



FINANCIAL AUDIT OF THE STATE DEPARTMENT OF PLANNING & ECONOMIC DEVELOPMENT

FOR THE FISCAL YEAR ENDED
JUNE 30, 1967



THE OFFICE OF THE LEGISLATIVE AUDITOR

The office of the legislative auditor is a public agency attached to the Hawaii State legislature. It is established by Article VI, Section 8, of the Constitution of the State of Hawaii. The expenses of the office is financed through appropriations made by the legislature.

The primary function of this office is to strengthen the legislature's capabilities in making rational decisions with respect to authorizing public programs, setting program levels, and establishing fiscal policies and in conducting an effective review and appraisal of the performance of public agencies.

The office of the legislative auditor endeavors to fulfill this responsibility by carrying on the following activities.

1. Conducting examinations and tests of state agencies' planning, programming, and budgeting processes to determine the quality of these processes and thus the pertinence of the actions requested of the legislature by these agencies.
2. Conducting examinations and tests of state agencies' implementation processes to determine whether the laws, policies, and programs of the State are being carried out in an effective, efficient and economical manner.
3. Conducting systematic and periodic examinations of all financial statements prepared by and for all state and county agencies to attest to their substantial accuracy and reliability.
4. Conducting tests of all internal control systems of state and local agencies to ensure that such systems are properly designed to safeguard the agencies' assets against loss from waste, fraud, error, etc.; to ensure the legality, accuracy and reliability of the agencies' financial transaction records and statements; to promote efficient operations; and to encourage adherence to prescribed management policies.
5. Conducting special studies and investigations as may be directed by the legislature.

Hawaii's laws provide the legislative auditor with broad powers to examine and inspect all books, records, statements, documents and all financial affairs of every state and local agency. However; the office exercises no control functions and is restricted to reviewing, evaluating, and reporting its findings and recommendations to the legislature and the governor. The independent, objective, and impartial manner in which the legislative auditor is required to conduct its examinations provides the basis for placing reliance on its findings and recommendations.



LEGISLATIVE AUDITOR
IOLANI PALACE
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Foreword

This financial audit report of the department of planning and economic development is the result of the examination of the financial statements and records of the department for the fiscal year ended June 30, 1967. The audit was conducted by the firm of Alexander Grant & Company, certified public accountants.

The audit was conducted in accordance with the generally accepted auditing standards adopted by the membership of the American Institute of Certified Public Accountants. In addition, the audit was governed by the *Instructions to Independent Certified Public Accountants on Audit Engagements of Agencies of the State of Hawaii*, issued by the office of the legislative auditor.

The audit report is divided into three parts. Part I entitled, *Accountant's Report—Financial Statements*, is concerned with displaying the financial statements of the department of planning and economic development and expressing the auditor's opinion as to the reasonable accuracy of these statements.

Part II, the *Management Letter*, includes the auditor's evaluation of the adequacy and effectiveness of the system of internal control and the adequacy of the financial records, financial reporting, and budgetary controls. In addition, it discusses the weaknesses and inadequacies in the financial system and operations that the audit has uncovered and makes appropriate recommendations for their rectification.

It is our practice to request each of the agencies affected by our examination to submit in writing its comments on our findings and recommendations and to indicate what action it has taken or intends to take therefor. Agency responses resulting from this audit are shown in Part III of this report as *Memoranda of Comments by Affected Agencies*.

We wish to express our deep appreciation to the management and staff of the department of planning and economic development. They were most helpful and cooperative.

Clinton T. Tanimura
Legislative Auditor

SUMMARY TABLE OF CONTENTS

	Page
PART I: FINANCIAL STATEMENTS	
· Scope and Opinion	3
· Statement of Appropriations, Expenditures and Other Changes in Unexpended Balances – General Fund	5
· Selected Appropriation Expenditure Statements	7
· Comments on Tourism Promotion.....	11
· Industry and Product Promotion	12
· Foreign Trade Zone and Pacific Affairs	15
· Land and Water Conservation Fund Act Projects	18
· Statement of Appropriations, Expenditures and Other Changes in Unexpended Balances – Special Funds, Trust Funds and Bond Funds	24
· Loan Programs	25
PART II: MANAGEMENT LETTER	
· General Comments	3
· Specific Comments	
· Organization – Accounting Functions	6
· Method of Accounting	9
· Reporting and Budgeting	10
· Books and Records	11
· Appropriations, Allotments, and Lapsed Appropriations	13
· Cash Receipts and Revenue	14
· Expenditures	15
· Payroll	16
· Encumbrances	16
· Foreign Trade Zone Operations	17
· Property and Equipment	18
· Loans Receivable	18
· Land and Water Conservation Fund Act Projects	20
· Summary of Recommendations	25
PART III: COMMENTS BY AFFECTED AGENCIES	
· Index of Recommendations by Affected Agencies	1
· Memoranda of Comments of Affected Agencies	2

PART I

FINANCIAL STATEMENTS

STATE OF HAWAII
DEPARTMENT OF PLANNING AND ECONOMIC DEVELOPMENT
ACCOUNTANTS' REPORT - FINANCIAL STATEMENTS
June 30, 1967

I N D E X

Page

ACCOUNTANTS' REPORT

REPORT LETTER	3
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND OTHER CHANGES IN UNEXPENDED BALANCES - GENERAL FUND	5
SELECTED APPROPRIATION EXPENDITURES	
PLANNING AND ECONOMIC DEVELOPMENT SERVICES	7
LAND USE COMMISSION	8
COMMISSION ON MANPOWER AND FULL EMPLOYMENT	9
STATE PROGRAM FOR PROMOTION OF RESEARCH AND DEVELOPMENT AND SCIENCE-RELATED INDUSTRIES	10
COMMENTS ON TOURISM PROMOTION	11
INDUSTRY AND PRODUCT PROMOTION	
COMMENTS	12
EXPENDITURES	14
FOREIGN TRADE ZONE AND PACIFIC AFFAIRS	
STATEMENT OF REVENUES COLLECTED AND EXPENDITURES	15
OTHER REVENUE	16
EXPENDITURES	17
LAND AND WATER CONSERVATION FUND ACT PROJECTS	
GENERAL COMMENTS	18
BALANCE SHEET	19
STATEMENT OF CLAIMS PROCESSED AND ADMINISTRATIVE EXPENSES	19
COMMENTS ON FINANCIAL STATEMENTS	20
PROJECT BUDGET AND EXPENDITURES	22
PROJECT STATUS AT JUNE 30, 1967	23
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND OTHER CHANGES IN UNEXPENDED BALANCES	
SPECIAL FUNDS	24
TRUST FUNDS	24
BOND FUNDS	24
LOAN PROGRAMS	
COMMENTS	25
LOANS RECEIVABLE	28

ALEXANDER GRANT & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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The Auditor
State of Hawaii

We have examined the following financial statements of the DEPARTMENT OF PLANNING AND ECONOMIC DEVELOPMENT, STATE OF HAWAII, for the year ended June 30, 1967:

Statements of Appropriations, Expenditures and Other Changes in Unexpended Balances (excluding funds related to the Oahu Transportation Study and Foreign Trade Zone capital improvement projects)

General Fund
Special Funds
Trust Funds
Bond Funds

In accordance with your request, funds related to the Oahu Transportation Study and Foreign Trade Zone capital improvement projects were not included in the scope of our examination. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements have been prepared on a cash basis and do not reflect accrued appropriated revenue or expenses. Current expenditures for property and equipment and loans made are included among expenditures.

In our opinion, the accompanying financial statements present fairly the appropriations, expenditures and other changes in unexpended balances, excluding funds related to the Oahu Transportation Study and Foreign Trade Zone capital improvement projects, of the Department of Planning and Economic Development for the year ended June 30, 1967, on the cash basis described in the preceding paragraph, which basis is consistent with the preceding year.

The data included in addition to the above-mentioned basic financial statements are not considered necessary for a fair presentation of the financial position and results of operations but are presented primarily as supplementary information. The supplementary statements included in this report have been subjected to the audit procedures applied in the examination of the basic financial statements and in our opinion are fairly stated in all material respects in relation to the basic statements taken as a whole.

Alexander Grant & Company

Honolulu, Hawaii
December 15, 1967

State of Hawaii
Department of Planning and Economic Development

GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND OTHER CHANGES IN UNEXPENDED BALANCES
(Prepared on a cash basis)

