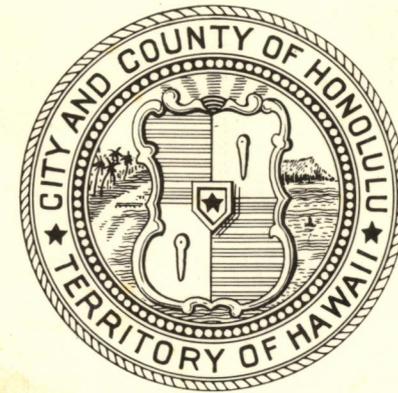


**AUDITOR'S
ANNUAL REPORT
FOR 1955**



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JAMES K. MURAKAMI, AUDITOR,
CITY AND COUNTY OF HONOLULU,

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CITY AND COUNTY AUDITOR'S OFFICE

JAMES K. MURAKAMI, AUDITOR

MAXWELL C. Le VINE,
First Deputy Auditor

Iris O. Fukuhara, Secretary

FIELD AUDIT AND SYSTEMS DIVISION

ALFRED Y. K. AU, C.P.A. (Chief)

James T. Sakai, P.A.

Nip Tong Akona, P.A.

George Moniz, P.A.

Siegfried Kufferath

Quon Chiu Ching

Laura L. Guerrero

DISBURSEMENT DIVISION

E. A. K. WILLIAMS
(Second Deputy Auditor)

Robert M. Sato, P.A.

Arthur P. Louis

Emma R. Kaakua

Kim Oi Mau

Gwendolyn L. Akana

Irene M. Sasaki

Alice K. Murayama

Oliver H. Bettencourt

Bernice L. Jarrett

JAMES K. MURAKAMI
AUDITOR



MAXWELL C. Le VINE
First Deputy Auditor

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CITY AND COUNTY OF HONOLULU
OFFICE OF THE AUDITOR
HONOLULU 13, HAWAII

Greetings:

Upon becoming your City and County Auditor, one of four elected administrative officials, I assumed the responsibility as your public servant for what I consider to be the key department in the whole structure of our City and County Government. I pledged able and faithful discharge of the duties of my office and full loyalty to the laws and ideals of our Government.

The many and varied activities carried on by your City and County Government are both complex and far-reaching in our changing world. These activities touch each and every one of us where we are most sensitive--our pocketbook.

Our taxes, licenses and permits, fines, charges, and other special assessments make possible our City and County Government as we know it today. (Revenues for 1955 are estimated at \$23,906,100.) Small wonder then that we should be vitally concerned as to the moneys the City and County collects--how, where, when, why, and for what they are being spent.

It is obviously impossible for each and every one of us personally to be inquiring into and inspecting each receipt and each expenditure. As your City and County Auditor, I am by law charged with the responsibility to see that all moneys due are properly collected and that all expenditures made have been properly authorized and adequately substantiated. I will continue to exercise diligence and honesty to increase the effectiveness of my work as your able public servant.

In addition to my responsibility of audit and reporting on the financial operations of all departments, including my own, there are other related activities about which I feel you should be fully informed. I will attempt to bring you a firsthand picture of these related activities of the Auditor's Office, City and County of Honolulu, for the year 1955.

JAMES K. MURAKAMI
Auditor
City and County of Honolulu

Honolulu 13, Hawaii
December 31, 1955

Apr. 1955

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CITY AND COUNTY OF HONOLULU

1955 Annual Report of the City and County Auditor

POLICIES

No organization can expect to operate efficiently without sound and effective policies. As your City and County Auditor, I began a systematic review of all policies and practices with the basic objective to comply with the mandates of the law, to improve public relations, and to develop and maintain employee-morale.

To illustrate briefly: The elimination of the former policy and practice of free-and-easy assignments by employees of their paychecks ("salary buying") to unscrupulous creditors has proved successful. The close cooperation of Department Heads, responsible loan companies, and the employees themselves resulted in this success.

An improved policy and sound wage assignment system are now in full force and effect. Cases of no "take-home" pay by employees have been corrected.

STAFF

The members of the staff are the ones primarily responsible for the quality and quantity of the work output. The training and experience of the personnel of the Auditor's Office are partly reflected in the length of service of its employees. They have been carefully selected, trained, and supervised. I have demanded of them the highest degree of efficiency and production for the taxpayer's dollar, and have not shirked my responsibility to see that my staff is adequately compensated. I have also been alert to see that their problems and grievances are promptly discharged with fairness and satisfaction.

