

PRESENTATION BY MALCOLM FINDLEY, MPA, BEFORE THE MAUI COUNTY
CHARTER REVIEW COMMISSION JUNE 21, 2011 PAIA COMMUNITY CENTER

I. RECOMMENDATION: Establish in the Charter a County Auditor position serving under the Council modeled on a similiar position in Honolulu City and County.

II. JUSTIFICATION:

1. Maui is the only county in the state without an established auditor position.
2. The auditor position was recommended in Maui Cost of Government Commission (COGC) annual reports of 2008/2009 and 2009/2010. (See Exhibits A and B)
3. Given the size and scope of the County's operations e.g. annual budget of over \$550 million with a work force exceeding 2,500 and physical assests in excess of several billion dollars the County is over exposed to insufficient accountability, inefficiency and financial loss in its operations. (See Exhibits C and D)
4. The present system of infrequent audits by outside contractors combined with an audit component in the Annual Financial Report submitted by the Finance Department to the Council together with the annual report of the COGC in total are insufficient to protect the County from loss. The primary weaknesses are inadequate and/or inefficient operations and processes.
5. Establishment of a County Auditor position could result in an estimated potential annual savings of up to \$5.5 million or one percent of the County's present budget. This amount far exceeds the cost of staffing the auditor position including support personnel, which is estimated at \$350,000 annually.

III. IMPLEMENTATION: The County Auditor position should be established within the governing structure in a manner that will assure full objectivity; avert inappropriate influence on the integrity of the audit process; and provide maximum independence from those being audited. In addition to establishing this position in the charter, such independence is accomplished by the following measures:

062111 - Public Hrg. - Malcolm Findley Public Testimony

1. The position should be independent from both the Mayor and Council. However, the auditor would administratively report to the Council and could be removed for cause by a two-thirds vote of the Council. This is the arrangement provided in the Honolulu Charter. (See Exhibit E)
2. The County Auditor should be appointed under the Charter for a set term at variance with the terms of the Mayor and Councilmembers. For example, the Honolulu City Auditor is appointed for a six year term, while the State Auditor, Marion Higa, is appointed by the legislature for an eight year term.

IV. SUPPORTING EXHIBITS:

Exhibit A- Findings and recommendations of the Audit Subcommittee in the COGC's 2008/2009 annual report.

p. 3

Exhibit B- General comments by COGC Chair Craig Anderson, which reaffirmed the need for an auditor position together with summaries of the subcommittees' recommendations in the 2009/2010 annual report.

p. 7

Exhibit C- Examples of inefficiencies, management deficiencies and losses in County operations:

1. Maui News article dated November 16, 2010 entitled "County unpaid for roadwork for decades"
2. Maui News article dated April 24, 2010 headline "Inefficiencies Found in County's Fleet-Recommendations could lead to millions in savings-panel"
3. Page 11 of COGC's Energy Subcommittee report on "Challenges for the Department of Public Works".

p. 14

p. 1

p. 1

Exhibit D- COGC's Energy Subcommittee Exhibit 2 "Maui vehicle fleet estimated replacement cost total \$90.9 million"

p. 12

Exhibit E- Authority, mission statement and professional capabilities of the Honolulu City Auditor position as provided in their Charter.

p. 2

V. RESUME: Malcolm Findley's educational and employment background relating to public service.

p. 2

EXHIBIT A

COST OF GOVERNMENT COMMISSION COUNTY OF MAUI

Report of Findings and Recommendations For Commission Term April 1, 2008 to March 31, 2009

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**

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 Hōkama, 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.

R. 6

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.

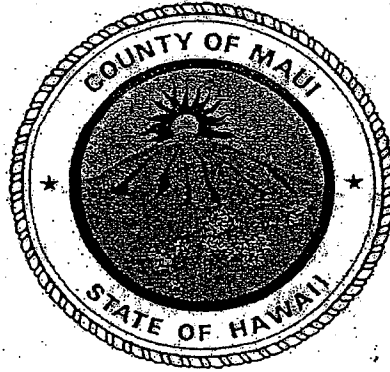
IV. RECOMMENDATIONS

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.

EXHIBIT B

COUNTY OF MAUI



COST OF GOVERNMENT COMMISSION

ANNUAL REPORT

APRIL 1, 2009-MARCH 31, 2010

COST OF GOVERNMENT COMMISSION COUNTY OF MAUI

Report of Findings and Recommendations for Commission Term 2009 – 2010

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.

Craig Anderson, Chair
Leo Caires, Vice Chair
Malcolm Findley, Member
Yarrow Flower, Member
Robert Hill, Member
Rebecca Kikumoto, Member
Bradford Ing, Member
Ivan Lay, Member
Ann Moe, Member

**COST OF GOVERNMENT COMMISSION
FINAL REPORT
OVERVIEW**

I. INTRODUCTION

The Cost of Government Commission ("Commission") is charged with studying and investigating ways to "promote economy, efficiency, and improved service in the transaction of the public business in the legislative and executive branches of the County." Charter, County of Maui, Sections 8-16.1-2 (2006). Acutely aware of the implications of the unfolding recession, and the difficult financial challenges facing the County of Maui in Fiscal Year 2011, the Commission accepted its charge to look for cost-saving measures with an added measure of responsibility and commitment.