Year ended June 30, 1967

Program	Law	Unexpended balances July 1, 1966	Appropri- ations, Session Laws of Hawaii, 1966	Other credits and transfers			Expendi- tures	Lapsed to state general fund	Unexpended balances June 30, 1967	Analysis of unexpended balances June 30, 1967		
				Federal grants- in-aid and other contri- butions	Appro- riated revenues	Transfers from other appropri- ation				Other (net)	Encumbered	Unencumbered
Fiscal 1967 Operating Appropriations												
Planning and Economic Development Service	Act 8/SL 66	\$ -	\$ 583,022	\$ -	\$ -	\$ -	\$ -	\$ 464,144	\$112,876	\$ 6,002	\$ 6,002	\$ -
Foreign Trade and Pacific Affairs	Act 8/SL 66	-	121,733	-	17,341	-	-	103,861	33,033	2,180	2,180	-
Hawaii Capital Loan Program (transfer to Special Funds)	Act 8/SL 66	-	450,000	-	-	-	-	450,000	-	-	-	-
Industry and Product Promotion	Act 8/SL 66	-	100,000	-	-	-	-	39,995	-	60,005	60,005	-
Tourism Promotion	Act 8/SL 66	-	1,372,830	-	-	-	-	1,372,830	-	-	-	-
Neighbor Island Economic Development	Act 8/SL 66	-	37,500	-	-	-	-	37,500	-	-	-	-
Land Use Commission	Act 8/SL 66	-	50,144	-	-	-	2,969	28,831	19,767	4,515	4,515	-
Commission on Manpower and Full Employment	Act 8/SL 66	-	40,000	-	-	-	-	38,588	1	1,411	1,411	-
State Program for the Promotion of Research and Development and Science- Related Industries	Act 8/SL 66	-	51,100	-	-	-	-	36,409	3,084	11,607	11,607	-
Subtotal		-	2,806,329	-	17,341	-	2,969	2,572,158	168,761	85,720	85,720	-
Federal Funds												
Planning - State Transporta- tion and the General Plan	Federal Funds	83,414	-	-	-	-	-	35,654	-	47,760	22,015	25,745
Planning - State Technical Services Act	Federal Funds	25,000	-	15,000	-	-	-	14,404	-	25,596	-	25,596
Planning - Vocational Rehabilitation Services	Federal Funds	-	-	67,400	-	-	4,630	37,328	-	34,702	17,773	16,929
Outdoor Recreation Services	Federal Funds	-	-	281,662	-	-	-	145,640	-	136,022	-	136,022
State Technical Services - Annual Program	Federal Funds	-	-	10,370	-	-	-	-	-	10,370	-	10,370
Subtotal		108,414	-	374,432	-	-	4,630	233,026	-	254,450	39,788	214,662

NOTE: This statement does not include funds related to the Oahu Transportation Study or Foreign Trade Zone capital improvement projects.

State of Hawaii
Department of Planning and Economic Development

GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND OTHER CHANGES IN UNEXPENDED BALANCES (continued)
(Prepared on a cash basis)

Year ended June 30, 1967

Program	Law	Unexpended balances July 1, 1966	Appropri- ations, Session Laws of Hawaii, 1966	Other credits and transfers				Expendi- tures	Lapsed to state general fund	Unexpended balances June 30, 1967	Analysis of unexpended balances June 30, 1967	
				Federal grants- in-aid and other contri- butions	Appro- priated revenues	Transfers from other appropri- ation	Other (net)				Encumbered	Unencumbered
Special Purpose Appropriations												
Study for a State Housing Program	Contributions	\$ 1,136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,136	\$ 1,042	\$ 94
Depressed Area Fund	S 98M/RL 55	151,500	-	-	-	-	-	2,414	-	149,086	-	149,086
Statewide Community Shelter Plan	A 150/SL 57	9,509	-	-	-	-	-	-	-	9,509	-	9,509
State Program for the Promotion of Research and Development and Science-Related Industries	A 210/SL 65	2,402	-	-	-	-	-	2,400	-	2	-	2
County and Private Contributions - Lahaina Regional Plan	Contributions	-	-	10,500	-	-	-	-	-	10,500	10,500	-
Subtotal		164,547	-	10,500	-	-	-	4,814	-	170,233	11,542	158,691
Capital Improvement Projects												
Honolulu Civic Center Plan, Oahu	A 150/SL 57	3,000	-	-	-	-	-	-	-	3,000	-	3,000
State Planning Office	A 150/SL 57	124	-	-	-	-	-	-	-	124	-	124
State Planning Development Fund	A 150/SL 57	15,084	-	-	-	-	-	6,861	-	8,223	-	8,223
State Funds to Match Federal Planning Grants for Shorelines Study, P-10	A 195/SL 61	3,404	-	-	-	1,634	-	4,549	-	489	-	489
State Funds to Match Federal Planning Grants	A 195/SL 65	-	-	-	-	84,399	-	39,002	-	45,397	33,904	11,493
Subtotal		21,612	-	-	-	86,033	-	50,412	-	57,233	33,904	23,329
Appropriations of prior years, fully encumbered	-	102,605	-	-	-	-	-	58,913	2,144	41,548	41,548	-
TOTAL		\$397,178	\$2,806,329	\$384,932	\$17,341	\$86,033	\$7,599	\$2,919,323	\$170,905	\$609,184	\$212,502	\$396,682

NOTE: This statement does not include funds related to the Oahu Transportation Study or Foreign Trade Zone capital improvement projects.

State of Hawaii
Department of Planning and Economic Development

SELECTED APPROPRIATION EXPENDITURES

July 1, 1966 to June 30, 1967

	Planning and economic development services					
	Disbursements		Encumbered 11/30/67	Total	Budget	Under (over) budget
	To 6/30/67	7/1/67 - 11/30/67				
Personal services expense	\$389,494	\$2,093	\$ -	\$391,587	\$506,222	\$114,635
Other current expenses						
Hired services	10,320	-	-	10,320	600	(9,720)
Material and supplies	7,356	193	-	7,549	8,375	826
Communications	9,924	-	-	9,924	9,261	(663)
Travel and subsistence	8,454	206	10	8,670	16,955	8,285
Freight and delivery	119	-	-	119	200	81
Printing and advertising	21,051	-	-	21,051	19,500	(1,551)
Utilities	-	-	-	-	-	-
Rentals	8,241	-	-	8,241	5,800	(2,441)
Repairs and maintenance	1,516	-	-	1,516	2,050	534
Insurance	-	-	-	-	-	-
Dues and subscriptions	1,416	35	-	1,451	1,900	449
Miscellaneous expense	1,576	-	-	1,576	1,075	(501)
Special contracts and projects	-	-	-	-	-	-
	69,973	434	10	70,417	65,716	(4,701)
Equipment purchases	<u>4,677</u>	<u>1,533</u>	<u>1,932</u>	<u>8,142</u>	<u>11,084</u>	<u>2,942</u>
TOTAL EXPENDITURES	<u>\$464,144</u>	<u>\$4,060</u>	<u>\$1,942</u>	<u>\$470,146</u>	<u>\$583,022</u>	<u>\$112,876</u>

NOTE: Personal services expenses are substantially under budget because appointments were not made for several positions authorized in the budget. Also several positions were filled on a special contract basis which resulted in the expense being charged to hired services. The department has indicated that travel and subsistence expenses were substantially under budget due to the department being able to combine travel for the different programs and therefore reduce the number of trips necessary.

State of Hawaii
 Department of Planning and Economic Development
 SELECTED APPROPRIATION EXPENDITURES (continued)

July 1, 1966 to June 30, 1967

	Land Use Commission					Under (over) budget
	Disbursements		Encumbered 11/30/67	Total	Budget	
	To 6/30/67	7/1/67 - 11/30/67				
Personal services expense	\$20,051	\$ 21	\$ -	\$20,072	\$36,288	\$16,216
Other current expenses						
Hired services	-	-	-	-	-	-
Material and supplies	476	742	-	1,218	900	(318)
Communications	200	-	-	200	200	-
Travel and subsistence	6,114	212	-	6,326	7,250	924
Freight and delivery	-	-	-	-	-	-
Printing and advertising	826	-	-	826	1,600	774
Utilities	-	-	-	-	-	-
Rentals	-	-	-	-	-	-
Repairs and maintenance	106	-	-	106	100	(6)
Insurance	-	-	-	-	-	-
Dues and subscriptions	31	-	-	31	-	(31)
Miscellaneous expense	158	-	40	198	200	2
Special contracts and projects	-	-	3,500	3,500	3,500	-
	<u>7,911</u>	<u>954</u>	<u>3,540</u>	<u>12,405</u>	<u>13,750</u>	<u>1,345</u>
Equipment purchases	<u>869</u>	-	-	<u>869</u>	<u>106</u>	<u>(763)</u>
TOTAL EXPENDITURES	<u>\$28,831</u>	<u>\$975</u>	<u>\$3,540</u>	<u>\$33,346</u>	<u>\$50,144</u>	<u>\$16,798</u>

NOTE: Personal services expenses are substantially under budget because appointments were not made for several positions authorized in the budget.

State of Hawaii
 Department of Planning and Economic Development
 SELECTED APPROPRIATION EXPENDITURES (continued)

July 1, 1966 to June 30, 1967

	Commission on manpower and full employment					
	Disbursements		Encumbered 11/30/67	Total	Budget	Under (over) budget
	To 6/30/67	7/1/67 - 11/30/67				
Personal services expense	\$25,733	\$ -	\$ -	\$25,733	\$18,396	\$(7,337)
Other current expenses						
Hired services	318	1,156	-	1,474	-	(1,474)
Material and supplies	780	8	-	788	700	(88)
Communications	1,075	-	-	1,075	3,196	2,121
Travel and subsistence	1,131	-	-	1,131	4,000	2,869
Freight and delivery	61	-	-	61	-	(61)
Printing and advertising	1,257	-	-	1,257	-	(1,257)
Utilities	-	-	-	-	-	-
Rentals	2,029	40	104	2,173	-	(2,173)
Repairs and maintenance	92	-	-	92	-	(92)
Insurance	152	18	-	170	-	(170)
Dues and subscriptions	-	-	-	-	100	100
Miscellaneous expense	-	-	-	-	-	-
Special contracts and projects	5,634	-	-	5,634	13,608	7,974
	12,529	1,222	104	13,855	21,604	7,749
Equipment purchases	326	85	-	411	-	(411)
TOTAL EXPENDITURES	<u>\$38,588</u>	<u>\$1,307</u>	<u>\$104</u>	<u>\$39,999</u>	<u>\$40,000</u>	<u>\$ 1</u>

NOTE: Instead of contracting for certain economic research services, the department employed an additional economist and clerk and thus causing personal service expense to be over budget and special contracts and projects expense to be under budget.

