

**ANNUAL REPORT  
OF THE  
AUDITOR**

*Honolulu,*  
" " "

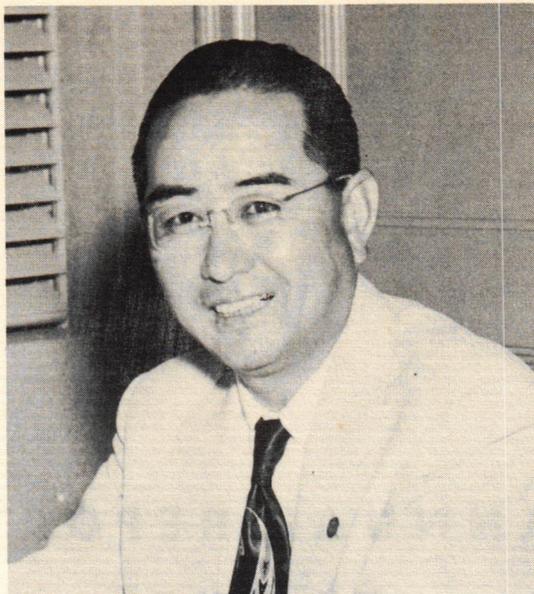
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**JAMES K. MURAKAMI  
CITY AND COUNTY AUDITOR**

**For Reference**

**Not to be taken from this room**



**ROSTER OF THE CITY AND COUNTY AUDITOR'S OFFICE  
DECEMBER 31, 1957**

JAMES K. MURAKAMI ..... AUDITOR  
 IRIS O. FUKUHARA ..... Secretary to the Auditor  
 MAXWELL C. Le VINE ..... Deputy Auditor

**DISBURSEMENT DIVISION**

ARTHUR P. LOUIS ..... Disbursement Officer  
 ROBERT M. SATO ..... Assistant Disbursement Officer  
 SEICHI TODA ..... Departmental Administrative Analyst  
 EMMA R. KAAKUA ..... Warrant Issue Supervisor  
 KIM OI MAU ..... Senior Account Clerk  
 MYRON N. SUYETSUGU ..... Account Clerk  
 GWENDOLYN L. AKANA ..... Warrant Issue Clerk  
 IRENE M. SASAKI ..... Warrant Issue Clerk  
 ALICE K. MURAYAMA ..... Warrant Issue Clerk  
 ETHEL K. NAKAGAWA ..... Assistant Clerk-Typist

**FIELD AUDIT AND SYSTEMS DIVISION**

ALFRED Y. K. AU, C.P.A. .... Supervising Field Auditor  
 JAMES T. SAKAI ..... Senior Field Auditor  
 NIP TONG AKONA ..... Field Auditor  
 GEORGE MONIZ ..... Field Auditor  
 SUEO SEKIMURA ..... Property and Inventory Auditor  
 QUON CHIU CHING ..... Assistant Field Auditor  
 SAKAE AMANO ..... Assistant Field Auditor  
 LAURA L. GUERRERO ..... Field Audit Secretary

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JAMES K. MURAKAMI  
AUDITOR



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

December 31, 1957

TAXPAYERS, CITIZENS, AND FRIENDS:

This Annual Report comes to you with an added significance this year in view of the pending Charter revisions.

A review of the activities of my department will show that the changes as proposed by the Charter Commission cannot be considered as a reflection upon the manner in which my office has operated. In fact, I am proud to say that our efficient operation in discharging our public responsibility should act as a deterrent and a caution against any drastic changes without substantial, supporting, and sound reasons.

With this thought in mind and in the brief space of this report, I am inviting you to visit with us and to examine for yourself our accomplishments.

This review and our arguments why the changes as proposed by the Charter Commission should not be adopted will enable you to concur with us that the Auditor's Office has operated efficiently and effectively; therefore its basic organization of an Elective Auditor should be preserved--no matter what the other changes may be.