Following meetings with Mayor Charmaine Tavares and the Maui County Council to review the Commission's 2008 - 2009 Annual Report, specific areas of focus were identified and prioritized and three subcommittees were established: (1) Department of Management Subcommittee; (2) Energy Subcommittee; and (3) Personnel Cost Management Subcommittee. Each of the three subcommittees worked tirelessly to gather information and provide detailed recommendations, including estimated cost savings to the County. The Commission encourages County leaders to consider the Commission's recommendations during their deliberations of the Fiscal Year 2011 budget. Executive summaries of the subcommittees' recommendations are set forth in Part III below.

II. GENERAL COMMENTS

In addition to the executive summaries and full subcommittee reports that follow, the Commission submits the following general comments and recommendations for consideration by the County Council and the Mayor. These comments are anecdotal and the result of the Commission's various meetings, conversations, and research during the year.

1. Fiscal Implementation Team

It appears that there is widespread familiarity across County departments relative to the current budget shortfall and the ongoing need to control costs. The Commission believes that the Fiscal Implementation Team ("FIT"), comprised of the Managing Director, Budget Director and Finance Director, is an effective tool in driving awareness and reducing costs. The Commission supports the continuation of this team.

2. Grants to Non-profit Organizations

In reviewing County budgets spanning multiple years, it is evident that there has been significant growth in the number and dollar amount of grants to non-profit organizations that do not create revenue streams for the County. The Commission believes that this area may currently be under review and that some efforts have been made to consolidate like organizations to reduce duplication of efforts and overhead costs. The Commission supports the continued review of non-profit organizations with prudent reductions in expenses in this area.

3. Process Auditor

As highlighted in the Commission's 2008 – 2009 Annual Report, the Commission believes that deploying dedicated resources to review County processes and identify opportunities for improved efficiencies would not only be self funding, but could yield significant savings to the County. The Commission again recommends establishing and funding an operational auditor position within the County staffing guides.

4. Revenues

Many efforts are underway to address the cost side of the budget. In addition to these efforts, the Commission also believes there are opportunities to impact the revenue side of the ledger and submits the following for consideration.

- a. If residential property valuations decline in FY 2011, the Commission supports an increase in residential rates to maintain current property tax collections from the residential sector.
- b. The Commission also believes there are opportunities to increase the gas tax to address the highway fund shortfall and ongoing infrastructure needs.
- c. The Maui Bus has been a huge success and ridership is at an all time high. The Commission believes that the current fare of \$1 could be raised, if not doubled, to provide additional funding.

III. SUBCOMMITTEE EXECUTIVE SUMMARIES

A. Department of Management Subcommittee

The Department of Management, as well as the County of Maui, must be able to evolve to address the ever-changing socioeconomic situation and needs of its citizens and visitors. The Subcommittee offers the following recommendations to promote economy and efficiency within the Department of Management.

1. Reorganize the Department of Management by dividing the Department into two separate departments: the Department of Management and the Department of Information Technology.

The Subcommittee estimates that if a reorganization of the Department of Management had taken place in Fiscal Year 2010, it could have resulted in a 1% savings, thereby reducing its operating budget by \$44,354.

2. Amend the County Charter to allow the executive branch, with approval by the legislative branch, to create additional departments.

Assuming language was already in place in the County Charter, the Subcommittee submits that the increased efficiency could potentially save the County .25% of total operating costs, which in Fiscal Year 2010 would have amounted to approximately \$1.15 million.

3. Conduct monthly or quarterly meetings between the Department of Management and all department heads to improve inter-departmental communication.

There are no significant immediate savings expected as a result of implementing this suggestion; however, the Subcommittee asserts that increased communication and cooperation between departments would result in more efficient operations County wide.

B. Energy Subcommittee

A potential savings of up to \$32,818,400 over a period of two years is estimated by implementing the following recommendations in four separate program areas:

1. **MANAGEMENT OF THE COUNTY'S VEHICLE FLEET (ESTIMATED COST SAVINGS: UP TO \$24.3 MILLION)**
 - a. Implement a two-year "Comprehensive Vehicle Control and Cost Reduction Plan.
 - b. Establish clear guidelines for fleet retention and reduction.
 - c. Improve recordkeeping and data collection in the Department of Finance.
 - d. Control misuse of County vehicles through enhanced oversight.
 - e. Clearly indicate fleet data in the Comprehensive Annual Financial Report.
 - f. Add staff and modify the Fiscal Implementation Team to Support the Comprehensive Plan
2. **FLEET MAINTENANCE AND FUEL EFFICIENCY (ESTIMATED COST SAVINGS: \$518,400)**
 - a. Strengthen the Department of Public Works data system.
 - b. Encourage the Department of Public Works to review "Best Practices."
 - c. Revise budgeting process to increase cost control incentives.
 - d. Centralize vehicle recordkeeping in the Department of Finance.
 - e. Reevaluate the Department of Finance's annual maintenance cost figures.
 - f. Set standards to identify and control under-utilized vehicles.
 - g. Set fuel standards for vehicle purchases.

