AUDITOR'S Annual Report for 1959

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AMES K. MURAKAMI, AUDITOR,
City and County of Honolulu.

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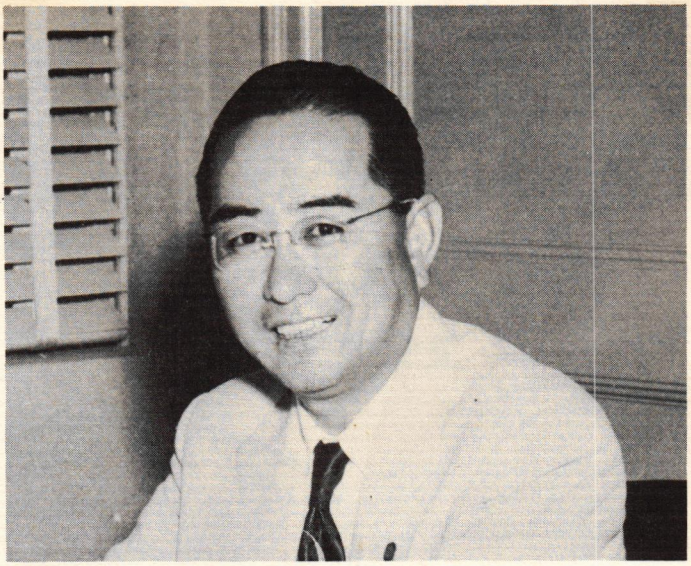

CITY AND COUNTY AUDITOR'S OFFICE
December 31, 1959

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

FIELD AUDIT AND SYSTEMS DIVISION

ALFRED Y. K. AU, C.P.A. ..... Supervising Field Auditor
JAMES T. SAKAI, P.A. ..... Senior Field Auditor
NIP TONG AKONA, P.A. ..... Field Auditor
GEORGE MONIZ, P.A. ..... Field Auditor
SUEO SEKIMURA, P.A. ..... Property and Inventory Auditor
KAZUO MIHARA, P.A. ..... Assistant Field Auditor
RICHARD H. TANAKA, P.A. ..... Assistant Field Auditor
LAURA L. GUERRERO ..... Field Auditor's Secretary

DISBURSEMENT DIVISION

ARTHUR P. LOUIS ..... Disbursement Officer
ROBERT M. SATO, P.A. ..... Assistant Disbursement Officer
ROBERT F. TAKANE ..... Departmental Administrative Analyst
EMMA R. KAAKUA ..... Warrant Issue Supervisor
KIM OI MAU ..... Senior Account Clerk
MYRON N. SUYETSUGU ..... Senior Account Clerk
GWENDOLYN L. AKANA ..... Warrant Issue Clerk
IRENE M. SASAKI ..... Warrant Issue Clerk
ALICE M. YAMASAKI ..... Warrant Issue Clerk
PHYLLIS M. VAN VERST ..... Clerk-Typist

JAMES K. MURAKAMI
CITY AND COUNTY AUDITOR

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

December 31, 1959

FELLOW CITIZENS:

This Auditor's Annual Report for 1959 -- the final report -- attempts to give you a bird's-eye, comprehensive picture of what my office did during 1959.

Practical space limitations permit but brief spotlights in reasonable completeness of some most important facts and matters of the year's operations. Informative comments with brief headings cover certain essential aspects.

I shall be glad to hear from anyone who is interested in my office or would like to know more about it, or who has any reflections, recommendations, or suggestions to make concerning it.

One more word, of a personal nature -- I am continuing in my present position until December 31, 1960. The City Charter abolishes my office, effective January 2, 1961. Thus I look forward to another year of full service.

With the cooperation, devoted assistance, and support which I have unfailingly received from all my employees, I hope to apply my energies effectively to the continued usefulness of the Office of the City and County Auditor.