State of Hawaii
 Department of Planning and Economic Development
 SELECTED APPROPRIATION EXPENDITURES (continued)

July 1, 1966 to June 30, 1967

	State program for promotion of research and development and science-related industries					Under (over) budget
	Disbursements		Encumbered 11/30/67	Total	Budget	
	To 6/30/67	7/1/67 - 11/30/67				
Personal services expense	\$16,916	\$ -	\$ -	\$16,916	\$20,000	\$ 3,084
Other current expenses						
Hired services	1,986	-	-	1,986	-	(1,986)
Material and supplies	5	-	-	5	240	235
Communications	-	-	-	-	-	-
Travel and subsistence	-	-	-	-	1,760	1,760
Freight and delivery	-	-	-	-	-	-
Printing and advertising	30	-	-	30	4,000	3,970
Utilities	-	-	-	-	-	-
Rentals	276	-	-	276	-	(276)
Repairs and maintenance	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Dues and subscriptions	80	-	-	80	-	(80)
Miscellaneous expense	88	-	-	88	100	12
Special contracts and projects	<u>17,028</u>	<u>4,457</u>	<u>7,150</u>	<u>28,635</u>	<u>25,000</u>	<u>(3,635)</u>
	19,493	4,457	7,150	31,100	31,100	-
Equipment purchases	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>\$36,409</u>	<u>\$4,457</u>	<u>\$7,150</u>	<u>\$48,016</u>	<u>\$51,100</u>	<u>\$ 3,084</u>

COMMENTS

Fiscal 1967 Operating Appropriations

Expenditures for selected appropriations are classified by object of expenditure on pages 7 through 10. Brief comments on expenditures for the other operating appropriations are contained in the paragraphs below. As of September 30, 1967, substantially all the encumbrances at June 30, 1967 had been liquidated with the exception of funds retained to meet the state's share of expenditures under product promotion contracts with local industry associations and funds retained to cover the estimated cost of certain conferences scheduled to meet during fiscal 1968.

Tourism Promotion - All funds appropriated for tourism promotion were expended during the year as budgeted. The detail is as follows:

DPED contract with Hawaii Visitors Bureau	\$ 832,830
DPED - HVB contract with Fawcett-McDermott Associates, Inc.	<u>500,000</u>
	1,332,830
Grants to County Tourism Advisory Committees, \$10,000 per county	<u>40,000</u>
	<u>\$1,372,830</u>

Terms of tourism promotion contracts require the Hawaii Visitors Bureau to furnish the department with information and materials on the bureau's operations. These include minutes of all Board of Directors and Executive Committee meetings, a monthly financial summary, a quarterly statement of receipts and disbursements of non-governmental funds, an audited financial statement

for the period of the contract and certification by a certified public accountant that "the state monies allocated by this contract have or have not been expended within the limitations and according to the provisions ..." of the agreement.

The department has received and reviewed this information provided by the Hawaii Visitors Bureau, including audited financial statements and certification by certified public accountants that "the state appropriation aggregating \$832,830 for the fiscal year ended June 30, 1967 has been expended ... within the limitations and according to the provisions set forth in the contract" It, however, has requested that the bureau provide it with additional information on means of financing of unpaid obligations on the monthly operating reports beginning November 1967.

At June 30, 1967 current liabilities of the Hawaii Visitors Bureau exceeded current assets by approximately \$170,000. The working capital ratio at that date was 1 to 2. During the years ended June 30, 1967 and 1966 the operations of the bureau have resulted in excesses of expenses over income.

Industry and Product Promotion - Substantially all of the industry and product promotion appropriation was used to fund projects jointly sponsored by the state and other groups to promote promising export products of Hawaiian industry. The cost of these projects is usually shared by the state and the industry marketing association with the state gradually reducing its fraction of total expenditures over a period of years. Promotion

programs (some are continuations of programs begun in prior years) using funds from the current year appropriation are shown on the following page.

State of Hawaii
Department of Planning and Economic Development

INDUSTRY AND PRODUCT PROMOTION EXPENDITURES

Year ended June 30, 1967

	<u>Expenditures year ended June 30, 1967</u>	<u>Encumbered at June 30, 1967</u>	<u>Total</u>	<u>Budgeted</u>
Projects co-sponsored by the State of Hawaii				
Honolulu Chamber of Commerce (Hawaiian fashions and allied products)	\$ 7,418	\$ 7,230	\$ 14,648	\$ 14,648
Fruit Shippers Association (papayas)	8,063	17,937	26,000	26,000
Hawaii Cattlemen's Council (island beef)	-	7,000	7,000	7,000
Arthur D. Little, Inc. (Industrial potential of Hawaii, combined with the City and County of Honolulu and the Honolulu Chamber of Commerce)	<u>10,668</u>	<u>23,832</u>	<u>34,500</u>	<u>34,500</u>
Total co-sponsored projects	<u>26,149</u>	<u>55,999</u>	<u>82,148</u>	<u>82,148</u>
DPED fully sponsored projects				
University - Poi Research	2,000	-	2,000	2,000
British Columbia Trade Fair	<u>4,118</u>	<u>-</u>	<u>4,118</u>	<u>4,118</u>
Total DPED fully sponsored projects	<u>6,118</u>	<u>-</u>	<u>6,118</u>	<u>6,118</u>
Operating expenses				
Hired services	1,897	150	2,047	-
Communications	-	7	7	-
Material and supplies	166	-	166	-
Freight and delivery	21	581	602	-
Printing and advertising	5,594	2,992	8,586	-
Miscellaneous expenses	<u>50</u>	<u>276</u>	<u>326</u>	<u>-</u>
Total operating expenses	<u>7,728</u>	<u>4,006</u>	<u>11,734</u>	<u>11,734*</u>
TOTAL INDUSTRY AND PRODUCT PROMOTION EXPENSES	<u>\$39,995</u>	<u>\$60,005</u>	<u>\$100,000</u>	<u>\$100,000</u>

* Detail breakdown not available.

State of Hawaii
Department of Planning and Economic Development
Foreign Trade Zone and Pacific Affairs

STATEMENT OF REVENUES COLLECTED AND EXPENDITURES

Year ended June 30, 1967

Revenue	
Foreign trade zone area	\$ 6,532
Other	<u>10,809</u>
	17,341
 Appropriated for expenditures	 <u>121,733</u>
Funds available for operations	139,074
 Operating expenses and equipment purchases	 <u>106,041</u>
Funds lapsed to general fund	<u><u>\$ 33,033</u></u>

NOTE

The statement of revenues collected and expenditures does not include certain wharfage fees, the allocation of which is being determined by the Department of Transportation, Department of Planning and Economic Development and the Office of the Attorney General. Also excluded is depreciation on capital improvements.

State of Hawaii
Department of Planning and Economic Development
Foreign Trade Zone and Pacific Affairs

OTHER REVENUE

Year ended June 30, 1967

Public open storage	\$ 4,124
Handling charges	3,045
Office rental	1,653
Industrial area rental	824
Private warehouse space	865
Zone equipment rental	160
Parking rental	<u>138</u>
	<u>\$10,809</u>

State of Hawaii
 Department of Planning and Economic Development
 FOREIGN TRADE ZONE AND PACIFIC AFFAIRS EXPENDITURES

July 1, 1966 to June 30, 1967

	<u>Disbursements</u>		<u>Encumbered</u> <u>11/30/67</u>	<u>Total</u>	<u>Budget</u>	<u>Under</u> <u>(over)</u> <u>budget</u>
	<u>To</u> <u>6/30/67</u>	<u>7/1/67 -</u> <u>11/30/67</u>				
Personal services expense	\$ 66,554	\$ 38	\$ -	\$ 66,592	\$ 78,452	\$11,860
Other current expenses						
Hired services	4,144	-	-	4,144	5,000	856
Material and supplies	3,239	-	-	3,239	2,821	(418)
Communications	1,781	-	-	1,781	1,450	(331)
Travel and subsistence	1,956	495	-	2,451	4,300	1,849
Freight and delivery	20	-	-	20	200	180
Printing and advertising	4,915	-	-	4,915	9,000	4,085
Utilities	678	-	-	678	-	(678)
Rentals	923	-	-	923	2,000	1,077
Repairs and maintenance	542	-	-	542	500	(42)
Insurance	1,905	-	-	1,905	-	(1,905)
Dues and subscriptions	110	-	-	110	150	40
Miscellaneous expense	215	400	-	615	-	(615)
Special contracts and projects	-	-	-	-	-	-
	<u>20,428</u>	<u>895</u>	<u>-</u>	<u>21,323</u>	<u>25,421</u>	<u>4,098</u>
Equipment purchases	<u>16,879</u>	<u>832</u>	<u>415</u>	<u>18,126</u>	<u>17,860</u>	<u>(266)</u>
TOTAL EXPENDITURES	<u>\$103,861</u>	<u>\$1,765</u>	<u>\$415</u>	<u>\$106,041</u>	<u>\$121,733</u>	<u>\$15,692</u>

NOTE: Budgeted personal service requirements were based on an anticipated volume of Foreign Trade Zone business which was in excess of the actual volume. Personal service expenses were therefore under budget.

LAND AND WATER CONSERVATION FUND ACT PROJECTS

The Land and Water Conservation Fund was established by Congress to finance on a matching basis, planning, acquisition and development of outdoor recreation areas and facilities by states and their political subdivisions and for the acquisition of needed federal lands and waters. For Hawaii, the Department of Planning and Economic Development is responsible for the financial management of accepted projects. The Federal Bureau of Outdoor Recreation and an agency of the state or of the counties provide matching funds for the project. The department charges a surcharge to cover administrative costs. Federal funds available for projects are summarized below.