- h. Survey options for fuel-efficient vehicle purchases.
 - i. Identify low fuel-efficient vehicles for phase out where practicable.
3. COUNTY ELECTRICITY EXPENSES (ESTIMATED COST SAVINGS: \$8 MILLION)
- a. Evaluate cost impact of Maui Electric Company (MECO) rate increase on County departments.
 - b. Use 2009 MECO report to develop a plan to control costs.
 - c. Implement a department-wide savings plan to "zero out" rate increase impact.
 - d. Encourage County to demonstrate initiative in achieving energy cost savings.
4. RENEWABLE ENERGY FOR COUNTY DEPARTMENTS (ESTIMATED COST SAVINGS: UNKNOWN AT THIS TIME)
- a. Implement program for installing renewable energy equipment through use of Power Purchase Agreements.
 - b. Immediately assess all County-owned land, buildings, and facilities for suitable sites.
 - c. Issue requests for proposals to establish private/public partnerships.
 - d. Assign Energy Coordinator to oversee Power Purchase Agreements.

C. Personnel Cost Management Subcommittee

Overtime costs for the County of Maui in Fiscal Year 2009 was \$11 million. More than three quarters of overtime was concentrated in the Maui Police Department, Department of Fire and Public Safety, and Department of Environmental Management. The Personnel Cost Management Subcommittee explored the reasons for the overtime and reviewed approval processes, records, and internal controls in these three departments.

- 1. Retention rates for MPD and Fire and Public Safety are low at 50% over five years. Both departments have taken steps to address the issue, but even in this tougher economic climate, retention rates have not improved. The Subcommittee recommends that MPD and Fire and Public Safety work with their respective professional organizations to identify best practices that could result in higher retention rates. The Subcommittee estimates that a 20% increase in retention could result in \$2 million in savings over five years, or an average of \$400,000 per year.

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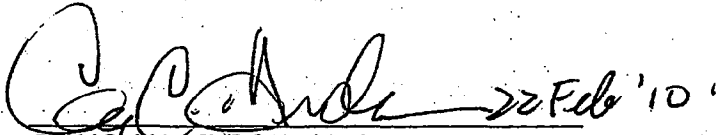
2. MPD appears to have established the best practices for managing overtime and expediting the recruiting process, thereby eliminating overtime that otherwise would be required. The Subcommittee recommends that other County departments consider modeling their management practices regarding overtime and the recruitment process on those of MPD if possible.
3. There appears to be little communication across County departments regarding overtime and no commonly produced or used management reporting. The Subcommittee recommends that department administrators meet at least twice per year to share best practices.

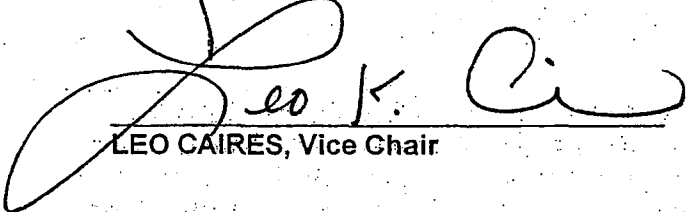
ACKNOWLEDGMENTS

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

The Commission would also like to thank Shelley Pellegrino, Executive Assistant to the Mayor, and Jeff Ueoka, Deputy Corporation Counsel, for their advice and assistance during the term. We also wish to thank Stan Zitnik, First Assistant to the Managing Director, and Aulani Delatori, Commission Secretary, for their help and support during the past year.

Respectfully submitted:


CRAIG ANDERSON, Chair

 2.22.10
LEO CAIRES, Vice Chair

County unpaid for roadwork for decades

Developers could owe millions for deferred infrastructure fees

By CHRIS HAMILTON
Staff Writer

WAILUKU - Departing Maui County Council Member Jo Anne Johnson on Monday said she wants to see her successors make certain that some developers and homeowners are held responsible for road projects built by Maui County - with taxpayer money - to support new, small, private subdivisions.

The county could be owed millions of dollars because of uncollected fees for road improvement projects done over a three-decade period for subdivisions of three lots or less, council members and county officials revealed Monday during a Planning Committee meeting.

Public Works Department Director Milton Arakawa said officials know as many as 1,800 "deferral agreements" for subdivisions that size. From 1974 until 2007, developers could either do the work themselves or ask the county to do it, deferring payment. The ordinance was changed so now property owners must build the widened roads, sidewalks and other agreed-upon improvements themselves.

The number of agreements could range in the thousands, Johnson and Arakawa said, but finding out who owes what would be very labor intensive, county staff say. "Further con-

to the idea of re-negotiating invoices, setting up payment plans or even granting amnesty in certain cases. She's been pushing for the Public Works Department to move forward on doing something about the problem for about a year, according to committee documents.

Johnson is leaving her West Maui residency seat after the new year because of term limits. The powerful Planning Committee has been bogged down for months dealing with the General Plan 2030 Update and has only a few meetings before four of its seven voting members must leave office.

Chairman Sol Kaho'ohalahala is among them. He, at Johnson's request, agreed to defer the matter for further study. No legislation has been proposed yet.

With a new mayor coming in as well, Alan Arakawa, Johnson used Monday's meeting to call on the next administration and council to pursue the matter. It could be a valuable source of revenue in a time of budget stringency and cuts.