Sincerely,

James K. Murakami
Auditor
City and County of Honolulu

May 1960 Free

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1959 AUDITOR HIGHLIGHTS

FISCAL RESULTS

Total Amount of Disbursements	$79,708,564
Total Number of Warrants Issued	197,719
Total Number of Claims Vouchers Processed	11,992
Total Number of Funds Employed	98
Total Number of Audits and Inventory Examinations Completed	45
Total Number of Employees	21
Total Amount of Operating Expenditures	$ 150,133

REORGANIZATION

Completed the long-range program of revitalizing the two divisions of the office through basic refinements in organization, methods, and procedures for maximum possible efficiency, high morale, and lowest possible operating costs.

INFLUENCES OF LAW

Exercised unremitting vigilance to detect failure by departments to meet legal and generally accepted accounting requirements and standards of reporting.

AUDITS AND INVENTORY EXAMINATIONS

Although the audits and inventory examinations related particularly to the accounting and office routines and methods used, it was believed desirable to "go afield" somewhat to express an opinion as to the "general atmosphere" of the department audited or examined. Expansion in disbursing and auditing activities continued without enlarging the staff itself.

MODERNIZED ACCOUNTING SYSTEMS

Accounting policies and standard routines have constantly been modernized in the interest of efficiency and economy to fit changing needs and circumstances.

SYSTEMS DEVELOPMENT AND INSTALLATION

New accounting and related systems and proper procedures were developed and installed and have been found operating satisfactorily as planned and designed. The effective use of modern data processing equipment in the City's operations has continued to be the object of careful study.

AUDIT AND INVENTORY EXAMINATION FINDINGS AND REPORTING

Spotlighted unusual situations before they developed through analysis and study of vital information; data were compiled, summarized, and evaluated and then transposed into neat, plain reporting language.

HONOLULU LIQUOR COMMISSION

Uncovered misappropriation of funds in the Honolulu Liquor Commission.

AUTOMOTIVE EQUIPMENT SERVICE DIVISION

Disclosed unsatisfactory handling of City repair jobs. The Auditor's recommended and adopted bidding procedure should produce much savings.

WARRANTS ISSUED

Payroll warrants and warrants to vendors were prepared accurately and issued promptly by a courteous staff.

YEAR-END UNCASHED WARRANTS

Uncashed warrants were held to a minimum at the year's close through planned systematic follow-up.

WAGE ASSIGNMENTS

Increased take-home pay for supplying necessary funds for food, clothing, and shelter was successfully brought about by a reasonable, workable policy of limiting wage assignments generally to 25% of total pay.

DECEASED EMPLOYEES' MONEYS

Survivors of deceased employees received payment of earned unpaid wages and accrued vacation pay promptly under a law recommended by the Auditor early in 1955 and enacted by the 1955 Legislature.

PAYROLL DEDUCTIONS

Payroll and other vouchers, certified by the Finance Director, were adjusted to honor court orders, writs of garnishment, liens, and personal assignments prescribed by law or policy.

PAYROLL DEDUCTION STATEMENTS

Statements itemizing all deductions from payrolls were prepared and given to employees.

PENSION DATA

Research frequently carried on to obtain available service data, other necessary vital information, and the best expert advice for employees who were eligible for City and County pensions.

CHANGEOVER UNDER NEW CITY CHARTER

In line with the Auditor's clearly defined purpose to work in close harmony with the Administration, every possible step is being explored to encourage the interest and activity of the staff and bolster up its morale for the approaching transition under the new City Charter, effective January 2, 1961.

OFFICE OF THE CITY AND COUNTY AUDITOR

INTRODUCTION

Just as private corporations exercise great care in their financial accounting to protect their stockholders, so does the City and County of Honolulu exercise diligence and honesty in its financial operations to keep faith with the citizen stockholders.

Finances constitute an important basic factor in every activity in the City and County Government. There must be a proper accounting of funds at all times.

NATURE AND SCOPE

There can be no greater responsibility entrusted to a government official than the safeguarding and accountability of public funds, investments, and other assets. Poor management of public funds . . . and faulty records can result in enormous losses for the taxpayers. Satisfactory performance of the auditing function is certainly one of the most important safeguards of municipal funds.