<u>Year</u>	<u>Apportionment</u>	<u>Federal share of approved projects</u>	<u>Available at June 30, 1967</u>
1965	\$ 102,698	\$ 102,698	\$ -
1966	928,572	928,572	-
1967	<u>737,193</u>	<u>314,744</u>	<u>422,449</u>
	<u>\$1,768,463</u>	<u>\$1,346,014</u>	<u>\$422,449</u>

The status of funds controlled by the department at June 30, 1967 and the individual projects are shown on the following pages.

State of Hawaii
Department of Planning and Economic Development

FUNDS ADMINISTERED UNDER THE LAND AND WATER
CONSERVATION FUND ACT FOR THE STATE OF HAWAII

BALANCE SHEET

June 30, 1967

ASSETS

Cash in State Treasury	\$136,022
Outstanding claims for reimbursement submitted to the Bureau of Outdoor Recreation	<u>15,479</u>
	<u>\$151,501</u>

LIABILITIES

Amounts due participating agencies under claims for reimbursement of expenses State of Hawaii	
Department of Land and Natural Resources	\$132,022
Department of Planning and Economic Development	15,247
Other	<u>231</u>
	147,500
Equity available for costs of administration	<u>4,001</u>
	<u>\$151,501</u>

Statement of Claims Processed and Administrative Expenses

Year ended June 30, 1967

Claims submitted to Bureau of Outdoor Recreation	\$297,142
Less portion due participating agencies	<u>291,664</u>
Available for administrative expenses	5,478
Expenditures	<u>1,477</u>
EQUITY - JUNE 30, 1967	<u>\$ 4,001</u>

State of Hawaii
Department of Planning and Economic Development

FUNDS ADMINISTERED UNDER THE LAND AND WATER
CONSERVATION FUND ACT FOR THE STATE OF HAWAII

COMMENTS ON FINANCIAL STATEMENTS

June 30, 1967

The accompanying financial statements reflect the claims processed during the year and the status of the claims at June 30, 1967. Claims are submitted to the Department of Planning and Economic Development by each participating agency. These claims are then submitted by the DPED to the Bureau of Outdoor Recreation for reimbursement.

Statement of Claims Processed and Administrative Expenses - During the year claims totalling \$297,142 were submitted to the BOR. Of this amount, \$291,664 was attributable to participating agencies for reimbursement of costs incurred on the projects. The participating agencies include all of the counties and the Department of Land and Natural Resources. Administrative expenses are those incurred by the DPED as financial management of the projects.

Balance Sheet - At June 30, 1967 the DPED held in the treasury reimbursements from the BOR amounting to \$136,022. This amount was subsequently disbursed to the participating agencies. The account receivable from the BOR for outstanding claims for reimbursement of \$15,479 was collected by the DPED subsequent to June 30, 1967.

The liabilities reflected on the balance sheet are amounts due the various participating agencies on claims which they have submitted to the DPED. The Land and Conservation Fund Act program owes the DPED \$15,247 primarily because the DPED acts as the participating agency for the statewide comprehensive Outdoor Recreation Plan project.

To qualify for federal aid under the Land and Water Conservation Fund Act each participating state must file a statewide comprehensive outdoor recreation plan every five years. The objective of this plan is to indicate the estimated number of new parks and the estimated costs to construct these parks over the next five years.

State of Hawaii
Department of Planning and Economic Development

LAND AND WATER CONSERVATION FUND ACT PROJECTS
PROJECT BUDGET AND EXPENDITURES

Period from inception through June 30, 1967

Description	Project budget			Expenditures reported			Unexpended budget June 30, 1967		
	Participating agency	Federal	Total	Participating agency	Federal	Total	Participating agency	Federal	Total
Kapaa Beach Park Development	\$ 25,200	\$ 25,200	\$ 50,400	\$ 643	\$ 643	\$ 1,286	\$ 24,557	\$ 24,557	\$ 49,114
Waimea Park Land Purchase	10,000	10,000	20,000	-	-	-	10,000	10,000	20,000
Hanapepe Salt Pond Beach Development	11,150	11,150	22,300	216	216	432	10,934	10,934	21,868
Kekaha Beach Park Development	14,000	14,000	28,000	11,398	11,398	22,796	2,602	2,602	5,204
Onekahakaha Beach Park Development	77,250	77,250	154,500	3,265	3,265	6,530	73,985	73,985	147,970
Spencer Beach Park Development	52,250	52,250	104,500	8,335	8,335	16,670	43,915	43,915	87,830
Kepaniwai Botanical Garden Complex Expansion	56,800	56,800	113,600	5,916	5,916	11,832	50,884	50,884	101,768
Waimanalo Beach Park Camping Facility	50,100	50,100	100,200	-	-	-	50,100	50,100	100,200
Haleiwa Small Boat Harbor Acquisition of Land	136,325	136,325	272,650	-	-	-	136,325	136,325	272,650
Pearl Harbor Park Development	145,205	145,205	290,410	115,166	115,166	230,332	30,038	30,038	60,076
Wailua River State Park Development	249,255	249,255	498,510	-	-	-	249,255	249,255	498,510
Wailua River State Park Inholding Acquisition	40,137	40,137	80,274	-	-	-	40,137	40,137	80,274
Waianapanapa State Park Development	83,640	83,640	167,280	63,425	63,425	126,850	20,215	20,215	40,430
Mauna Kea State Park Development	149,940	149,940	299,880	71,237	71,237	142,474	78,704	78,704	157,408
Formulation of State Comprehensive Outdoor Recreation Plan	80,899	80,899	161,798	17,541	17,541	35,082	63,358	63,358	126,716
Koko Head Sandy Beach Park Development	82,263	82,263	164,526	-	-	-	82,263	82,263	164,526
Molokai Swimming Pool Development	81,600	81,600	163,200	-	-	-	81,600	81,600	163,200
	<u>\$1,346,014</u>	<u>\$1,346,014</u>	<u>\$2,692,028</u>	<u>\$297,142</u>	<u>\$297,142</u>	<u>\$594,284</u>	<u>\$1,048,872</u>	<u>\$1,048,872</u>	<u>\$2,097,744</u>

NOTE: Expenditures are reported on the basis of claims submitted by participating agencies and do not reflect additional costs incurred but not reported.

State of Hawaii
Department of Planning and Economic Development

LAND AND WATER CONSERVATION FUND ACT PROJECTS

Project status at June 30, 1967

<u>Description</u>	<u>Estimated percent completed at 6/30/67</u>	<u>Estimated date of completion</u>	<u>Other comments</u>
Kapaa Beach Park Development	5	12/31/67	
Waimea Park Land Purchase	-	-	Land could not be obtained; project will be allowed to expire at 12/31/67.
Hanapepe Salt Pond Beach Development	5	12/31/67	
Kekaha Beach Park Development	95	10/31/67	
Onekahakaha Beach Park Development	10	6/30/68	
Spencer Beach Park Development	0	6/30/68	Design and planning phase only; no construction at 6/30/67.
Keponiwai Botanical Garden Complex Expansion	0	12/31/68	Design and planning phase only; no construction at 6/30/67.
Waimanalo Beach Park Camping Facility	0	4/30/68	
Haleiwa Small Boat Harbor Acquisition of Land	0	8/31/68	
Pearl Harbor Park Development	100	6/30/67	All money not requested for reimbursement because contractor is also performing other services under same contract.
Wailua River State Park Development	0	12/31/69	
Wailua River State Park Inholding Acquisition	0	12/31/68	
Waianapanapa State Park Development	70	12/31/68	
Mauna Kea State Park Development	50	12/31/68	
Formulation of State Comprehensive Outdoor Recreation Plan	30	7/31/68	
Koko Head Sandy Beach Park Development	0	5/31/68	
Molokai Swimming Pool Development	0	12/31/68	

State of Hawaii
Department of Planning and Economic Development

FUNDS OTHER THAN GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND OTHER CHANGES IN UNEXPENDED BALANCES
(Prepared on a cash basis)

Year ended June 30, 1967

	Special funds		Trust funds			Bond funds		
	Hawaii capital loan program (revolving fund) A 52/SL 64	Temporary deposits	Hawaii technical service program	State funds to match federal planning grants		Update state general plan A 52/SL 64	Feasibility study, etc. - Ft. Ruger - Diamond Head A 38/SL 66	
				A 195/SL 61	A 195/SL 65			
Unexpended balances - July 1, 1966	\$ 37,463	\$ 1,164	\$ -	\$ -	\$18,147	\$100,000	\$ -	
Appropriations, Session Laws of Hawaii 1966	-	-	-	-	-	-	10,000	
Transfers from (to) other appropriations	450,000	-	-	2,366	-	(84,399)	-	
Contributions from private parties	-	7,661	500	-	-	-	-	
Appropriated revenues								
Interest collected	21,245	-	-	-	-	-	-	
Repayment of loans receivable	24,540	-	-	-	-	-	-	
Expenditures								
Loans disbursed	(261,200)	-	-	-	-	-	-	
Other	-	(7,573)	(200)	(2,366)	(7,211)	-	-	
Unexpended balances - June 30, 1967	<u>\$ 272,048</u>	<u>\$ 1,252</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$10,936</u>	<u>\$ 15,601</u>	<u>\$10,000</u>	

NOTE: This statement does not include funds related to the Oahu Transportation Study or Foreign Trade Zone capital improvement projects.

LOAN PROGRAMS

The department administers three loan programs: State Disaster Commercial Loans (33 loans outstanding at the end of the year), State Depressed Areas Loans (3 loans), and Hawaii Capital Loans (36 loans). During fiscal 1967, loans were made only under the Hawaii Capital Loan program (12 loans). Loans outstanding and interest collections for fiscal 1967 are shown on the next page.