Yours sincerely,

JAMES K. MURAKAMI  
Auditor  
City and County of Honolulu

May 1958

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CITY AND COUNTY OF HONOLULU

## **HIGHLIGHTS OF 1957**

Briefly, these are highlights of my department's activities for 1957:

### **EXAMINATIONS OF GOVERNMENT ASSETS**

For the first time, annual departmental inventories of government property as required by law received physical item-by-item verification.

### **RECORD NUMBER OF AUDITS AND EXAMINATIONS**

A total of 53 completed audits and inventory examinations were filed for the year 1957.

### **SCIENTIFIC SIMPLIFICATION OF ACCOUNTING PROCEDURES**

Scientific approach has been used in the simplification of accounting procedures and records.

### **DISPATCH IN DISTRIBUTION OF WARRANTS**

Payments to employees and vendors have been expedited by an efficient warrant distribution.

### **AGGRESSIVE FOLLOW-UP OF UNCASHED WARRANTS**

Aggressive follow-up resulted in successful clearing of all outstanding warrants at the year-end.

### **STATEMENT OF PAYROLL DEDUCTIONS**

Steps were taken to enable City and County employees to receive a statement of all deductions made against their salaries.

### **POLICY TO LIMIT PAYROLL ASSIGNMENTS**

A systematic limitation on payroll assignments has discouraged employees from habitual indebtedness and heavy mortgaging of their future earnings.

### **EXAMPLES OF EFFICIENT MANAGEMENT**

Every effort was made to set up my department as an example of efficient management.

### **NEEDED CONSOLIDATION OF WATER SYSTEMS**

Support is given to the consolidation of the Suburban Water System and the Board of Water Supply for better service.

### **ISSUE TAKEN ON PROPOSED CHARTER REVISION**

Strong issue has been taken on the recommendation of the proposed new City Charter for an Appointive Auditor to replace the present system of open election.

### **OUTLOOK FOR 1958**

I look forward to increased efforts to insure greater returns for money spent in City Government through performance audit in 1958.

## **OFFICE OF THE CITY AND COUNTY AUDITOR**

### **I. INTRODUCTION**

In accordance with our democratic precepts of checks-and-balances, the Auditor is now an elected official of the City and County of Honolulu. As such he enjoys independence of action and decision on a parity with the Mayor and the Board of Supervisors and other officials elected to administer the affairs of the City and County. This basic precept is not only necessary, but is in conformity with accepted auditing theories and practices, which place a premium upon the independence of the man doing the audit.

In view of the fact that there is a basic challenge by the Charter Revision Committee to destroy these precepts, the following report should be read with this point in mind: Whether a better independent judgment could be obtained in any other manner than by having the Auditor elected by the people—and be responsible to the people.

## II. AUDITOR'S FUNCTIONS

### A. WARRANTS ISSUANCE AND FISCAL OPERATIONS

The Auditor is currently the official who issues the warrants authorizing payments of City and County funds by the Treasurer. This does not give him the absolute authority to make any disbursement, but only to accept the vouchers for disbursements issued by the Controller who does the pre-auditing.

The amount of the payment and the object for which the payment is made are indicated and certified to by the Controller to the Auditor. However, in spite of this certification, the Auditor is charged with the responsibility by law to honor court orders, garnishments, or other personal assignments.

The checks-and-balances so necessary to adequate accounting control, as well as in conformance with basic democratic concepts, is specifically demonstrated here. The Auditor is in the CENTER. He does not originate any vouchers for payments (that remains the function of the various departments working in conjunction with the Controller). Neither does he make the actual payments of City and County funds (that remains the function of the City and County Treasurer). He stands, however, in the CENTER watching the operations of the two—in which position he is given an intimate knowledge of the financial activities of the City and County of Honolulu.

As a further check, the Auditor's fiscal operations are reviewed regularly by the Territorial Bank Examiners.

### DISBURSEMENT DIVISION

During 1957, a total of 184,674 warrants compared with 176,885 in 1956 were recorded, controlled, and disbursed. These warrants involved 98 funds and amounted to \$63,261,396. A classification of these warrants shows 142,022 warrants for payrolls, \$19,214,070; and 42,652 warrants for other claims, deposits, and inter-fund transfers, \$44,047,326. Claims vouchers totaling over 12,423 compared with 10,544 in 1956 were acted upon by this division.