This year through my efforts many of the members of my staff were reclassified higher. Reclassification is pending for those not yet reclassified. I will further protect their interests when the problem of "repricing" of all occupations provided by law is faced.

The staff in turn responded commendably by achieving a banner year insofar as work is concerned. On the whole, considering the complete reorganization, morale has been exceptionally high. The professional attainments and ability of my staff will always be a source of personal pride to me. I will continue to encourage each and every member toward effective self-improvement.

SCOPE AND ACTIVITIES

The activities of the Auditor's Office are carried out by two divisions, the Disbursement Division, and the Field Audit and Systems Division, coordinated by my First Deputy Auditor, Maxwell C. Le Vine.

The auditor through the Disbursement Division headed by my Second Deputy Auditor, E. A. K. Williams, has control over the purse strings of the City and County of Honolulu. In spite of the fact that (1) the Controller budgets and allocates funds for the various types of activities and that (2) the departments incur obligations and

process claims for payments, the Auditor **actually** makes final payments—he is the one who **signs** the checks. The Auditor shares with the Controller responsibility for proper accounting of all City and County funds.

During 1955, the Disbursement Division recorded, controlled, and disbursed \$66,561,786.25 involving 82 separate funds and 175,904 warrants. An analysis shows 135,053 warrants totaling \$16,375,608.61 for payrolls, and 40,851 warrants totaling \$50,186,177.64 for other claims, deposits, and inter-fund transfers.

It is not difficult to realize the great responsibility placed upon the Disbursement Division. All warrants for payment of salaries and other claims are issued. The responsibility is not only to make payments promptly upon certification of the vouchers but to be sure that all payments have been corrected or adjusted according to judgments, liens, garnishments, and assignments.

The Field Audit and Systems Division headed by my Chief, Alfred Y. K. Au, C.P.A., provides assurance that the proprietary and budgetary transactions of all the departments in the City and County of Honolulu have been correctly included in proper records. Post-audits are made of the accounting records of all departments and other units. During 1955, a total of 56 audits were made as compared to 44 audits in 1954. Detection of discrepancies and faults are included in reports transmitted with fidelity and dispatch for necessary action to the Mayor, Board of Supervisors, and the Controller.

Of equal or even greater importance is the constructive work being carried on by this Division, namely, installation of proper checks and controls. My Philosophy of Auditing is concerned chiefly with inspection and prevention. It is much better to prevent defalcations and unauthorized practices through the establishment of adequate internal audit procedures and checks than to detect them after they have been committed.

The march of progress, in the sense of technological improvement, is irresistible. The clock cannot be turned back. It can sometimes be impeded, at immense cost to all the people, but in the end it must prevail. In recent years our systems work has taken on newer and greater responsibility and has kept pace with the latest administrative techniques and business machines. The challenge is upon the Field Audit and Systems Division to assume the task upon approval of possibly a major conversion of the accounting systems of the City and County of Honolulu to machine tabulation. This Division is fully aware of the heavy responsibilities facing it and has made extensive studies into all aspects of machine tabulation. The Division is prepared to meet the challenge.

Before this contemplated drastic conversion in step with the fast-changing times materializes, further thorough study will be given to the problem of perhaps employee dislocation. At any rate the change-over would be gradual as not to hurt any employee who may be involved by a change in this machine-modernization program, if and when it occurs. Hardships require relief, but the people's right to enjoy the

benefits of government efficiency must be respected, in the realm of government as well as in business and industry.

It may also be of interest for you to know that I strongly recommended legislation providing priority payment of unpaid wages and pay for accrued vacation to the City and County employee's beneficiary. This proposal was enacted by the Territorial Legislature in 1955. The law now lightens unnecessary hardship or difficulty on the survivors.

There is still pending my request of the Mayor, Board of Supervisors, and Controller for additional necessary help if I am to ably and faithfully discharge my legal duty in the important matter of required examinations of Inventories of Government Assets. An investment of \$62,054,299.97 (as of 1954) in City and County general fixed assets is of high priority and cannot longer be neglected.

My First Deputy Auditor and I are each bonded to the City and County for \$25,000. We are assisted by 18 employees. The expenditures for the Auditor's Office for 1955 totaled \$105,865.91.