Hawaii Capital Loan - The purpose of the Hawaii Capital Loan is to provide small businesses with long-term, low-cost loans either through direct loans (both subordinated and participating with other creditors such as the SBA or private banks) and through loans to local development companies. The department is authorized to make loans for terms up to twenty years at a simple interest rate of 5-1/2%. Amortization of the loan can be withheld for periods of up to five years. These loans are usually made in participation with banks and the SBA.

State Disaster Commercial Loan - The State Disaster Commercial Loans program was established to provide assistance to businesses affected by the 1960 tidal wave which were not eligible for federal funds provided through the Disaster Loan Fund of the SBA. Since no new loans have been made since 1960-1961, the department's function is primarily to service the existing loans. The loans are repayable in monthly installments, including interest at 4%. The department is also charged with administering any new loans to be made under the program.

State Depressed Areas Redevelopment Act - The State

Depressed Areas Redevelopment Act was passed to supplement the Federal Area Development Act in 1961. Loan funds for the construction and equipment of facilities which will provide additional permanent employment are provided by the program. The state is required to provide 5% of the total cost of any project eligible for federal assistance. At present only the County of Hawaii qualifies as a depressed area. Only three loans have been made under the program. Principal and interest payments are deferred until loans provided under the federal program have been repaid, unless the consent of the SBA is obtained.

Due to the nature of the loan programs and due to the newness of the Hawaii Capital Loan Program, an estimate of the collectibility of the outstanding loans is not feasible. However, a brief summary of the status concerning loans may be informative:

1. State Disaster Commercial Loans - One loan has been sent to the Attorney General for collection purposes. On one loan no payments have been received and the department is waiting action by the Department of Land and Natural Resources on delinquent rent receivable before taking further action. On another loan sporadic payments are being made. On approximately a half dozen other loans payments are slow or slightly delinquent, however, regular payments are being made.

2. Hawaii Capital Loan Program - One loan has been sent to the Attorney General for collection. On three loans the original business has terminated, however, collections are being made from individuals associated with the business. On one loan the original two-year stand-by period has been extended an additional year. Another loan is approximately six months delinquent. On a few other loans, payments appear slightly delinquent, however, as the servicing is done by the SBA the apparent delinquency may be only due to delays in the transmittal of collections from the SBA.
3. State Depressed Areas Loans - Due to the long stand-by period before repayments start, no repayment experience is available.

State of Hawaii
Department of Planning and Economic Development

LOANS RECEIVABLE

June 30, 1967

	<u>General Fund</u>		<u>Special</u>	
	<u>State</u>	<u>State</u>	<u>Funds</u>	
	<u>Disaster</u>	<u>Depressed</u>	<u>Hawaii</u>	
	<u>Commercial</u>	<u>Area</u>	<u>Capital</u>	
	<u>Loans</u>	<u>Loans</u>	<u>Loans</u>	<u>Total</u>
Loans receivable balance - July 1, 1966	\$389,380	\$134,100	\$424,696	\$ 948,176
Loans disbursed	<u>-</u>	<u>-</u>	<u>261,200</u>	<u>261,200</u>
	389,380	134,100	685,896	1,209,376
Repayments	<u>39,192</u>	<u>-</u>	<u>24,540</u>	<u>63,732</u>
Loans receivable balance - June 30, 1967	<u>\$350,188</u>	<u>\$134,100</u>	<u>\$661,356</u>	<u>\$1,145,644</u>
Interest collected - year ended June 30, 1967	<u>\$ 13,422</u>	<u>\$ 5,796</u>	<u>\$ 21,245</u>	<u>\$ 40,463</u>

NOTE:

Loans receivable are stated without allowance for doubtful collectibility.

PART II

MANAGEMENT LETTER

STATE OF HAWAII
DEPARTMENT OF PLANNING AND ECONOMIC DEVELOPMENT
MANAGEMENT LETTER
June 30, 1967

I N D E X

	<u>Page</u>
GENERAL COMMENTS	3
SPECIFIC COMMENTS	
ORGANIZATION - ACCOUNTING FUNCTIONS	6
METHOD OF ACCOUNTING	9
REPORTING AND BUDGETING	10
BOOKS AND RECORDS	11
APPROPRIATIONS, ALLOTMENTS, AND LAPSED APPROPRIATIONS	13
CASH RECEIPTS AND REVENUE	14
EXPENDITURES	15
PAYROLL	16
ENCUMBRANCES	16
FOREIGN TRADE ZONE OPERATIONS	17
PROPERTY AND EQUIPMENT	18
LOANS RECEIVABLE	18
LAND AND WATER CONSERVATION FUND ACT PROJECTS	20
SUMMARY OF RECOMMENDATIONS	
MAJOR	25
MINOR	26

ALEXANDER GRANT & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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The Auditor
State of Hawaii

The objectives of our audit of the Department of Planning and Economic Development as set forth in "Instructions to Independent Certified Public Accountants on Audit Engagements of Agencies of the State of Hawaii," dated June 20, 1967 are:

- "1. to provide a basis for an opinion...of the reasonable accuracy of the financial statements of the agency;
2. to ascertain that the expenditures are made in accordance with the appropriation acts and other applicable laws and that the revenues and other receipts collected by the agency are property accounted for;
3. to evaluate the adequacy and effectiveness of the system of internal control; and
4. to ascertain the adequacy of the financial reports of the agency to provide the agency's management and other state officials with a basis to evaluate the operations."

Copies of our audit program containing our survey of internal control and specific audit procedures followed in our

examination of the financial statements of the Department of Planning and Economic Development have been submitted to the Office of the Auditor, State of Hawaii, for review.

Department records and reports agree or are reconcilable to, after adjustment, those maintained by the State Comptroller except for detail records pertaining to property and equipment as discussed under that section of the comments in this report.

Our examination was made on a test basis in accordance with generally accepted auditing standards and was not designed to disclose inefficiencies, defalcations and similar irregularities, and it would not necessarily disclose all such matters. In the tests made, however, we were alert for indications of inefficiencies, defalcations, and similar irregularities, and any comments which may be pertinent to such matters would be included in other sections of this report.

Unless otherwise noted in this report, our examination, made on a test basis, indicated that:

1. Expenditures have been properly accounted for.
2. Revenues have been properly accounted for.
3. Financial reporting is deficient.
4. Internal control is adequate and functioning effectively.
5. Insofar as we could determine as accountants, and without obtaining opinions from legal counsel, no practices of the Department of Planning and Economic Development were observed which were inconsistent with the applicable statutes, laws, rules, and regulations.

Specific comments, findings and recommendations are contained in the following section. We have been informed that no audit report for preceding periods has been submitted to the Office of the Auditor, State of Hawaii.

Alexander Grant & Company

Honolulu, Hawaii
December 15, 1967

SPECIFIC COMMENTS

References to pages in the Accountants' Report - Financial Statements for the Department of Planning and Economic Development for the fiscal year ended June 30, 1967 are included next to specific comments where appropriate. For example: AR 1 refers to Accountants' Report, page 1.

Organization - Accounting Functions

The scope of our examination precluded us from making a complete study necessary to make significant and timely recommendations to increase the efficiency of the accounting department and to specifically define the contents of an accounting manual. The objective of a complete study would be:

1. Define the accounting reports required by management.
2. Define the most economical means to provide the management reports and other required accounting information.
3. Define the duties and functions of the accounting department and determine the accounting personnel requirements.
4. Draft procedures required to get the management reports flowing and set up a schedule for writing of other procedures on a priority and time schedule bases.

The results of the study would include documentation of the following:

1. Report formats for management.
2. Procedures essential to installation of the management reports.
3. Suggestions for improvement in current accounting systems.
4. Instructions for implementing systems improvements.
5. Sample forms and journals necessary to implement the recommendations.

The study would be finalized only after interested and related departments, such as the Department of Accounting and General Services, have been consulted and their concurrences was obtained.

The following recommendations in this report should be considered only as preliminary suggestions, which would serve as the initial point of reference in a comprehensive study.

Except for the Oahu Transportation Study and portions of the Foreign Trade Zone, all accounting functions of the Department are centralized in a service accounting department consisting of two employees, an accountant and an accounting clerk. The accountant is responsible for maintaining all financial records of the department and giving assistance in all financial matters. Examples of some of his duties include preparing budgets, maintaining control over expenditures by directing and reviewing purchases and vouchering for payments, preparing billings, make collections and deposits, maintaining general ledger and subsidiary accounting records and acting as a liason agency between departments.

The accounting department is primarily responsible to the Director of the Department of Planning and Economic Development; however, it services requests of the operating divisions of the Department on an informal basis. This direct servicing of all divisions in the Department is possible due to the limited size of the Department; however, piece meal and frequent requests from the divisions severely limit the efficiency of the accounting department. Currently, it appears impossible for the accountant to schedule his time so that the recurring accounting work and periodic reports can be produced on a timely basis. The frequent interruptions also mean that his various jobs are done on a one-item-at-a-time basis rather than being grouped into larger blocks. This cuts down the effectiveness of his time. To increase the efficiency of the accounting department personnel, we recommend that consideration be given to the following:

1. The divisions determine if they can periodically forecast their demands for special accounting work.
2. Schedule requests for the processing of purchase orders and expenditures on a weekly basis except for emergency requests.
3. Schedule specific hours during the day when the accountant is available to the division for accounting advice.

One reason for the heavy day-to-day demand on the accountant's time is the lack of an adequate accounting procedures manual. The department's policy circulars are slowly being updated,

but only on a time available basis. The method of creating a procedures manual through the periodic release of circulars covering specific subjects is acceptable; however, a higher priority should be assigned to the project than is currently in evidence.

The small size of the accounting department precludes complete segregation of incompatible functional responsibilities. For example, 1) the cashiering and cash receipts recording functions are both performed by the same person, and 2) the person initiating documents will also in fact approve them. The possibility of removing some of these functions from the accounting department will be discussed in a separate section.

