Energy be established to develop among various constituents, including the County of Maui, energy providers, and energy customers a consistent development long-term program and energy policy for sustainable energy in the County of Maui. With Maui energy costs at three times the national average a focused Department of Energy could deliver hundreds of millions of dollars in savings.
1. Create a Department of Energy for the purpose of energy and renewable energy planning and policy development. Create an Energy Director position to direct the other County departments on reducing energy demand.
2. Place the positions of Energy Coordinator and Energy Commissioner under one organizational unit focusing on the creation of a separate Department of Energy.
3. Establish a scheduled monthly coordination meeting by the Energy Coordinator and the Energy Commissioner as well as their immediate supervisors to reduce duplication of effort and increase focus.
4. Invite the Energy Coordinator and Energy Commissioner as well as their immediate supervisors to appear before the COGC to discuss how each is carrying out their duties with emphasis on collaboration and coordination on the County's energy needs and objectives.

DEPARTMENT OF MANAGEMENT SUBCOMMITTEE
Mayor Tavares requested that the Commission do an assessment of the Department of Management to create more efficiency. Our audit found multiple functions unrelated to the department's core responsibilities and that the Managing Director's supervision of 24 employees far exceeds the commonly accepted management practices of 4-6 employees per supervisor. The following are recommendations to improve the management structure of the department to produce more cost effective and better delivery of government services.
1. Focus department on core duties and functions as provided in the County Charter by creating a separate department for countywide functions and establishing a Department of Energy.
2. Add Deputy Directors with supervising authority.
3. Consider amending the County Charter to provide more management flexibility.

DPS SUBCOMMITTEE
Long lead times in filling positions within the County results in delays in County projects, stress in the workplace and unnecessary overtime pay. In reviewing DPS records, in August 2008, there were 320 open positions with 55% of them initiated in or prior to 2007. There are potential overtime savings of $5,000,000.

1. As mentioned previously, the lack of fiduciary responsibility in job descriptions allows a lack of accountability in both DPS and the departments to expedite filling of open positions. Financial responsibility should be incorporated into key job descriptions.
2. We recommend a process audit in DPS to review workflow of all aspects of filling open positions to identify bottlenecks, inefficiencies, and best practices.
3. While DPS will always have responsibility to abide by regulatory mandates, there exists opportunity for this department to benchmark private sector practices and to partner with departments to effectively and efficiently staff the County with high quality talent.

III. ATTACHMENTS

The reports of the five subcommittees that contain the findings on which the above recommendations are based are provided.

IV. ACKNOWLEDGEMENTS

The members of the Cost of Government Commission would like to thank those members of the Administration who responded promptly and professionally to their requests for information and other inquiries.

The Commission would also like to thank Deputy Corporation Counsel Adrianne Heely and Jeffrey Ueoka for their advice and assistance during the term. In particular, thanks and appreciations are extended to Stan Zitnik, Shelley Pellegrino, Pili Nahooikaika, Aulani Delatori and Emmie Cabacungan for their help and support during the past year.

Respectfully submitted:

Warren Suzuki, Chair

Ron Vaught, Vice-Chair
AUDIT SUBCOMMITTEE REPORT

I. INTRODUCTION
The Subcommittee carried out a review of certain aspects of the audit process within the County. As with all government entities, regular audits are vital in preventing and/or controlling waste, fraud, and mismanagement. Thus, they serve as an important tool in reducing the cost of government in Maui County.

II. METHODOLOGY
The Subcommittee reviewed minutes of testimony provided to the Cost of Government Commission last year by Finance Department Auditor, Lloyd Ginoza and Finance Director, Kalbert K. Young. Reviewed letters and plans submitted by them on Mr. Ginoza’s activities. Met separately with both Mr. Ginoza and Mr. Young. Reviewed a copy of the Comprehensive Annual Financial Report submitted to the Council. Met with Riki Hokama, Chair of the Maui County Council.

III. FINDINGS
Given the size and scope (i.e. expenditures exceeding $500 million and over 2,000 employees) there is a significant potential for waste, fraud and mismanagement that can be alleviated by the audit process. At present “Financial Audits” seem to be adequately addressed by the annual audit prepared for the Council, which combines both an “Outside” contract audit report with a detailed financial analysis of all County departments prepared by the Finance Department.