Finance Director Kalbert Young said there could be liens, deed restrictions or other contractual methods already in place against property owners. That could be one way of approaching the issue, he said.

"This could be millions and millions and millions of dollars owed this county," Victorino said in agreeing this should be

a government priority.

Victorino said that he and Johnson became aware of the issue as county officials investigated how to pay for improvements to an upcoming phase of construction to Lower Honoapiilani Road.

Milton Arakawa said that for any subdivision with four lots or more, the developer has already been required to pay for the road improvements before he could get final subdivision approval.

But because of past policy, apparently, the smaller lots were given the deferrals, he said.

"So have you guys been collecting on it?" said Council Member Wayne Nishiki.

"No, we have not," Arakawa said.

Nishiki, who will also be out of office come January, suggested that the county hire a private contractor, such as a collection agency, to get back what's owed to the county. He also said that council members need "to bite" the Public Works Department to get the developers to pay for the road improvements.

Deputy Corporation Counsel Michael Hopper said the County Council may need to craft laws in order to collect the fees and also to determine if the subdivision developer or homeowner would be responsible for a lesser amount of money.

Milton Arakawa said there is billing or payment system

in place to accept money for these projects.

"I don't see any reason why the county can't collect on those agreements," Hopper said.

The Planning Committee also considered a draft bill by Kaho'ohalahala that would establish new "agriculture impact fees" for when ag land is converted to nonagricultural needs. The revenue would go toward agricultural preservation and conservation practices.

Planning Department Director Kathleen Aoki said this tool is relatively new but is similar to other laws implemented across the United States in recent years. Her concern, though, is the high cost of studies associated with the new fee, which can be as much as \$250,000, not including staff time, she said. The studies are needed, in part, to avoid lawsuits, Aoki said.

Planning staff said that if the council wants to implement agricultural impact fees, it should be part of a larger package of legislation in coordination with existing state and federal laws used to preserve coastal access and wetlands. However, Baisa said she thought that this bill "is kind of premature."

She noted opposition from the Realtors Association of Maui, which expressed concerns that the bill would for no reason negatively affect the agricultural zoning of longtime

non-ag properties, such as country stores and rural churches. Meanwhile, Maui County continues to have thousands of acres of "fallow agricultural lands."

The organization suggested that the county instead follow the state constitution and Act 183 of the 2005 Legislature, which called on county officials to identify and apply to protect "important agricultural lands," according to a letter by Dave DeLeon of the Realtors association.

But with a finite amount of land in Hawaii, Kaho'ohalahala said he was worried that many county lands would continue to be categorized as "rubbish lands" - as they have been in the past - if their ag use is not immediately apparent.

He said he expects that attitude to change as food and energy sustainability efforts continue to grow. Everyone knows the state is 90 percent reliant on imported foods, and that food sustainability and security is a top priority these days, he said.

"I think it's come to the point where we need some tools to further implement agriculture," Kaho'ohalahala said.

He also recommended that the next council push for county officials to study all of the available ag lands, so "we can feed our people."

Chris Hamilton can be reached at cham111n@maui.news.com.

The Maui News

Maui's Newspaper Since 1900

SATURDAY, April 24, 2010

75 CENTS

Inefficiencies found in county's fleet

Recommendations could lead to millions in savings — panel

By ILIMA LOOMIS, Staff Writer
WAILUKU — The county has about one vehicle for every two employees and owns an estimated 350 small vehicles that are more than 10 years old, according to a review by the Cost of Government Commission.

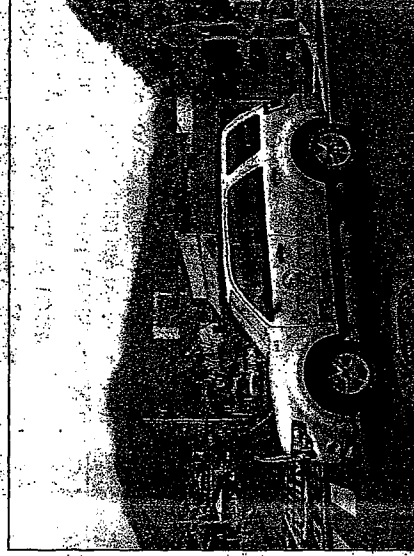
The commission suggested that the county could save millions by

tions was posted online this week at www.mauicounty.gov/index.aspx?RID=179.

Also in the report, commissioners made recommendations for greater efficiency in the county's Department of Management, energy use, and county employee recruitment and overtime policies.

County Managing Director Sheri Morrison said she had requested the commission's review of the county's vehicle fleet and was pleased to get its input on improving efficiency.

See VEHICLES on Page A4



A County of Maui vehicle crosses the intersection of Kaohu Street and Waiale Road on Friday morning.

The Maui News
AMANDA COWAN
photo

Vehicles

Continued from Page A1

"I'm interested to see what we can do in the next year or two to implement some of those recommendations," she said.

She said her office would review the commission's cost projections, some of which are based on estimates or comparisons with data from the City and County of Honolulu, to see how accurate they are. But she agreed that the total number of county vehicles "seems like an awful lot."

"It does sound very high," she said. "I don't know if there is a standard you could base things on, but it seems we could take a deeper look, and now that we have this information we have a framework to go forward."