The accounting department also has the responsibility for supervising the accounting of various projects which the Department manages, such as the Land and Water Conservation Fund projects (AR 18-23) and the Product Promotion contracts (AR 12). The demands of these projects severely interfere with the normal accounting operations of the Department. We recommend that the Department evaluate the adequacy of the number of personnel it has to handle all the duties assigned to it.

Method of Accounting

For control over appropriations, revenue and expenditures the Department uses the cash basis method of accounting. Because the Department is not involved with substantial accrued revenue or expenses, this method appears adequate with the supplement of certain memo subsidiary accounts for controlling accrued interest receivable on loans (AR25-28) and accounts receivable for the Foreign Trade Zone (AR 15-17).

In addition to this general system, the Department uses additional accounting records to meet the requirements of its special projects, primarily those financed with federal funds (AR 18-23). These supplemental records were designed to solve the immediate problems of the project, thus the cost and time spent in maintaining the records have not been investigated. The Department would benefit from outside advice in order to simplify the systems currently in use.

Reporting and Budgeting

The Department currently does not submit quarterly reports on program operations and expenditures as required by the Governor's operating budget execution policies for the fiscal year 1966-1967. The value of the Department's budget and published program goals are severely curtailed when periodic reports of actual expenditures are not made. We believe that periodic reporting is essential for the effective utilization of the funds available to the Department. In addition to reports on operating expenditures, the accounting department should also produce other reports necessary for the effective control of the Department assets. For example, the responsibility for aging the delinquency of the outstanding loans receivable should be assigned to the accounting department (AR 28).

Currently, it appears that reports are only produced when demanded by persons outside of the Department. Reports are not presently being furnished to the different levels of management with the exception of reports on federal projects submitted to the various

federal agencies. We recommend that the divisions within the Department determine the nature and frequency of the accounting information they require to adequately control and plan expenditures. This will provide, at a minimum, the Department with a basis for determining whether its accounting department is adequately staffed to produce such information and, if not, whether the benefits of the additional information will more than offset the additional cost of accounting personnel.

As mentioned previously, a part of the cause for the extra burden on the accounting department personnel is due to the lack of a procedures manual for the Department. If accounting procedures are not in writing, it is difficult to delegate duties to employees with less accounting experience. Any increase in the size of the accounting department increases the need for written procedures and the clear definition of accounting responsibilities. A reasonable deadline and content for a procedures manual should be established.

Books and Records

The Department uses a single-entry accounting system designed primarily to limit the expenditures of the Department to funds available. The single-entry bookkeeping system is sometimes defined as an incomplete double-entry system.

The more commonly used system of bookkeeping is the "double-entry bookkeeping system." In the double-entry bookkeeping the basis of accounting is to record each transaction completely by recording a two-way, and hence self-balancing entry. For example, for each increase in expenditures,

the corresponding unexpended balance of the appropriation decreases. Thus, "balancing" entries would be made to both the expenditure and appropriation accounts.

The accountant has modified the single entry system to include a distribution of expenditures from the operating appropriations. This breakdown is used to prepare the annual budget. We recommend that the double-entry system of bookkeeping be adopted by distributing all transactions for the following reasons. A fundamental weakness of any single-entry accounting system of this type is its failure to produce the information to describe the results of the operations of the Department.

A single-entry system does not contain the self-balancing feature of the usual double-entry system. This feature provides more assurance that transactions have been recorded accurately and allows the delegation of accounting duties to more than a limited number of employees. Under a single-entry system it is possible to have recorded expenditures in the ledger and at the same time failed to reduce the corresponding balance of the unexpended appropriation without detection. The effectiveness of the single-entry system depends entirely on the alertness of the record keeper. Inherent in the double-entry system is the self-balancing checks which allows duties to be divided, but at the same time controlled. The limitation of a single entry system must be considered if the Department is assigned projects which entail additional accounting responsibilities.

As the accounts are posted on a direct entry basis (i.e., journals of original entry are not used), it is important to provide for numerical sequence controls over original entry data, such as log books or consecutively numbered posting copies. The Department has basic controls of this type for the posting of summary warrant vouchers, which are documents summarizing and authorizing payment of expenditures. Similar controls should be developed for the posting of appropriations, allotments, lapsing of appropriations and other transactions. These controls make it possible to identify and locate the original source document for the recorded transaction in a systematic manner. They also enable accounting personnel to readily determine if all accounting information has been recorded.

The Department of Accounting and General Services did not conduct a procedural audit during the period. We have been informed that the last such audit was performed for the year ended June 30, 1963.

Appropriations, Allotments, and Lapsed Appropriations

The Department does not have procedures to insure that all appropriations delegated to the Department are posted to the current records. The failure to record such appropriations should be picked up upon a periodic reconciliation to the Comptroller's records; however, this procedure is subject to error in that the reconciliation only is done on an after-the-fact basis. Procedures should be designed to insure that, 1) all unexpended balances are carried forward from the prior-year records, and 2) one copy of all appropriation warrant vouchers and allotment advices are designated as

posting copies. Similarly, any lapsing of appropriations should be, in fact, posted to the records by the use of the appropriate supporting documents. The lapsing should not be indicated just by leaving a balance in the account. Failure to record and account for appropriations, allotments and expenditures prohibits management from receiving meaningful financial reports which serve as a basis for evaluation of the operations.

Cash Receipts and Revenue

Adequate internal control is achieved most effectively by separating the responsibility for cashiering and recording of receipts and revenue. The effect of segregating the handling of cash received from the other duties in conjunction with the recording of receipts and revenues is to establish independent accountability over funds collected. There is only a limited degree of separation in the Department currently since the cashiering and recording functions are usually performed by the sole accounting clerk. Additional controls would be provided if the mail clerk lists all receipts and restrictively endorses all checks received through the mail. This list can then be checked against the actual deposit to the state treasury.

Another control over the accurate recording of cash receipts is provided through the reconciliation of receipts per the Department's books to receipts recorded by the Comptroller. Our tests indicated that these procedures were not being performed. In order to effectively perform this procedure, it is mandatory that all divisions within the Department depositing receipts with the

state treasury maintain accurate records of cash receipts as to distribution. The combined totals then may be agreed to the Department records maintained by the Comptroller.

Expenditures

The purchasing and vouchering procedures currently employed by the Department are designed to control expenditures of large dollar value. A large volume of the Department's expenditures are for items of relative small dollar value. A tabulation of certain expenditures other than on contract resulted in the following:

<u>Dollar value per disbursement</u>	<u>Number of disbursements</u>	<u>Total value</u>
Less than \$200	115	\$ 8,949
Greater than \$200	<u>113</u>	<u>111,723</u>
	<u>228</u>	<u>\$120,672</u>

Disbursements of less than \$200 in the above tabulation accounted for only 7% of the total dollar value of disbursements but they accounted for 50% of the total number of transactions.

The time and cost of processing these expenditures is out of proportion to the requirements for effective control. However, it appears that the time required to process invoices for payment will be partially reduced by the directions contained in Circular No. 188 from the Department of Accounting and General Services dated September 11, 1967. The circular eliminates the requirement for individual expenditure vouchers for items supported by invoices. Prior to the issuance of this circular the claim vouchering proce-

dures required the use of two voucher forms: a) an expenditure voucher form on which the invoices of each vendor are scheduled separately for each appropriation, and b) a summary warrant voucher on which the expenditure voucher of the several vendors are listed.

Payroll

Currently, the recording of vacation time taken depends on the personal report of the employee involved to the accounting department. Under this system it is possible for the employee to obtain approval from his supervisor for the vacation time but fail to report to the accounting department. To prevent this from occurring it is suggested that the division heads report all vacation approval directly to the accounting department.

Encumbrances

The Department has outstanding several contracts and claims encumbered in prior years which should be reviewed and the reasons for inactivity determined. Failure to take prompt action and review these encumbrances prevents the State as a whole from using its available funds most effectively. Similar review procedures should be employed for the unexpended balances in several older appropriation accounts. The priority of the purpose for which the funds were appropriated should be re-evaluated as the original purpose may no longer have the priority it once had. For example, the following appropriations in excess of \$1,000 now appear to have inactive unexpended balances (AR 5-6):

Honolulu Civic Center Plan, Oahu Act 150/SL 57	\$3,000
Study for a State Housing Program Contributions	\$1,136
Statewide Community Shelter Plan	\$9,509

Foreign Trade Zone Operations

Currently, the Foreign Trade Zone does not use prenumbered invoices for billing storage charges and other fees. Due to the lack of segregation of duties and due to the nature of operations it is extremely advisable to require the prenumbering of invoices for proper control over revenue. The use of prenumbered invoices facilitates numerical control over all billings which is necessary in determining if all billings have been recorded.

With a one-man accounting office there can be no separation in the performance of the various accounting procedures. While the small size of the operation may make any separation too costly currently, the possibility of reassigning incompatible duties should be evaluated as the zone operations increase.

The proper allocation of wharfage fees with the Foreign Trade Zone and the Harbor Division has not been determined. Act 8 of the 1966 Session Laws "making appropriations out of the General Revenues" provide that "...revenues from the trade zone operations shall first be expended for the trade zone's harbor operations and the maintenance and upkeep of the trade zone facilities and receipts in excess of such requirements shall be applied to reduce the general fund appropriation...." It is our understanding that revenue is

derived from wharfage fees on areas within the Foreign Trade Zone. These amounts are collected by the Board of Harbors Division of the Department of Transportation. The heads of both departments and the office of the Attorney General are currently determining the allocation of the wharfage fees between the departments (AR 15).