Although there are several audit or audit related positions, there is no presently functioning countywide staff auditor to perform “internal audits”. In fact, a lack of such audit staff capacity seems to have existed for many years. This is a serious weakness and puts the County at risk for the following reasons:
1) Ordering “external” i.e. outside audits using professional service contracts is expensive and time consuming. It also assumes that a qualified person or company can be found to take the job.
2) Outside audits tend to be ordered very infrequently and then only in response to a clearly perceived weakness or problem in a department or program area e.g. the 2006 audit of the Planning Department.
3) Audits that are “reactive” rather than “proactive” are likely to leave serious, but not “visible” conditions of waste, fraud, and mismanagement undetected for extended periods.

To address these circumstances audits need to be performed on a regularly scheduled basis, which is standard practice in the audit field. Such audits, which
are generally "Operational" and involve the use of on-board staff that can schedule the work and know the organization, seem to be the most effective. (Note: Operational audits can be considered as all other audits where there is a review of operational activities, processes, management procedures, regulatory compliance etc., as opposed to a financial review. Such audits can often serve as a powerful "Change Agent" by exposing longstanding practices and procedures, particularly among the career civil service, that have become outdated or ineffective, but still are resistant to change e.g. "This is the way we have always done it").

The current status of audit related positions is as follows:

1) Mr. Ginoza occupies an auditor position in the Finance Department. While his duties are meaningful and important, he is primarily limited to working within that department and a portion of the work he does is not audit related. Furthermore, he is constrained by a lack of independence from the Finance Department where audits are concerned.

2) Under the Council, there is an appointed position of Legislative Analyst (Audit and Finance). A particular advantage of such a position is that it is independent from administrative operations. Such independence is a basic tenant and longstanding practice of standardized audit procedures. However, this position has been vacant for a year and a half reportedly because of difficulty in finding someone who can do auditing. In reviewing the "duties and responsibilities" of this position, the audit component appears to under weight the importance of audits. For example, the only sentence mentioning audits states, "Accordingly, a background in accounting and auditing is desirable". A more focused description of Auditor qualifications is found in the recently advertised County Job Number 2009-10. However, since the Analyst position is under the legislative branch, a more appropriate example is probably the Hawaii State Auditor position now occupied by Marion Higa. While this is an appointed position, the term is "staggered" rather than "concurrent". Such a time frame may make finding a suitable candidate relatively easier as well as changing the job title to "County Auditor" to place the appropriate emphasis on audits.

3) In January 2009, Job Number 2009-10 with the title of "Auditor" was announced. While the announcement seems to be well crafted, it is unfortunate that the term "operational audit" is not used in the description of duties. Also, it is unclear where this position is located in the organizational structure. In addition to professional integrity and competence, it is also essential that the auditor have authority to operate countywide and be fully independent of those being audited. As previously noted, independence is a long standing and standardized professional requirement.
Potential Savings:
By filling the two vacant auditor positions above and having them focus full-time on operational audits, it is possible the County could achieve an estimated annual savings of up to one percent of the budget. Since the budget now exceeds $500 million, the potential savings could be as high as $5 million annually.

This estimated savings is predicated in part on a concept often used in business known as “shrinkage”. This involves management budgeting for a certain percentage of relatively small losses resulting from a wide range of circumstances, e.g. theft, breakage, employee errors in ordering, lack of maintenance, etc. While shrinkage can never be totally eliminated, operational audits play an important role identifying changes needed in established management procedures (both formal and informal) that can help reduce these costs.

There is no central location where copies of all prior audits performed for County government are maintained. Furthermore, management responsibility for follow-up, separate from those audited, to assure that corrective action is taken on findings and recommendations is unclear and probably needs to be strengthened.

IV. RECOMMENDATIONS
A potential annual savings of up to $5 million, which is one percent of the County budget, is estimated by implementing the following:
1) Significantly increase the number of operational audits and assure that they are performed on a regularly scheduled basis.
2) Provide capacity for internal (staff) audits by promptly filling the two positions that have been advertised.
3) Assure that those performing internal audits maintain independence from those audited.
4) Follow-up on all completed audits to assure that recommendations requiring corrective action are properly closed out.
5) Establish a central repository where copies of all completed audits are maintained.
6) The audit component of the vacant position under the Council with job title Legislative Analyst (Audit and Finance) needs to be strengthened; therefore, the job title, position description, and appointment term should be revised using the Hawaii State Auditor position as a template.
7) When the vacant auditor positions are filled, the incumbents should appear before the Cost of Government Commission on a regular basis with the position under the Mayor becoming an ex-officio member.
CIP SUBCOMMITTEE REPORT

I. INTRODUCTION
In reviewing the list of outstanding CIP projects, there appears to be a large number of projects in various stages of completion/incompletion. This list of projects represents nearly $8M in encumbered funds for projects pre-dating 2004. Effective CIP management would allow for timelier project tracking and management while freeing up unused funds for other CIP needs. There appears to be opportunity to improve the processes in the area of CIP workflow and project management that would enhance financial controls and expedite project completion.