The county's fleet totals 1,268 vehicles, according to the commission report. Of that amount, 1,132 are small vehicles like cars, pickup trucks and vans.

"According to the information provided, there is roughly one small vehicle for every two employees," according to the report. "While there are a number of factors involved in determining what should be a reasonable and appropriate number of vehicles, it is probable that the present number is in excess of need."

More detailed data about the county's fleet is scarce, the commission also found.

While the Maui Police Department was able to provide current mileage information for all of its vehicles, the county Finance Department, which is tasked with maintaining records on the rest of the county's fleet, could provide the mileage for only a few vehicles, according to the report.

Finance was able to provide model year information on



The Maui News / AMANDA COWAN photo

A fleet of County of Maui vehicles lines the parking lot near the county building in Wailuku on Friday morning. A study found the county owns roughly one vehicle for every two employees. The Cost of Government Commission recommended the county establish a centralized system for record keeping and maintenance of its vehicles.

about half the county's fleet. Based on the data provided, the commission estimated that around 100 small vehicles were between 10 and 15 years old, and another 250 were more than 15 years old.

Other findings of the report include:

- The county's Fiscal Implementation Team — which includes the managing director, finance director and budget director — now reviews and approves all new vehicle purchases.

- While the Maui County Energy Alliance has recommended that the county require all new vehicles be fuel-efficient, the county has not yet set a fuel-efficiency standard for its fleet.

- The county doesn't have a standard policy for when vehicles should be replaced. Instead, various county departments handle replacements on their own.

- The only way to collect information on the county's fleet is to contact each department individually.

"It is not functional or reasonable to suggest that accurate

fleet data can only be obtained in such a piecemeal fashion," the report says.

Commissioners made no findings about the abuse of take-home vehicles by county employees. But they found that it's "probable" a number of circumstances exist in Maui County that would create the potential for abuse, such as vague policies, lack of centralized control, a relative surplus of vehicles, financially stressed employees and "reluctance on the part of senior management to address abuses because of concerns about 'past practice' issues that might be raised by the union."

The commission proposed a two-year "comprehensive vehicle control and cost-reduction plan," and estimated that it could save the county up to \$24.3 million.

Recommendations include:

- In the first year, retiring all small vehicles more than 15 years old or with more than 125,000 miles.

- In the second year, retiring small vehicles over 10 years old or with more than 100,000 miles.

- Freezing the purchase of new vehicles and postponing the replacement of retired vehicles for at least two years.

- Identifying underused vehicles for possible transfer to other departments.

- Postponing replacement of large vehicles like sanitation trucks or fire engines for two years.

- Establishing a standard vehicle replacement policy.

- Creating a centralized record-keeping system for the county fleet.

- Improving oversight of take-home vehicles to prevent abuse.

- Hiring a full- or part-time employee to oversee vehicle management.

"Those are reasonable suggestions," Morrison said, noting that the county already has put a near freeze on new vehicle purchases as part of its response to the current budget crisis.

She said she would study the report to determine which recommendations could be implemented immediately, and which would need to be evaluated more before the county could commit to them.

Morrison said she would like to see the county establish an office or division responsible for managing all vehicles outside of fire and police; records, maintenance and replacement all could be handled in one place.

Currently, the Finance Department maintains records for insurance purposes, the Purchasing Division keeps other information, and individual departments track data like maintenance and mileage for their vehicles.

"While we have pieces of fleet management capability, we don't have the entire package," Morrison said.

■ *Ilima Loomis can be reached at iloomis@mauinews.com.*

4. Challenges for the Department of Public Works

The Subcommittee posed a number of questions to DPW, which provides maintenance services for approximately half of the County's vehicle fleet (630 vehicles). This department faces difficult challenges given the wide variety of vehicles used and the various departments served. Logistical requirements for operations in Hana and the outer islands further stretch DPW resources. DPW provided detailed responses to Subcommittee questions on certain aspects of its operations. See Exhibit 13. Many of DPW's responses, highlighted below, mirror the issues raised by the Honolulu Audit.

- a. Need for updated software, such as the Assetworks "FleetFocus M5 Fleet Management System," to document completed operations and control expenses.
- b. Lack of a centralized database to document and store vehicle information such as current mileage, date of last service, and total maintenance cost. At present, there is a reporting system for all vehicles, but because there is no centralized database, the information cannot be easily retrieved.
- c. Lack of software to track maintenance costs per vehicle, which creates budgeting problems as highlighted in DPW's response:

We hope to amass this [maintenance cost] data in FY2011 so that Departments will be responsible for their own automotive budgets and have an incentive to implement cost savings measures. Currently departments have no real reason to manage automotive costs as the budget is pooled into a budget that the Highway Division manages.

See Exhibit 13, p. 2.

- d. Lack of clerical support to gather information to maintain an adequate database and control system:

The primary reason for the lack of data concerning the odometer reading and maintenance costs for each vehicle is due to the lack of a centralized database. The information is kept in each district and given the lack of manpower to update the database, the data is dated.

See Exhibit 13, p. 3.

