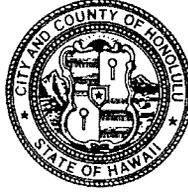


DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
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KIRK CALDWELL
MAYOR



February 19, 2013

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2013 FEB 20 AM 7:47
NELSON H. KOYANAGI, JR.
ACTING DIRECTOR
GARRET KUBOKAWA
DEPUTY DIRECTOR

The Honorable Ernest Y. Martin, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Martin and Councilmembers:

We have concerns with Bill 4 (2013) in that it is contrary to the charter provision that sets up the grants-in-aid program. While Bill 4 (2013) directs the Department of Budget and Fiscal Services (BFS) to administer the projects funded by grants awarded from the grants-in-aid fund, the charter provision assigns these duties to the Department of Community Services (DCS). We propose that the bill be amended to provide that BFS administer the grants-in-aid fund and that DCS administer the grants awarded by the fund.

We also have serious concerns with Sec. 6-____.4 (e) of the bill which requires that all monies for projects to be funded with grants-in-aid monies be distributed to the grantees within 45 days of the beginning of the fiscal year.

Providing 100 percent of the award amount to the grantee at the time of award may reduce accountability by the grantee. Once the grantee receives all of the funds, there may not be sufficient incentive to file required reports or submit documents substantiating costs incurred on a timely basis.

In the report on the audit of the Leeward Coast Community Benefits Program (December 2010) the City Auditor stated that a policy that provided 80 percent of the grant funds upon award reduced the grantee's accountability and increased the potential for fraud, waste, and abuse. The auditor found that some grantees who received 80 percent of the award never filed reports with the city identifying what was accomplished and never substantiated costs incurred.

We recommend that Bill 4 (2013) be amended to remove Sec. 6-____.4 (e) and that grant awards be disbursed on a reimbursement basis defined by rules.

Sincerely,


Nelson H. Koyanagi, Jr.
Acting Director

NHK:dw

APPROVED:



Ember Lee Shinn
Managing Director Designate

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