II. OBSERVATIONS/FINDINGS
- There are currently two reports generated quarterly through the Director of Finance office. These are the track projects and funding activity reports.
- There currently exists an open position for a countywide CIP coordinator. The position has been open for some time and at present a viable candidate has not been identified.
- Due to the volume of “active” projects pre-dating 2004, it would appear that there is need to improve the project management/tracking accountability, especially with the departmental CIP coordinators. In reviewing some of the outstanding projects in detail, some outstanding and unclosed projects are in fact complete but merely require administrative action to formally close the project.
- Some departments have more effective and efficient CIP processes than others do.
- In reviewing job descriptions at various levels in various departments, there appears to be a lack of specific fiduciary responsibility in the job description. Specifically there is no mandate within the job description that requires proactive financial accountability for CIP expenditures, overtime management, etc.
- There appears to be an absence of an effective asset management process to include vehicles, large and small equipment, etc. Absent a system to track age, maintenance, and personal accountability for equipment, it is impossible to determine if County assets are being properly used and maintained.

III. ACTIONS/RECOMMENDATIONS
- The reports generated by the Director of Finance should be used as a tracking tool to “clean up” old projects and track progress.
- As part of the budget process and presentations, department heads should be held accountable to close out old projects and provide status reports on encumbered funds.
• Job descriptions should include a fiduciary/financial objective and metric other than merely operating within budget. There should be specific language to direct managers and department heads to be proactive and to initiate cost efficient process improvements.

• The countywide CIP coordinator position should be filled immediately.

• Best practices should be identified in those departments with effective CIP management processes and other departments should be required to import those practices.

• Review processes within departments with inventories of equipment (ie Parks, Public Works) to ensure that asset care and personal accountability is in place.
ENERGY SUBCOMMITTEE REPORT

I. Initial Findings

After careful consideration and integration of feedback from the Cost of Government Commission, our Subcommittee findings have concluded that we are unable to determine a concrete outline of the roles of the Energy Coordinator and Energy Commissioner clearly. The position of Energy Coordinator is located in the Economic Development unit in the Mayor's office. The position of Energy Commissioner is located under the Managing Director. The County of Maui is very fortunate to possess two very talented individuals that are experts in energy related issues. Both of their involvement is concentrated on the same issue of energy. However, we have found that there are conditions of duplicated efforts, and a strong need for improved coordination and communication between to these two positions. The absence of a structure that would encourage, mandate, promote, and improve these conditions does not exist.

II. Recommended Action

The world is changing as it pertains to energy, and so must consider structural modifications of our existing operations that will place the Maui County in an improved position for success to address future challenges as it pertains to energy. Maui County, with it's abundance of natural resources, possess the political and public will to seize the opportunity to set an example for the rest of the nation in sustainable, renewable resources. Following the November 2007 Energy Expo, Mayor Tavares announced the energy goal of achieving 95% renewable energy and neutral carbon footprint by the year 2020. She also asked, “If not now, when? If not us, who?” Our Subcommittee would recommend that an organizational structure such as merging these two critical roles of Energy Coordinator and Energy Commissioner under a “Department of Energy” would suffice to improve the working conditions and therefore improve operational efficiency and save the County operational capital short term and long term. This structure would require nominal start up capital, as a new department of Energy would essentially arise from a “reorganized” structure of what currently exists in Maui County. This would minimize and reduce an increased in exposure to operational costs for a new department. This mandated action would improve these working conditions as outlined in the initial findings section of this report. The following results will develop from this action:

- Demonstrate the County's progressive nature to adapting to changes in energy
March 2009  
Cost of Government  
Energy Sub-Committee  
Chair Leo Kaniela Caires  
Vice Chair Rebecca Kikumoto