5. Standards Lacking for Under-utilized Vehicles

The Honolulu Audit states in part:

We found that under-utilized vehicles may adversely impact fleet efficiency. Some jurisdictions have minimum use standards to justify keeping a vehicle in use. The city does not have a formal minimum-use standard for passenger vehicles. However, informally, the Automotive Equipment Services Division suggests that city passenger vehicles should be driven at least 5,000 miles annually.

EXHIBIT D

12. 18

**COST OF GOVERNMENT COMMISSION
ENERGY SUBCOMMITTEE
EXHIBIT 2**

MAUI VEHICLE FLEET ESTIMATED REPLACEMENT COST
Prepared by Energy Subcommittee, Cost of Government Commission
November 2009

- 1. *Cars / SUVs (all types except for Ford Crown Victoria police vehicles)
 - **Estimated average unit cost: \$30,000
 - Number of vehicles: 408 vehicles
 - Estimated Replacement Cost: \$12.2 million (\$30,000 x 408 vehicles)**

- 2. Police Ford Crown Victoria patrol vehicles — fully equipped
 - ***Estimated average unit cost: \$47,000
 - Number of vehicles: 206 vehicles (Note: 11/20/09 vehicle inventory from MPD indicates 143 Crown Victoria vehicles)
 - Estimated Replacement Cost: \$9.7 million (\$47,000 x 206 vehicles)**

- 3. Pickups (all sizes) and vans
 - Estimated average unit cost: \$40,000
 - Number of vehicles: 518 vehicles
 - Estimated Replacement Cost: \$20.7 million (\$40,000 x 518 vehicles)**

- 4. Heavy trucks, sanitation trucks, special-purpose vehicles, and motorized equipment (except fire engines)
 - Estimated average unit cost: \$250,000
 - Number of vehicles: 117 vehicles
 - Estimated Replacement Cost: \$29.3 million (\$250,000 x 117 vehicles)**

- 5. Large Fire Engines — fully equipped
 - Estimated average unit cost: \$1 million
 - Number of vehicles: 19 vehicles
 - Estimated Replacement Cost \$19 million (\$1 million x 19 vehicles)**

ESTIMATED TOTAL REPLACEMENT COST \$90.9 MILLION

*Numbers and models of vehicles obtained from Finance Department list of 1,268 vehicles. See Exhibit 1, Attachment A.
 **Estimated unit costs are in part supported by list obtained from Fiscal Implementation Team. See Exhibit 5, pp. 4-5.
 ***Crown Victoria vehicles cost \$40,000, with an additional \$7,000 for a "police package," including computer and security enhancements.

P. 20

HONOLULU CITY AUDITOR

EXHIBIT E

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The Office of the City Auditor is located at the following address:

Office of the City Auditor
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Kapolei, Hawaii 96707



[Click here for map](#)

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Office Hours: Monday through Friday
7:45 a.m. to 4:30 p.m.

Staff Listing:

Edwin S.W. Young
City Auditor

Sherri Suzawa

v. 21

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Authority

In the November 2002 General Election, the voters demanded accountability in city government when it overwhelmingly approved an amendment to the city charter creating an independent City Auditor. This was precipitated by the council's desire to strengthen the auditing function in city government and ensure that the agencies and programs of the city are held to the highest standard of accountability to the public. The charter affords the auditor the independence to initiate work under the auditor's authority and to consider requests for work from the council. [Chapter 5 of the Revised Charter of Honolulu \(RCH\)](#) establishes the powers of the City Auditor.

Section 3-502, RCH, permits the auditor to have full, free, and unrestricted access to any city officer or employee and grants authorization to examine and inspect any record of any agency or operation of the city, to administer oaths and subpoena witnesses and compel the production of records pertinent thereto.

Mission Statement

The Office of the City Auditor's mission is to promote accountability, fiscal integrity and openness in city government. The Office of the City Auditor will examine the use of public funds, evaluate programs and activities, and provide timely, accurate and objective analyses, options and recommendations to decision makers in order to ensure that the city's resources are being used to effectively and efficiently meet the needs of the public.

Independence

To ensure the objectivity of the Office of the City

p. 22

Auditor, the charter requires that the City Auditor be independent of the mayor and the city council. The charter further enhances the auditor's independence through a six-year appointment by council, with removal from office for cause by a two-thirds vote of the council. While the council can recommend audit topics, the City Auditor determines the work program for the office. The Office of the City Auditor administratively reports to the City Council of Honolulu.

Professional Standards

As required by the city charter, we adhere to very rigorous and demanding professional auditing requirements described in Government Auditing Standards, or more commonly referred to as GAGAS or the Yellow Book. These standards include requirements for planning our work, ensuring that our staff is properly trained and supervised, determining our rationale for the objectives, scope and methodology, selecting the criteria we use to evaluate the audit subject, and ensuring that our evidence is sufficient, relevant, and competent.

Continuing Professional Education

Government auditing standards require that our audit staff complete at least 80 hours of continuing professional education every two years. In addition, the standards require that at least 24 of the 80 hours be in subjects directly related to the government environment and to government auditing.

Types of Audits

The Office of the City Auditor reports the work of performance audits, financial audits, and attestation engagements, which are defined in the United States Government Accountability Office's *Government Auditing Standards, 2003 Revision*, as follows:

Performance audits provide information to improve program operations and facilitate decision making by parties with responsibility to oversee or initiate corrective action and improve public accountability.