Summarized, the Auditor is responsible for the protection of the City's funds and accounts. Among his functions, as prescribed by law, are: determine that modern records are properly maintained; ascertain that proper accounting and office routines . . . were adequately performed; determine that certain internal checks are in operation; plan, design, and install accounting systems; prepare and issue warrants; make inventory examinations of government property; ascertain the extent of compliance with established policies, laws, plans, and procedures; and make quarterly counts of cash, depository, and investment securities in the City treasury.

DEPARTMENTAL ORGANIZATION

Two divisions, the Disbursement Division and Field Audit and Systems Division carry out the Auditor's complex activities and responsibilities. Personnel have all had progressively responsible general or specialized experience and training of a scope and quality sufficient to perform their assigned jobs in auditing and disbursing. Their long experience plus the technical skill they have acquired by long and large practice enables them to serve you efficiently and administer the many details of any problem no matter how

complicated. The Auditor's activities are regularly subject to audit by the State Bank Examiners.

The Auditor's responsibilities have continually grown in size and complexity, requiring him to make judgments on an ever-broader range of issues. He strove in every conceivable way to increase productive efficiency without increase in personnel. Under his close direction, both operating divisions devised ways and means which multiplied their staffs' output enormously. They devised and installed the techniques of maximum effective service. They streamlined operating procedures and hammered away at methods of improvement and have been holding the line of costs.

DISBURSEMENT DIVISION

After the Finance Director's pre-audit and certification of payrolls and all other obligations, warrants for their payment are prepared and issued by the Auditor.

In 1959 this division disbursed a total of 197,719 warrants compared with 196,539 in 1958. Warrants totaled $79,708,564 compared with $83,104,640 in 1958 and involved 98 funds. Analysis of these warrants show 149,585 for payrolls of $22,633,932 and 48,134 for other claims, deposits, inter-fund transfers, and repayments of $57,074,632. The division took action upon 11,992 claims vouchers compared with 13,203 in 1958. Certified payroll and other vouchers were adjusted to honor court orders, writs of garnishment, liens, and personal assignments as provided by law and policy. Warrants along with supporting statements of itemized deductions were issued promptly and courteously to employees. As indicated, the responsibility of the Disbursement Division is quite great.

FIELD AUDIT AND SYSTEMS DIVISION

With a well-qualified staff of registered public accountants directed by the supervising field auditor (CPA), assurance is made that proprietary and budgetary and inventory transactions of all departments were correctly recorded in proper records. Among other things, the scope and general nature of the audits involve review of some ways to determine whether the departments generally have been functioning effectively at the efficiency level.

Extent of the audit work include examination in sufficient detail to disclose departures from law, department regulations, policies, and correct accounting principles. Research is designed to give information regarding conditions of fact in accounting and budgeting as they exist today. From time to time special investigations are conducted in various matters referred to this division.

In 1959 the Field Audit and Systems Division completed 45 fiscal audits and inventory examinations including quarterly counts of cash, depository, and investment securities in the City treasury. Audit and inventory examination reports containing recommendations for improved accounting procedures and controls were transmitted to competent authorities. Five fiscal audits and one inventory examination were in progress at the year-end. The internal controls which the auditors installed are serving the purposes intended and are the best possible under the existing conditions. Work performed by the Field Audit and Systems Division is not based upon theory alone, but has emerged from the crossfire of relentless criticism on the part of expert practitioners.

The division is constantly alert to strengthen operational procedures in all departments to achieve goals including the legality and propriety of all expenditures, collection of all moneys due the City, and timely preparation of informative financial statements for the benefit of the public, the Mayor, Councilmen, Finance Director, and others.

For 1959 the Office of the City and County Auditor operated on a budget of $150,133 of which $136,089 was for salaries of the Auditor and his staff of 20.

TIMELY TOPICS OF CURRENT INTEREST

MALUHIA HOSPITAL

Alleged misappropriation of supplies at Maluhia Hospital has come as something of a shock to the public. But the shock can be a beneficial one. Here is persuasive evidence of the Auditor's oft-repeated urgent need for an additional permanent Assistant Property and Inventory Auditor. Adequate assistance could have provided the disciplinary deterrent to prevent, reduce, or eliminate any attempt at irregularity.