- Provide a centered approach on effectively seeking ways to reduce energy spending  
- Provide the leadership for Maui County to aggressively pursue efficiency goals and projects that will lead to the stabilization of long term energy costs to tax payers  
- Engage in a well-balanced energy portfolio diversification measure to reduce long-term risks.  
- A department that would position the County in a very competitive position for state funding  
- The department will create high public visibility  
- Reduce the Counties contributing carbon emissions  
- Improve the County employees morale  
- Manifestation and promotion of the values of the County of Maui

We would also like the Commission to consider recommending the title of the Energy Coordinator under the Mayors office to Energy Advisor. This would essentially modify the role for the energy advisor and clearly outline that the advisor role would be to work with the Department of Energy and analyze the Department of Energy’s available information and to provide recommendation to the Mayor.

III. Supplemental Recommendation

We also would like the Cost of Government Commission as a whole to consider providing an agenda opportunity to invite the Energy Commissioner and Energy Coordinator to come before the Commission to address the outstanding questions and concerns outlined below:

What is the definition of your position responsibilities as it relates to energy in the county?  
What are the concrete goals and objectives for each of your positions?  
How do you formulate your goals and objectives in the context of your position definition?  
What kind of interaction do the both of your positions have with each other with respect to energy related issues in the County?  
How much do both of you collaborate with each other on a daily/weekly basis?  
Do you feel it would be useful to improve the level of collaboration?  
How will you accomplish this?
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Energy Sub-Committee
Chair Leo Kaniela Caires
Vice Chair Rebecca Kikumoto

Can you discuss with the Commission what existing measures you have taken on an individual basis and share how that may or may not have been better improved by working closer together?

How many energy related issues have you both worked on together?
DEPARTMENT OF MANAGEMENT SUBCOMMITTEE REPORT

I. Study Purpose, Scope and Methodology
The Commission examined the Department of Management for ways to create a more effective department. To conduct this assessment, the Commission heard from the Managing Director, Sheri Morrison, and then formed a Subcommittee, which met with Ms. Morrison and her first assistant, Francis Kau, reviewed the County Charter, County organization charts, and operational audits of four other large local government entities.

This report uses standard operational audit procedures and definitions to examine the current management structure and make recommendations. Operational audits can be considered as all other audits where the review of operational activities, processes, management procedures, program activities, regulatory compliance, etc. is the primary intent of the audit, as opposed to a financial review. This report is a management audit and not a financial audit. Operational management audit terminology and standards were used. Specifically, this report uses the universally accepted management concept "supervisory span of control" to define and measure the department in comparison to accepted management practices. The Subcommittee's work was performed from April 2008 through February 2009.

II. Background
Mayor Tavares requested that the Commission conduct an assessment of the Department of Management focusing on its present scope and challenges in management, as well as, a review of appropriate program functions for the department. Ms. Morrison endorsed the Mayor's request and stressed her concern for increasing the department's effectiveness through better management. The Subcommittee then determined that the best approach in addressing these objectives would be to conduct a review in the form of an "operational" audit. Funds had been reserved in a prior budget for this, but the money was later moved to different department for another purpose. The County currently has only one internal auditor who conducts financial audits for the Finance Department.

The three Subcommittee members possessed the education, experience, and time necessary to conduct a review using traditional management audit definitions and methodologies. Member Findley has a Master's of Public Administration and 31 years of federal government service, most of that in a supervisory capacity where he achieved the level of GS 14 before retiring eight years ago. Member Hill holds a Master's of Business Administration and has 23 years of service working for the County in the police department and currently is in charge of the traffic division. Member Flammer, who authored the study, has a Master's of Public Administration and is a former government
consultant who wrote reports for state legislatures, state insurance departments, and non-profit organizations.

III. Summary of Findings and Recommendations
The Commission Subcommittee found that Department of Management’s supervisory span of control far exceeds those recommended in literature and those used by other similar local governments. To become more effective the Department of Management’s oversight responsibilities need to be reduced and supervisory positions need to be added. Over time, the department’s responsibilities have grown, but its supervisory staffing has not.

Attachment A provides a description of the management concept of supervisory span of control. Basically, it is a common sense management term that refers to the number of subordinates per supervisor. While every organization and department is different, there is agreement that supervising too many people leads to less effective management and that supervising three or less employees is counterproductive. A review of four local government audits found an average supervisory control of 4-6 employees per supervisor.