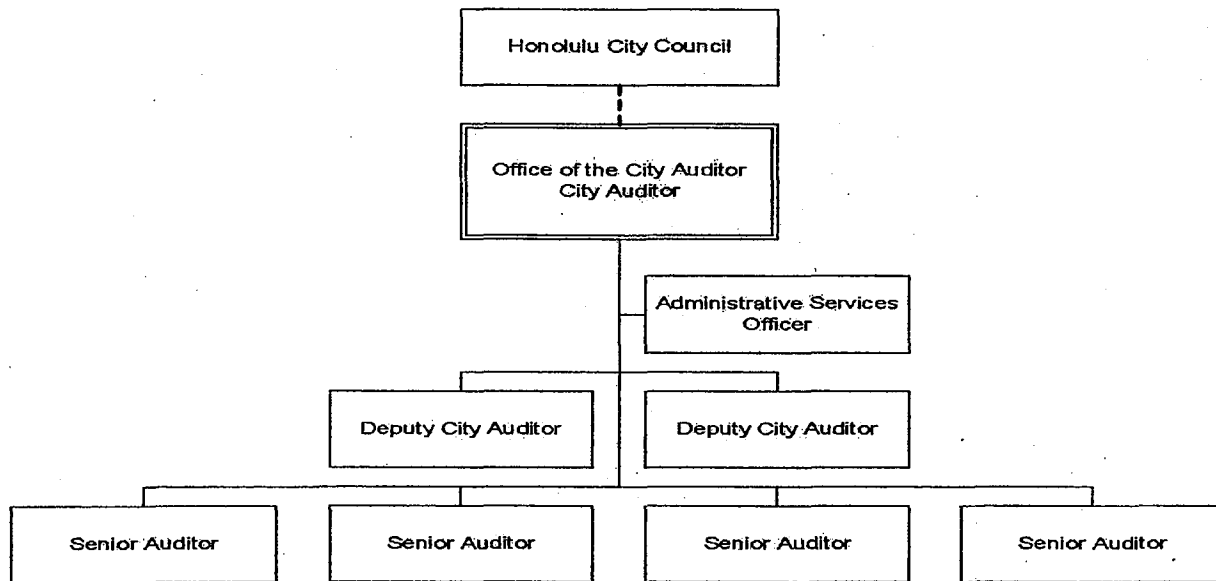
Financial audits provide reasonable assurance about whether financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles (GAAP), or

p. 23

with a comprehensive basis of accounting other than GAAP.

Attestation engagements are engagements concerned with examining, reviewing, or performing agreed-upon procedures on a subject matter or an assertion about a subject matter and reporting on the results.

Office Organization Chart



Friday, September 03, 2010

MALCOLM FINDLEY

PO Box 791815,
Paia, Maui, HI 96779.
Phone: 808 579 9944.
Email: mhfmaui@webtv.net

RESUME

1) MAUI COUNTY BOARDS AND COMMISSIONS, 2005-JUNE 2010

- COST OF GOVERNMENT COMMISSION, 2008 - 2010, CHAIR of the AUDIT AND ENERGY SUB COMMITTEE. Primary co-author of the Energy Subcommittee portion of the "Cost of Government Commission Annual Report 2010."
- MAUI COUNTY ANIMAL CONTROL BOARD, MEMBER 2005 - 2008.

2) COMMUNITY ACTIVITIES

- Demonstrated commitment to helping Hawaii, Maui County, and the Maui community by serving for the past five years as a volunteer as:
 1. VOLUNTEER SPECIALIST FOR CONSUMER PROTECTION, i.e., fraud prevention for both AARP Hawaii, and
 2. Hawaii's OFFICE OF AGING SENIOR MEDICARE PATROL (SMP).

3) WORK HISTORY, (LAST FIRST)

- Retired from The United States Department of Housing and Urban Development (HUD), December, 1999.
- Director Single Family Housing Division, HUD, Los Angeles, CA. GS-14. (Last HUD position before retirement)
- Chief of the Multifamily Loan Management Branch, HUD, Los Angeles. GS-14.
- Deputy Chief and Chief of the Real Estate Owned Branch (REO), HUD, Los Angeles. GS1-3/14.
- Special Assistant to the HUD Manager, HUD, Los Angeles. GS-13.
- Housing Specialist, HUD, Los Angeles, GS-12.
- Program Specialist Community Development Grants and Loans, HUD, San Francisco Regional Office; GS-9/11.
- Housing Intern, HUD, San Francisco Regional Office, GS-7, 1968.
- Administrative Intern, Research and Budget Branch, City of Phoenix, AZ, City Manager's Office, 1966-1967.
- Intern, Budget Department, Maricopa County, AZ, 1965-1966.
- Taught Sixth Grade, Yuma, AZ, from 1963-1965.

Findley Resume. Page 2

4) EDUCATION:

- Punahou School, Honolulu, HI, Graduated 1958.
- BA, Political Science, University of Washington, Seattle, WA. 1962.
- Master's Degree, Public Administration (MPA), 1967.
Masters Degree Thesis: "Evaluation of Home Rule for Maricopa County." Arizona State University, Tempe, AZ, 1967.
- Completed a one-year Executive Identification and Development Training program administered by The Office of The Secretary, United States Department of Housing and Urban Development, 1980.