Property and Equipment

Inventory reports are not being submitted either quarterly or on an annual basis currently. The Department is currently working on the report as of June 30, 1967. In order to maintain adequate control over the property and equipment assigned to the Department, such records should be maintained on a timely basis. We, however, would also recommend that a critical review be made as to the requirements for keeping detailed record of low valued items by the DPED and the Department of Accounting and General Services. The costs in both the time of personnel and the interference of higher priority tasks should be compared with the benefit gained from having detail records. We feel that much of what now is detailed as equipment might better be accounted for as a static value in supplies. In any case it does not appear that the Department is currently able to meet the equipment accounting requirements with its current personnel. The Department of Accounting and General Services has been informed of the status of the June 30, 1967 inventory report.

Loans Receivable (AR 25-28)

The director of the Department administers the Hawaii Capital Loan Program under powers granted by Chapter 98R of the

Revised Laws of Hawaii, 1955. The processing of loan applications is done by one loan specialist who reports to a loan committee of three. This committee was created by the director and its actions may be modified by him. Using the information gathered by the loan specialist, the committee will act to approve or disapprove all loan applications. If the loan is approved, the loan committee will generally specify the dollar amount of the loan, the term for repayment, and the general type of loan, e.g. participating or subordinated. As the director has the authority to modify the decision of the committee, he has in fact the authority to grant loans without the concurrence of at least one other individual. Due to the nature of the loans, we feel it would be better practice for the loan committee to have final authority as to the loan approval and as to the more significant terms of the loans.

The one loan specialist's primary duties are concerned with obtaining data and making recommendations on loan applications and servicing loans outstanding. The servicing function covers all loan programs for the Department, however, for approximately 40% of the loans under the Hawaii Capital Loans Program collections are made by the SBA or other institutions. As well as handling collections, proper servicing of loans would include periodic investigation of other terms of the loan, such as the maintenance of adequate fire and hazard insurance, adherence to salary limitations and negative agreements on borrowing from other sources, review of financial statements submitted or follow-up on the failure to submit such statements, and inspection of collateral and review of related legal

documents. As the processing of loan applications and the closing and disbursing of loans appear to take up substantially all of the loan specialist's time, the loan servicing procedures described above are generally not performed. Without personnel to promptly and effectively check on the financial condition of debtors, and to insure compliance with the requirements of the loan agreements, the State is exposed to greater possibility of loan losses. In addition, to insure that the loan servicing and collection functions are not compromised in the granting of loans, it is advisable to separate the functions. We recommend that the Department further investigate use of an outside organization, as the Small Business Administration to service loans. Such an organization would have adequate personnel to properly service loans. Fees for loan servicing are nominal in view of the benefits to be gained; for example, the SBA charges a fee of 1/2% of the remaining balance of the serviced loan.

The cost for such servicing apparently cannot be charged against the revolving fund (letter dated April 15, 1966 from the Department of the Attorney General). Proper request should be made to include the cost in the Department's operating appropriations.

Land and Water Conservation Fund Act Projects (AR 18-23)

Our review of the accounting records of the participating agencies included reviewing the records maintained by the Counties of Kauai, Maui, and Hawaii, the City and County of Honolulu and the Department of Land and Natural Resources, State of Hawaii.

The Land and Water Fund Act of 1965 (Public Law 88-578) was established to assist the state and federal agencies in meeting present and future outdoor recreational demands.

This law is carried out by reimbursing the state or its political subdivisions through the state for 50% of costs to construct parks and recreational areas. This reimbursement will be made as the actual costs are incurred.

In support of requests for the reimbursements the Federal Government requires certain accounting and documentary support records.

The detail of these records may be maintained by the local subdivisions responsible for constructing the projects; however, the state is still responsible for the adequacy and accuracy of these detail records.

In general the accounting requirements are that:

1. Separate accounts will be kept for each project.
2. An itemization of all supporting records of project expenditures in sufficient detail to show the exact nature of each expenditure will be kept.
3. An adequate cross-reference system between the itemization and the supporting documents (purchase orders, contracts, vouchers, bill, payroll vouchers, etc.) will be kept.
4. All documents should specifically identify the project, type of expense and exact date paid. All documents should be authorized by the appropriate officials.

5. Adequate internal control and checks to insure against fraudulent activities, procedural safeguards, and asset control are maintained.

Our review of the accounting records for the projects brought the following weaknesses to light:

1. State of Hawaii - DPED

The Department is not presently maintaining adequate records to account for cash which is due from the Federal Government and owed to the local agencies.

2. Local agencies

While all participants did not have the same problems and had difficulties in varying degrees, it generally can be said that all lacked an understanding of the procedural requirements, and a systematic approach for maintaining records. Some of the more common errors were:

- a. Requests for reimbursements were made prior to the actual cash outlay.
- b. Requests for reimbursements not made until several months after the actual cash outlay occurred.
- c. A systematic filing system and an itemization of expenditures were lacking.
- d. All documents were not present in support of expenditures.

The reasons for these weaknesses appeared to be a lack of communication between the State of Hawaii and the participants in the projects. Also, the persons responsible for managing the projects were not always technically capable of maintaining an accounting system for the projects.

Our suggestions for improving upon the weaknesses are as follows:

1. State of Hawaii - DPED

We suggest that the Department of Planning and Economic Development maintain general ledger accounts for all cash amounts due from the Federal Government and for all amounts owed to the local participants. This accounting procedure will help to insure that overdue claims are investigated.

2. Local participants in outdoor recreational projects

- a. We suggest that each of the political subdivisions have access to the Bureau of Outdoor Recreation's manuals on maintaining projects under the federal grants-in-aid system.
- b. Instructions on maintaining a basic accounting system should be provided to project managers with limited accounting knowledge.
- c. A file should be kept for each project within which there should be at least three separate categories:

- (1) all contracts with the State of Hawaii,
- (2) all contracts with the local contractors, and
- (3) all other documents.

The document file should consist of:

1. A summary sheet of all requests for all reimbursements filed to date. It should indicate the total amount of all reimbursements requested to date, total amounts received to date, and the remaining federal funds which may be requested in the future.
2. It should have a summary itemized sheet for each request for reimbursement. On this summary sheet each expenditure should be identified and cross-referenced back to the original documents.
3. In addition to the itemized sheet, there should also be a copy of the request for reimbursement, the appropriate questionnaire and the narrative sheet which have been filed with the state.
4. All progress reports made by field inspectors and all financial supporting documents should be filed behind the corresponding request for reimbursement and cross-referenced to the itemized sheet.
5. In addition to the above, it should also be pointed out to the participants that all information should be in some way bound to prevent loss or misplacement.

SUMMARY OF RECOMMENDATIONS

	<u>Page</u>
<u>Major</u>	
1. To increase the efficiency of the accounting department personnel we recommend that consideration be given to the following: 1) the divisions determine if they can periodically forecast their demands for special accounting work, and 2) schedule requests for the processing of purchase orders and expenditures on a weekly basis except for emergency requests.	8
2. The adequacy of the number of accounting personnel should be reviewed if the accounting department is to prepare adequate financial information for the Department and continue to be responsible for the accounting supervision of projects managed by the DPED.	8 and 9
3. The updating of the Department's accounting procedures circulars should be given higher priority with the objective of creating a basic procedures manual within the next few years.	8 and 9

	<u>Page</u>
<u>Major (continued)</u>	
4. Periodic reports, as required by the governor's operating budget execution policies for the fiscal year 1966-1967, on program operations and expenditures should be prepared.	10
5. Numerical sequence controls should be developed for the posting of appropriations, allotments, lapsing of appropriations and other transactions as the accounts are posted on a direct entry basis.	13
6. Invoices used for billing storage charges and other fees in the Foreign Trade Zone operations should be prenumbered.	17
7. Inventory reports of property and equipment should be prepared on a timely basis. The requirements for keeping detailed records of low valued items should be reviewed.	18
8. Consideration should be given to using outside organizations for loan servicing.	19 and 20
<u>Minor</u>	
1. Supplemental accounting records to meet requirements of the Department's special projects should be reviewed and simplified.	10
2. Procedures should be developed to insure the recording of and control over all appropriations delegated to the Department.	13 and 14

	<u>Page</u>
<u>Minor (continued)</u>	
3. Responsibility for cashiering and recording of receipts and revenue should be separated.	14
4. Cash receipts per the Department's books should be reconciled to the receipts recorded by the Comptroller.	15
5. Control over vacation time taken should be strengthened by having the division heads report in writing all vacation approval directly to the accounting department.	16
6. Outstanding contracts and claims encumbered in prior years should be periodically reviewed.	16 and 17
7. Allocation of wharfage fees between the Foreign Trade Zone and the Harbors Division should be determined.	17 and 18
8. No single individual should be authorized to make loans under the Hawaii Capital Loan program without the concurrence of at least another individual.	19
9. The loan granting functions should be separated from the loan servicing and collection functions.	19 and 20
10. The distribution of appropriations, revenue, and expenditures for all appropriation accounts should be spread by columns to simplify preparation of financial statements.	12

PageMinor (continued)

- | | |
|---|-----------|
| 11. Minimum standards of accounting for participating agencies handling Land and Water Conservation Fund Act projects should be put in writing. | 23 and 24 |
| 12. Procedures for controlling reimbursement claims submitted to the Bureau of Outdoor Recreation should be established. | 23 |

PART III

COMMENTS BY AFFECTED AGENCIES

**INDEX OF RECOMMENDATIONS
BY AGENCIES AFFECTED
(Part II – Management Letter)**

County Agencies

City and County of Honolulu 22, 23

County of Hawaii 22, 23

County of Kauai 22, 23

County of Maui 22, 23

State Agencies

Accounting and General Services 9-10, 11-13

Planning and Economic Development 8-24

MEMORANDA OF COMMENTS OF AFFECTED AGENCIES

This financial audit report of the department of planning and economic development was completed in December 1967 by the certified public accounting firm, Alexander Grant & Company, whose services were contracted by this office. On January 4, 1968, we distributed copies of the pertinent parts of the report to the various agencies affected by this report,¹ via a transmittal letter, a copy of which is attached as Attachment No. 2. Each agency was requested to submit its comments on the recommendations contained in the report, including information as to the specific action it has taken or intends to take with respect to the recommendation.