Our analysis found the Managing Director supervising 24 employees and currently performing the duties equivalent to several positions. This high workload appears to be the result of the addition of countywide functions to a very capable department already responsible the charter-mandated responsibility of aiding the Mayor in the management of the County. While the Subcommittee found that the current Director is very capable and energetic, there is concern about future burnout from duties requiring an unsustainable schedule.

The Subcommittee identified the following three recommendations to improve the efficiency of the department:

Recommendation 1: Focus department on core duties and functions as provided in the County Charter by creating separate department for countywide functions and establishing a Department of Energy.

Recommendation 2: Add Deputy Directors with supervising authority.

Recommendation 3: Consider amending County Charter to provide more management flexibility.

The Subcommittee identified two steps necessary to reduce the supervisory span of control for the Managing Director from 24 employees to local government standards of
between four and six employees. To reduce oversight it is recommended that countywide functions be grouped into a single department and an energy department be created. The Department of Management will then be able to focus on the charter-mandated responsibilities of coordinating with the Mayor to managing the departments and overseeing the budget from start to finish. It is recommended that deputy director positions be created to assist with the management of individual departments. It is important that the Managing Director continue to perform the budget related functions and be available to assist the Mayor in other areas as needed. This would better align the department with the County Charter, create the most efficiency, and be the best utilization of County staff resources. If the Council and Mayor desire a more in depth analysis we recommend that an operational audit be conducted by an internal county auditor or an outside contract auditor.

IV. Analysis of Department Of Management

Managing Director Supervisory Span of Control
The authorized staff of the Managing Director’s office is 46 positions with an operating budget of 4.9 million for FY09. The Managing Director has direct supervisory responsibility for eight of the positions within the department and shares direct oversight responsibility of 16 additional positions with the Mayor. The Managing Director’s budget duties also require regular meetings with Finance Director, Deputy Director, and County Treasurer. These positions have not been included in our span of control number because they require coordination, but not direct oversight.

The Managing Director has direct supervisory responsibility for the following positions:

1. Managing Director’s Secretary
2. First Assistant to the Managing Director
3. Executive Assistant
4. Countywide CIP Coordinator (vacant)
5. CIP Project Manager
6. Energy Coordinator
7. Geographic Information Systems Manager
8. Management Information Systems Manager

Currently the Managing Director’s Office works with Mayor’s office to oversee the following appointed department heads:

9. Finance Director and Deputy
10. Corporation Counsel
11. Environmental Management Director and Deputy
12. Housing and Human Concerns Director and Deputy
13. Parks and Recreation Director and Deputy
14. Planning Director and Deputy  
15. Prosecuting Attorney  
16. Public Works Director and Deputy  
17. Transportation Director and Deputy  
18. Water Supply Director and Deputy

The Mayor and the Managing Director also have budgetary oversight and general administrative oversight of department heads appointed by and who report to the following Commissions:

19. Fire Chief: appointed by the Fire and Public Safety Commission  
20. Liquor Control Director: appointed by the Liquor Control Division  
21. Personnel Services Director: appointed by the Civil Service Commission  
22. Police Chief: appointed by the Police Commission

The Mayor and the Managing Director also has supervisory oversight of the:

23. Civil Defense Administrator

As part of the budget process, the Managing Director has direct supervision of the:

24. Budget Director

**Role in Budget Process**
The Managing Director also meets regularly with the Finance Director, Deputy Director, and County Treasurer to oversee the budget and related revenues and expenditures. Regular reports and meetings to plan for and track current and future operating expenditures, to consider necessary budget amendments, and consider financing for capital projects are ongoing.

**Recommended Spans of Control**
The Subcommittee reviewed operational audits that were performed in four large local government entities. Each of the government operational audits reviewed spans of control and found averages between 4-6 employees per supervisor. While the numbers varied among different departments in the audit, the averages do show a huge difference between Maui County’s Department of Management span of control of 24 and the average of those departments reviewed at 4-6.
Table 1: A Review of Span of Control Audits