5) SUMMARY OF QUALIFICATIONS/EXPERIENCE

- Knowledgeable about governmental practices and procedures based on educational background and over 30 years work experience in federal and local government. Generally informed about County's operations and challenges from serving on Maui County Boards and Commissions.
- I have a general awareness of the history and culture of the islands. I lived at Pearl Harbor for a total of seven years in the 1950's, while my career naval officer father was stationed at CINCPAC. Attended school in Hawaii and graduated from Punahou. Moved to Maui in 2001 after my wife, Jackie, passed away on the mainland.

To: Josh Stone, Chair, Maui County Charter Commission, and Members

From: Sally Raisbeck

427 Liholiho St Wailuku Hi 96793 808-244-9604

sallyraisbeck@earthlink.net

Date: June 21, 2011 Paia Community Center

Subject: **ORAL TESTIMONY: THREE POINTS**

Three points:

1. Your effectiveness will depend on the quality of the analyst you hire. Supposedly you closed the application period last Friday.. Re-open it, and ask Chairman Stone to contact Professor Jon Van Dyke directly and ask him if he wants to apply. He is the person who was the analyst ten years ago, is a Professor at the UH Law School, and is recognized as an authority on Constitutional law. You owe it to Maui to try to get him to advise you and help you to organize and analyze your work.

2. I passed out information on the Akaku Open Mic possibility. If each of you made a 5-minute segment for Open Mic, telling what the Charter is, and why YOU think it is important enough to spend a year of your life trying to improve it, then the Akaku audience would have a much better idea about the subject. This would be an alternative to being told by Joe Bradley and the Maui News that you are redundant and useless. You are each recognizable to quite an important segment of Maui, and seeing and hearing you would emphasize the importance of your work.

If there are not too many testifiers tonight, I would like to come back later to tell you what made me realize how important it will be to educate the voters, and that you have way too little money to do so effectively.

3. Has anyone here, except for Commissioner Okamoto, ever heard of Matt Mano? I never heard of him.

In the 2010 general election, Matt Mano beat Riki Hokama on Lanai. He got 60 percent of the Lanai vote. So much for the theory that residency areas give Lanai or Molokai "a voice".

I want to congratulate Dave DeLeon on his proposal for district voting combined with Island Boards for Lanai and Molokai. I find it really breath-

062111 - Public Hrg. - Raisbeck Public Testimony

taking, and by thinking about Lanai and Molokai, it makes me go back to first principles about what government is all about.

CAN an island of 3000 people , where 98% of the land is owned by an absentee landlord, govern itself? New England towns that small have been governing themselves for hundreds of years. Some of them are islands., Nantucket for one, with 10,000 population.

I have to confess, my first thought after reading Dave's proposal was "Would the elected Island Board members be paid?" My answer is no, just expenses. They, like you, would do it for love of their island. They would probably meet in the evenings so citizens could attend. Clearly, a lot of thought is needed on the details.

OUTREACH IS NOT FREE

If time allows, an addendum about how much education is needed for the public.

Last Sunday I was talking with a friend at church. She is a very intelligent woman, in her 60s, been on Maui 40 years, she and her husband founded and still run a successful small business. Her kids grew up here of course, she votes, and is very integrated into the community. She asked me what I had been up to lately, and when I said I was very interested in the Charter revision process, she asked me "What's the Charter?" I explained it's like the US Constitution, or the State Constitution, it's the basic structure of government for the County, and I am interested because I want us to have district voting. She said, "What's district voting?"

I realized that most people don't understand the system we have now, and explaining it will take a lot of effort and advertising.

Honolulu's charter commission spent over \$500,000, having been allotted over \$900,000. Half of what they spent was for salaries, the rest was for advertising, printing, brochures, TV ads, etc.

You have almost no budget for the necessary expenses of communicating.

OPEN MIC



From: Sally Raisbeck
Date: 6/21/11
Subject: FREE
PUBLICITY!

Akakū reserves its studio weekdays between 1 and 3pm for single-camera productions called Open Mic, for resident members of our community. This opportunity allows any resident of Maui County to speak in front of the camera on any topic that they choose. The studio is scheduled in 15 minute time slots for taping, but the actual airtime produced is not to exceed 5 minutes. Akakū provides one staff member to tape the segments. There is no editing available and participants may take more time if time allows. Set dressing is limited and participants are asked to keep their segments simple. The telephone numbers and websites of certified of non-profit organizations may be included as a service to the public. There may be no "call to action" or mention of money; cost of admission, price of service, etc. If there is a question of resident status, documentation may be requested. A cablecast agreement must be completed by participant at the time of taping.

Cost: This service is free of charge. Call Akakū Production department to make an appointment at 873-3432. The recorded Open Mic will begin airing as soon as possible. Remember: Good planning is very important for time sensitive events.

Dear Commissioners:

You are going to need a LOT of education of the public on "What is the Charter?" and "Why is it important?"

Each of you are recognizable to a large segment of the public. If each of you made a 5-minute "Open Mic" about your view of the Charter, you could educate the Akaku audience, FREE!

6/21/11 - D.L. Harris - Raisbeck Public Text.