Pay checks and checks to vendors have been distributed speedily and efficiently as the result of my work simplification program without resort to expansion of my staff. Plans are under way to introduce the added service of furnishing all City and County employees earnings and detailed deduction statements at each pay period.

### B. INDEPENDENT AUDIT

As an independent official elected by the people to review the fiscal operations of the Government of the City and County of Honolulu, the Auditor has under his jurisdiction an independent Field Audit and Systems Division which consists of qualified civil service employees and which also enjoys professional standing under direction of a Certified Public Accountant.

The Auditor as the qualified, elected representative of the people issues the directives and orders for general and specific audits and examinations. He is charged with the responsibility of seeing to it that work is done and that the agencies and areas needing specific attention and detailed audit are not neglected.

The responsibility of the Auditor is further enlarged in that, besides the audit functions, he assumes the logical responsibility of making recommendations for necessary and proper changes in the accounting systems throughout the City and County operating departments. A major project is the inventory by actual count and inspection for the first time of all City and County property.

#### FIELD AUDIT AND SYSTEMS DIVISION

During 1957, this division carried out a record-breaking 53 fiscal audits of departmental accounts and inventory examinations of government assets compared with 47 in 1956, and submitted reports and their findings to proper authorities. Special attention has been given more to inspection and prevention of irregularity or misappropriation than to its detection. A primary responsibility in undertaking an audit and examination is to see that assets are "all there" and that the liabilities are actually as shown by the books.

My new Property Audit and Inventory Control Section is engaged in systematic and comprehensive planning for modernization of property and inventory accounting in all departmental services. Inclusion of inventories within the strict accountability and responsibility of each department is contemplated upon the setting up by the Property Audit and Inventory Control Section of an adequate and reliable inventory.

Quarterly counts of cash, investments, and securities in the treasury is another of my important functions.

Exhaustive study and careful analysis has been given to machines, facilities, and mechanizations techniques toward their introduction in departments where needed. Recommendations and sound suggestions are built around the continuous needs of the department and not around particular personalities. For example: Laborious work has been done to put machine tabulation in the Traffic Violations Bureau of the Honolulu Police Department.

### III. IMPROVEMENTS AND PROBLEMS

#### A. RE-ORGANIZATION FOR EFFICIENCY

As Auditor, I have taken every opportunity to improve the operations of my own office as an example to the other departments. In this connection I made intensive study and re-organization of work.

The results of this re-organization have been gratifying.

#### B. ENCOURAGEMENT OF NEW THOUGHT

Employees of my department are encouraged to advance new ideas for the improvement of their work. A suggestion box is maintained for their convenience. In the past year the employees have made improvements in their work procedures which have contributed toward the excellent report I am presenting.

#### C. EFFECTIVE CURTAILMENT OF WAGE ASSIGNMENTS

Under my administration and direction, wage assignments have been effectively curtailed. City and County employees enjoy greater financial independence by not being heavily saddled with loans and debts. Before my administration, this was encouraged by an easy assignment policy.

#### D. EFFECTIVE FOLLOW-UP OF UNCASHED WARRANTS

In the interest of the public, I have taken effective steps to pursue with vigor and imagination an alert and aggressive procedure to reduce, if not eliminate, uncashed checks at the year-end.

Every considerable effort entailing publicity is made to reach claimants who may be entitled to the moneys. My basic objective in clearing up outstanding and unpaid checks has been fulfilled.

#### E. ITEMIZED STATEMENTS OF PAYROLL DEDUCTIONS

Much study is now being undertaken to give all City and County employees itemized payroll statements of earnings and deductions. This is required by law for private industries and is being complied with by the Territorial and other County Governments.

Results should be forthcoming soon.