OPPOSITION TO OPERATING BUDGET CUTS

City Council, in restoring the Mayor's budget cuts, sustained the Auditor's vigorous opposition to the Mayor's frivolous slashing of needed funds for payroll and equipment in the Auditor's Office.

INVENTORY EXAMINATION PROGRAM

Although handicapped by the lack of an Assistant Property and Inventory Auditor, the herculean job of inventorying every department has been and is being aggressively carried out. Findings in our required examinations of Inventories of Government Assets re-emphasizes the high priority of the Property and Inventory Audit section introduced by the Auditor.

STATE EMPLOYEES' RETIREMENT SYSTEM LEGISLATION

Now working to develop, draft, and propose liberalized State legislative amendment for a realistic compulsory retirement age, adequate retirement allowance, and the granting of a monthly $50 "inflation cushion or subsidy" to benefit all State and City and County government retirees regardless of need.

HONOLULU LIQUOR COMMISSION

Audit of the Honolulu Liquor Commission uncovered a misappropriation of its funds. Extensive examination uncovered nine counts totaling $3780, and clarified many uncleared items reported upon in prior audits. Prosecution is pending in court.

AUTOMOTIVE EQUIPMENT SERVICE DIVISION

Survey revealed evidence of unsatisfactory practices in farming out City auto repair jobs. Taking bids was recommended and adopted and should result in good savings.

DIVISION OF REFUSE COLLECTION AND DISPOSAL

Studied need of, and designed, an adequate mechanized accounting program dealing with the tremendous number of accounts and the great activity within them. Sound recommendation for its installation was adopted.

CONDEMNATION OF BUILDINGS

Bold action is needed immediately to make low-cost housing immediately available to low-income family victims of condemnation.

LABORERS' AND TRUCK DRIVERS' PAY

In this era of high cost-of-living, the City's refuse collection and road maintenance laborers and truck drivers deserve adequate pay based on realistic policies and standards to be determined by City officials as well as legislation.

PARKING METER FEES

Parking meter fees should be as low as consistent with the useful service offered, toward producing satisfactory business and satisfactory revenue.

CHANGEOVER UNDER NEW CITY CHARTER

Fullest cooperation is assured the Administration to help carry out an orderly transition to the new City Charter government which abolishes the Auditor's elective office, effective January 2, 1961. Provision should be carried out by the Administration to transfer employees at present grades and salaries without loss of any Civil Service rights.

CONCLUSION

I have found it to be good government to issue annual reports to the citizens of the City and County of Honolulu. The public, unless it is properly informed, cannot know what their elective administrative officers are doing. An informed citizenry creates an active interest in municipal affairs which results in an efficient administration of City business. This report, my final one, is not intended as a vehicle for personal glorification or memorialization. It is a record and encouragement of community life, the most important unit upon which all other levels of government are based. It is intended to encourage and promote good government and good living on the part of us all.

As I conclude my work as Auditor, effective January 2, 1961, my pleasure has been to audit the funds and accounts of many ably run departments. These departments are all bent in rendering conscientious service to the community and endeavoring to keep the cost of governmental services within the available revenue. In the day-to-day happenings, progress often seems slow.

The distinguished achievement of statehood and economic developments in the community during 1959 make the future appear bright and promising. Honoluluans have ample cause to view this overall achievement with a full measure of pride and satisfaction. We have grown as a community in understanding and maturity, and developed a sense of mutuality which comes only with shared concerns and shared efforts.

As you already know, the new City Charter abolishes the Office of the City and County Auditor, effective January 2, 1961. I assure you I cannot find words sufficient to express the deep sense of gratitude I feel toward you for the high honor which you conferred upon me as Auditor. The five years (2½ terms) have been the pleasantest in my life. At the end of my third term (December 31, 1960), I shall leave with a feeling of satisfaction of a big job well done with undivided loyalty to the laws and ideals of my government.

I take this opportunity to thank my staff for the conscientious manner in which they performed their duties during this past year. A special word of appreciation goes to my many loyal friends and voters.

James K. Murakami, Auditor
City and County of Honolulu

City Hall
Honolulu 13, Hawaii
December 31, 1959

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