<table>
<thead>
<tr>
<th>Title</th>
<th>Average Span of Control Ratio</th>
<th>Location</th>
<th>Year</th>
<th>Prepared by</th>
</tr>
</thead>
<tbody>
<tr>
<td>King County Auditor Report No. 94-1: Span of Control</td>
<td>5.6</td>
<td>King County, Washington</td>
<td>2006</td>
<td>County Auditor</td>
</tr>
<tr>
<td>Span of Control In City Government Increases Overall</td>
<td>6.8</td>
<td>Seattle, Washington</td>
<td>2005</td>
<td>City Auditor</td>
</tr>
<tr>
<td>Performance Audit Span of Control</td>
<td>4.6</td>
<td>Kansas City, Missouri</td>
<td>2002</td>
<td>City Auditor</td>
</tr>
<tr>
<td>(City Manager’s Office is 3.6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim Study of Span of Control Report #99-28</td>
<td>4.25</td>
<td>West Palm Beach, Florida</td>
<td>1999</td>
<td>Inspector General</td>
</tr>
</tbody>
</table>

RECOMMENDATION 1: Focus department on core duties and functions as provided in the County Charter by creating separate department for countywide functions and establishing a Department of Energy.

Over time the Department of Management has seemed a logical place for the countywide functions, but broadening the scope of the department has resulted in less time available to perform its core responsibilities. A Department of countywide functions would also be the most efficient and cost effective way to perform these functions. There are several countywide functions that do not include judgment calls that could be centralized and their supervision placed under one person reporting to the Managing Director’s Deputy Director. A new Department of Energy is also recommended.

Countywide functions that currently exist within the Department of Management that could be moved to a centralized department include:

1. Geographic Information Systems
2. Management Information Systems

Countywide functions that could also be added to a new department:

3. Facilities Management
4. Fleet Management

The Commission recognizes the current economic situation as a major constraint to adding new positions through the creation of a new department. Cost savings could be achieved through better management. Further study, as well as a change in the County Charter, is needed to implement this strategy.

Need to Focus on Core Responsibilities
Reducing the span of control to an industry-accepted level requires a combination of reducing oversight and adding supervisory staff.

To reduce oversight it is recommended that countywide functions be grouped into a single department and an Energy department be created. The department will then be able to focus on the charter-mandated responsibilities of coordinating with the Mayor to managing the departments and overseeing the budget from start to finish. It is recommended that Deputy Director positions be created to assist with the management of individual departments. It is important that the Managing Director continue to perform the budget related functions and be available to the Mayor to perform other functions as needed. Due to the importance of Civil Defense and emergency management, it is also recommended that the Managing Director continue her direct involvement and oversight in this area.

Charter Mandated Department Responsibilities.
The Maui County Charter establishes a Department of Management consisting of a “Managing Director and necessary staff.” The County Charter empowers the Department to work with the Mayor to manage the departments and oversee budget process. It also gives the flexibility to allow the Managing Director to perform any duty assigned by the Mayor.

Role in Budget Process.
In coordination with the Mayor, the department is authorized to prepare and submit the operating budget and a capital program submitted to the County Council. As part of this process, it coordinates the many departmental meetings with the Council Budget and Finance Committee. Once approved, the department is charged with controlling, managing, and executing the budget and meets regularly with the Finance Director, Deputy Director and County Treasurer. Regular reports and meetings to plan for and track current and future operating expenditures, to consider necessary budget amendments, and consider financing for capital projects are ongoing, as is the duty to review the finances, organizations and methods of each department to assist with effective expenditure of public funds in accordance with established laws. It is recommended that the Managing Director continue retain these important functions.
RECOMMENDATION 2: Add Deputy Directors to Department.

Currently the Managing Director has a First Deputy and an Executive Assistant. The Managing Director currently directly supervises 24 employees, far more than other localities with between four and six employees per supervisor. The addition of one or more deputy directors would allow for a more efficient management structure more in alignment with comparable local governments.

RECOMMENDATION 3: Consider amending County Charter to provide more management flexibility.

Currently reorganizing County departments requires a charter amendment. In Honolulu, such changes do not need to go through this cumbersome process. An examination of the Honolulu Charter should be done to evaluate their process and applicability to Maui County government.

Attachment A: Supervisory Span of Control Concept

"Span of Control" also known as "Span of Management" is a management term that refers to the number of subordinates a supervisor directly manages. It is widely taught in management schools and used to evaluate organizational effectiveness of large organizations like the military, government agencies, and educational institutions.

There are adverse consequences when the span of control is either too narrow or too wide as illustrated by the following analysis:

- A narrow span of control tends to give managers close control over operations and to facilitate fast communications. On the other hand, a narrow span can create situations where managers are too involved in their subordinates' work, which can reduce innovation and lower morale among employees. A literature review showed that supervisors with less than three direct subordinates are not recommended.