#### F. SINGLE WATER DEPARTMENT

From personal knowledge of, and intimate acquaintance with, City and County water problems, a single water system appears logical. There can be no sound reason to maintain two separate City and County water programs, facilities, and services within a single government.

The time has come to merge the Suburban Water System with the present Board of Water Supply. A single department would better serve the needs of our bustling fast-growing community.

#### G. ISSUE WITH PROPOSED NEW CITY CHARTER

I have made exhaustive and thorough study of the City Charter Commission's proposed new provision of an "appointive Auditor" (by the Mayor) and an independent outside "post Auditor" (CPA). Now I am neither condemning, criticising, nor placing blame. I do claim the right as the incumbent Auditor to question relative emphasis.

Consequently, I am actively engaged in a campaign against the proposed new City Charter. This in itself is a proper part of the democratic process. I deliberately over-emphasize this phase relating to the Charter. Dissent should be heard. The issues pro and con have been presented in the press, radio and television panel discussions, and at public hearings.

Recognition of the sovereignty of the voter, I submit, is the principal reason why our democratic form of local government is the envy of the rest of the cities in the world. Generally, those cities which gave least recognition of this sovereignty prosper least and those in which the greatest recognition is given, prosper most.

Under the present form of valid and practical checks-and-balances, our local democratic form of government with its fundamental concept of an elective Auditor is far more secure than a Mayor-dictatorship form with an appointive Auditor. It is generally agreed that appointed officials are less responsive to the people's needs than elected officials. An elected Auditor is continually conscious of the truth and force of public opinion and is morally concerned with the protection of the public.

My careful study shows that small and medium-sized cities lean toward the Council-Manager or City-Manager form of government. This form was proposed originally for Honolulu and is most nearly approximated by the dictatorship "strong-mayor" type of Mayor-Council government. Such type as now proposed by the City Charter Commission is contrary to recent trends in municipal government. In cities of about 500,000 and over, nearly all operate under a Mayor-Council form, similar to ours, providing for an elective Auditor. An appointive Auditor by the

Mayor would serve only to ratify his acts and actions. Obviously, the basic value of an independent audit under such procedure would be lost.

It is apparent that the provision for an appointive Auditor is unrealistic, evasive, costly, and technically unworkable. Resort is had by the Commission to remedy violation of the checks-and-balances principle by providing for an independent outside Post-Auditor (CPA). Under this arrangement, the appointive Auditor can always shirk off his responsibility to the outside Post Auditor, or conversely. Also, the outside Post Auditor can pass on certain responsibilities and shortcomings to the appointive Auditor. The Commission freely admits that governmental auditing, independent and free of any influence whatsoever, is not only desirable, but necessary as a fundamental requirement in the public interest.

The proposed City Charter seeks to destroy or limit voters in their basic local right and privilege to determine for themselves in a democratic way what is to their own very best interests. The concept of an elective Auditor is true to the most advanced levels of democratic government. Hawaii's voters are maintaining America's democratic principles and have an unblemished record of which the Territory and community can well be proud.

In closing the report of my activities for 1957, I urge every right-thinking voter to voice loudly his expressed attitude and vigorous action against the provision for an appointive Auditor. A searching look with a scrutinizing eye at the overall make-up of the proposed new City Charter leads me to conclude that the claim for it as a more efficient, economical, and representative form of government is only a snare and a delusion. Attempts to attract and hold the attention of the people to win their approval of this charter is dramatic "showmanship." It should be subordinated in favor of the final best for our thriving city of over 433,000 inhabitants.

Honeyed words by the City Charter Commissioners and their misguided supporters about the need and desirability of the City Charter should not obscure a vital fact. That vital fact is that unless timely action is taken to freeze the position of the elective Auditor status in quo, the new charter is inadequate and as such deserves defeat by all clear-thinking voters when it is submitted to them at the polls for adoption.

Cordially yours,



JAMES K. MURAKAMI  
Auditor  
City and County of Honolulu

City Hall  
Honolulu 13, Hawaii  
December 31, 1957

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CITY AND COUNTY OF HONOLULU