PROBLEMS OF THE AUDITOR'S OFFICE

The problems of this office with which I am greatly concerned center around a closer coordination and cooperation with the Controller's Office in areas such as:

1. Follow-up on audit recommendations, and
2. Joint action in effecting major system installations.

I have every hope that these problems will be satisfactorily resolved in the very near future.

CONCLUSION

As shown by the foregoing high lights and side lights and by the more detailed discussion which preceded this review, programs and policies instituted under my new management have already produced substantial results.

Of course, the job is not yet finished. Much remains to be done, but the achievements apparent thus far are encouraging indications for the future.

In closing, I pledge my complete efforts and undivided loyalty to serve you fellow citizens ably, industriously, and honestly. The basic policies of this department will continue as established by me with such moderate changes as will be necessary to meet new conditions occasioned by the passage of time.

JAMES K. MURAKAMI
Auditor
City and County of Honolulu

City Hall
Honolulu 13, Hawaii
December 31, 1955

ACTIVITY HIGH LIGHTS AND SIDE LIGHTS OF THE DISBURSEMENT DIVISION

The 1955 high lights and side lights include:

1. IMPROVED POLICY OF WAGE ASSIGNMENTS: Recommended adoption of an adequate, up-to-date resolution regulating wage assignments of all City and County employees. Such resolution was adopted by the Board of Supervisors on April 15, 1955, Resolution No. 194.

The new policy and practice generally limits wage assignments to 25 percent of total pay (garnishee payments included) to only one each worker for a specific debt. More "take-home" pay by City and County employees has been achieved.

2. REVISION OF PRIORITY PAYMENTS: Recommended legislation which was enacted by the Territorial Legislature in 1955.

Act 71 (H.B. 765) makes specific provisions for priority payment of earned and unpaid wages, as well as pay for accrued vacation, of the deceased government employee to the beneficiary designated by the employee. The new law lightens unnecessary hardship or difficulty on the survivors.

3. UNIFORM INVENTORY METHOD: Recommended legislation which was enacted by the Territorial Legislature in 1955.

Act 119 (H.B. 1240) changes from "full cash value" to "original cost" the method of listing inventories of government assets filed annually by county officers. The new law carries out the same intent and purpose for the City and County of Honolulu as the then pending pertinent legislation for the Territory of Hawaii.

4. IMPROVED DISTRIBUTION OF REMITTANCES: Reassignment of duties without increasing personnel, work simplification, and team work in this Division resulted in faster issuance of warrants and remittances to vendors.

ACTIVITY HIGH LIGHTS AND SIDE LIGHTS
OF THE
FIELD AUDIT AND SYSTEMS DIVISION

The 1955 high lights and side lights include:

1. NEW CONCEPTION OF AUDITING: A new conception of independent auditing was effectively carried out—the modern managerial instead of the clerical or policing type. Greater emphasis is placed on prevention of dishonesty, extravagance and waste than on their detection.

Constructive progress has been made toward the goal of making semi-annual audits and investigations of various departments, which will result in greater protection of taxpayers' dollars.

2. IMPROVED ORGANIZATION: An improved working unit can be seen by the record of 56 audits completed with reports filed. This is attributed primarily to better administration including internal working relationships, work flow and procedures, and job performance by the staff.

Reclassification, begun by the Auditor, had a particularly gratifying effect on employee-morale.

3. GRATIFYING RESULTS: Enjoyment of greater respect and cooperation from the various departments in carrying out changes, suggestions, and recommendations made by the Auditor.

The primary interest and duty of the Auditor is the soundness of the affairs of the City and County government for the public welfare.

4. SYSTEMS AND IMPROVEMENTS: Existing systems have been surveyed; installations and progress inspected and checked. New installations and related activities included:

- (a) Design and installation of new report form for Liquor Commission in compliance with requirements of Act 263, S.L.H. 1955,
- (b) Design of new form to control Off-Street Parking where meters installed do not have registers,
- (c) Participation in management surveys which included the studies of the use of machine tabulation for billing, payroll, police work, etc.

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Honolulu, Office of the Auditor.
Auditor's annual report, Honolulu: 1933-~~1955~~

Annual.
Library holdings: 1933 thru 1948 (3c each)
1955 (3c.); 1957 thru 1959 (2c. each).

1. Finance, Public - Honolulu.