- A wide span of control forces managers to develop clear goals and policies; delegate tasks effectively; and train employees carefully. Since employees get less supervision, they tend to take on more responsibility and have higher morale. On the other hand, managers with a wide span might become over loaded; have trouble making decisions; and lose control of subordinates. In fact, in some articles it is suggested that all managers experience a decrease in effectiveness as their span of control exceeds optimal levels.
Recommendations on the precise number of employees per supervisor are not possible given the broad variation in the nature of organizations. Private companies with a single product or mission and no public oversight can be very effective with large spans of control, while governments operating with public scrutiny and performing complex and varied functions generally call for smaller numbers. Audits of similar local governments show a span of control ratio to average 4-6 employees per supervisor, with individual single function departments often having higher numbers.

Table 2 shows the factors that should be considered when evaluating an organization's optimal span of control.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Narrower Span of Control</th>
<th>Wider</th>
</tr>
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<tbody>
<tr>
<td>Nature of work</td>
<td>Complex</td>
<td>Not complex</td>
</tr>
<tr>
<td>Similarity of activities Performed</td>
<td>Different</td>
<td>Similar</td>
</tr>
<tr>
<td>Clarity of organizational objectives</td>
<td>Not clear</td>
<td>Clear</td>
</tr>
<tr>
<td>Degree of task certainty</td>
<td>Fuzzy</td>
<td>Definite rules</td>
</tr>
<tr>
<td>Degree of risk in the work for the organization</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Degree of public scrutiny</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Supervisor's qualifications and experience</td>
<td>Weak</td>
<td>Strong</td>
</tr>
<tr>
<td>Burden of non-supervisory duties</td>
<td>Heavy</td>
<td>Light</td>
</tr>
<tr>
<td>Degree of coordination required</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Availability of staff assistance</td>
<td>None</td>
<td>Abundant</td>
</tr>
<tr>
<td>Qualifications and experience of subordinates</td>
<td>Weak</td>
<td>Strong</td>
</tr>
<tr>
<td>Geographic location of subordinates</td>
<td>Dispersed</td>
<td>Together</td>
</tr>
</tbody>
</table>

Source: City of Portland Span of Control Study, prepared for the City of Portland Audit Services Division by Public Knowledge, Inc. and The Kemp Consulting Group, June 15, 1994, p. II-3 as found in 2002 Kansas City Performance Audit.
DEPARTMENT OF PERSONNEL SERVICES SUBCOMMITTEE
REPORT

I. INTRODUCTION
Our focus in the area of the Department of Personnel Services (DPS) was primarily of the financial impact of open positions and lead times to fill those positions. In our review of DPS records, August 2008 showed approximately 320 open positions. 45% initiated in 2008, 35% from 2007 and 20% filed prior to 2007. In fiscal year 2008, the County paid $11M in overtime wages. Long lead times to fill open positions delays progress on key County initiatives and creates stress in the workplace and unnecessary overtime pay.

II. OBSERVATIONS/FINDINGS
• There are a variety of reasons that positions remain open for long periods of time to include: lack of qualified candidates, wage rate issues, static recruitment efforts, positions being held open by departments (for internal promotions), etc.
• We found that in some cases positions were not accurately posted (job title listed did not match the actual duties of the job) presumably due to the arduous process of changing a job classification or title.
• Some departments (Police) have creative and proactive recruitment practices that should be examined for best practice purposes and used by other departments with high numbers of open positions and high volumes of overtime pay.
• The process of submitting only five applications / resumes at a time is restrictive. This process can extend the recruitment timeline leaving positions open longer and can cause a qualified candidate to be overlooked or lost if they find other employment elsewhere during the lengthy County process.
• DPS tends to be heavily focused on the regulatory aspects of the discipline i.e. job classification, etc.

III. ACTIONS/RECOMMENDATIONS
• As mentioned previously, the lack of fiduciary responsibility in job descriptions allows for a lack of accountability in both DPS and the departments to expedite the filling of open positions. Financial accountability should be incorporated into key job descriptions.
• We recommend a process audit in DPS to review the workflow of all aspects of filing open positions to identify bottlenecks, inefficiencies, and best practices.
• While DPS will always have responsibility to abide by statutory mandates, there exists opportunity for this department to benchmark private sector practices and to partner with departments to effectively and efficiently staff the County with high quality talent.