The following agencies submitted their responses:

- State department of planning and economic development (Attachment No. 3)
- State department of accounting and general services (Attachment No. 4)
- City and County of Honolulu (Attachment No. 5)
- County of Hawaii (Attachment No. 6)
- County of Kauai (Attachment No. 7)

The agencies that responded were in general agreement with the recommendations made by the contract auditor. They have indicated that they are implementing or will implement most of the changes recommended.

After receiving the replies from the agencies, we requested the contract auditor to submit his comments on the agencies' responses. A copy of the contract auditor's reply is attached as Attachment No. 1.

Our comments are limited to two of the comments made by the department of planning and economic development. *First*, with reference to the double entry system of bookkeeping recommended, since such a system will have statewide application, we reserve comment until we have had an opportunity to audit the statewide system of accounting. *Second*, with respect to the department's statement that sufficient instructions regarding recordkeeping were furnished by the department to the participating State and county agencies, we note as follows. We understand that at the time the audit was being conducted, there appeared to be a lack of communication between the State and the participants regarding recordkeeping requirements.

¹ See p. 1 of Part III of the report for a listing of all affected agencies.

ALEXANDER GRANT & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

1060 BISHOP STREET

POST OFFICE BOX 3766

HONOLULU, HAWAII 96811

February 6, 1968

The Office of the Auditor
State of Hawaii
Iolani Palace
Honolulu, Hawaii 96813

Gentlemen:

We have received and reviewed the comments from the Department of Accounting and General Services and the Department of Planning and Economic Development to your office written after review of draft copies of the "Accountants' Report - Financial Statements" and the "Management Letter" of our examination of the accounting records of the Department of Planning and Economic Development for the fiscal year ended June 30, 1967.

We are in substantial agreement with the departments on items covered in their responses.

Thank you for providing us the opportunity to review the above-mentioned comments.

Very truly yours,

ALEXANDER GRANT & COMPANY

By 
Partner

HKajikawa
dy

Clinton T. Tanimura
Auditor

THE OFFICE OF THE AUDITOR

State of Hawaii
Iolani Palace
Honolulu, Hawaii 96813

January 4, 1968

Dr. Shelley M. Mark, Director
Department of Planning and
Economic Development
State of Hawaii
Honolulu, Hawaii

Dear Dr. Mark:

Under a contract with this office, Alexander Grant & Company, certified public accountants, conducted an examination of the accounting records of your department for the fiscal year ended June 30, 1967. The examination was conducted pursuant to the duties and powers vested in our office by Article VI, Section 8, of the Constitution of the State of Hawaii and Chapter 2, Part III, of the Revised Laws of Hawaii 1955, as amended. We are deeply thankful for the help and cooperation extended by your staff to our contract auditors.

Enclosed is a copy of the preliminary report of the audit. The report is presented in two parts—the first entitled, *Accountants' Report*, and the second, *Management Letter*. The term, *preliminary*, indicates that the report has not been released for general distribution. However, copies of this report have been submitted to the Governor, the Speaker of the State House of Representatives, the President of the State Senate, and all State and local agencies directly affected by the examination.

The report contains a number of recommendations. I would appreciate receiving your written comments on those recommendations which are directed to your department, including information as to the specific actions you have taken or intend to take with respect to each of them. Your comments must be in our hands by January 19, 1968. The report will be finalized and released shortly thereafter.

If you wish to discuss the report with us, we will be pleased to meet you on or before January 12, 1968. We await a call from your office to fix the appointment. A *no call* will be assumed to mean that a meeting is not required.

Yours truly,


Clinton T. Tanimura
Legislative Auditor

Encl.

cc: Governor John A. Burns
Alexander Grant & Company



**Department of PLANNING AND
ECONOMIC DEVELOPMENT**

428 QUEEN STREET • HONOLULU, HAWAII 96813 • PHONE 504-428

January 18, 1968

ATTACHMENT #3

JOHN A. BURNS
Governor

SHELLEY M. MARK
Director

Cable Address
DEVELOPMENT

RECEIVED

JAN 18 1968

OFFICE OF THE AUDITOR
TIME _____

Mr. Clinton T. Tanimura
Legislative Auditor
The Office of the Auditor
State of Hawaii
Honolulu, Hawaii 96813

Dear Mr. Tanimura:

This is in response to your letter of January 4 regarding the recommendations of the firm of Alexander Grant & Company, certified public accountants, upon completion of its audit of this department for your office.

We are cognizant of the problems revealed and, as in the past, we are continually attempting to alleviate them. As the audit report clearly indicates, the workload of our one accountant has expanded tremendously -- much more than we can expect any individual, no matter how dedicated and competent, to bear.

Therefore, quite some time ago, we requested the release of the Account Clerk II position authorized in the 1966 legislative session to handle the additional workload created by the expansion of the Hawaii Capital Loan Program, the Land and Water Conservation Fund Act program, the increase in Foreign Trade Zone activities and the Hawaii Technical Services program, as well as the servicing of new projects such as the Lahaina Regional Plan, the International Development Assistance Program and others. When this position is granted, the accounting unit will attempt to implement most of the recommendations of the audit that pertain to the record keeping function.

The recommendation by the auditor for a double entry system for State General Fund appropriations had been evaluated previously and was deemed to be unfeasible because of limited personnel and because of adequate controls maintained by other agencies of the State (Departments of Accounting & General Services and Budget & Finance). The records of this department can be reconciled with those of the State Comptroller as often as required.

STATE OF HAWAII
DEPARTMENT OF PLANNING AND
ECONOMIC DEVELOPMENT

Mr. Tanimura

-2-

January 18, 1968

In reference to the recommendation that minimum standards of accounting records should be put in writing for participating agencies of the Land and Water Conservation Fund Act program, this department already has prepared and sent to project applicants a "Memorandum of Accounting Requirements of Project Administration." Inasmuch as each County or other State agency has its own accounting system and since it is not feasible to prepare in a detailed manner a system of internal control and accounting procedures which would be compatible with the accounting systems of all project participants, only general guidelines were given to the participating agencies. This department also has transmitted to each of the County and State agencies participating in this program a copy of the "Bureau of Outdoor Recreation Manual."

The auditor states that it would be better practice for the Hawaii Capital Loan Program loan review committee to have final authority as to loan approval and as to the more significant terms of the loans. Under the administrative procedures of the program, should there be less than unanimous approval of the loan committee, the director's decision would have to be supported by, at the minimum, one committee member. In practice, the recommendations of the loan committee have been unanimous in all instances and all have been ratified by the director, either for approval or disapproval. It should be noted that the law places responsibility for administration of the loan program on the director; nevertheless, the above procedure is followed to ensure equitable treatment of all loan applicants.

In regard to the first recommendation under "Summary of Recommendations: Major," the department plans to consider the proposal. This recommendation is desirable; but whether it can be achieved as a practical matter is uncertain.

In regard to the second recommendation of this category, this department requested the services of an additional accountant in its 1969 fiscal year budget request. The Department of Budget & Finance did not recommend this additional position, however. The other major recommendations relate to the workload burden of the accounting unit -- a situation that the department's administration fully recognizes.

In conclusion, may I say that the audit was conducted in a cooperative and professional manner by the representatives of your office as well as the firm engaged for the purpose.

Sincerely,



Shelley M. Mark

cc: Governor John A. Burns
Alexander Grant & Company

KENAM KIM
~~XXXXXXXXXX~~
 COMPTROLLER

JOHN A. BURNS
 GOVERNOR



STATE OF HAWAII
 DEPARTMENT OF ACCOUNTING
 AND GENERAL SERVICES
 HONOLULU, HAWAII 96810

January 18, 1968

RECEIVED
 JAN 19 1968
 OFFICE OF THE AUDITOR
 TIME

Mr. Clinton Tanimura
 Legislative Auditor
 The Office of the Auditor
 State of Hawaii
 Honolulu, Hawaii

Dear Mr. Tanimura:

We appreciate the opportunity to review and comment on the following audit reports:

Department of Regulatory Agencies
 Department of Planning and Economic Development
 Department of Health.

We list our comments on recommendations directed to the Department of Accounting and General Services:

Audit Recommendations

Our Comments

Department of Regulatory Agencies

- | | |
|---|---|
| 1. Prepare an operating manual, possibly by the State systems accounting personnel, to avoid confusion within the department and to prevent variations in accounting methods. | Each department should prepare its own operating manual. When the State-wide uniform accounting system is fully developed and implemented, it should be incorporated into the operating manual. |
| 2. Consider legislation to adopt the accrual method of accounting. | This matter is under consideration in our present accounting system study. |

Department of Planning and Economic Development

- | | |
|---|---|
| 1. Failure to provide a procedural manual resulted in inadequate reports to program managers. | Each department should prepare its own operating or procedural manual and incorporate applicable sections of the Statewide accounting system being developed. |
| 2. Review the present method for the accounting of property and equipment. | This matter is under consideration in the Statewide accounting system study. |

Audit Recommendations

Our Comments

Department of Health

1. Prepare accounting manual and convert from the cash to the accrual basis of accounting.
2. Eliminate duplicate recordkeeping between the Department of Health and the Department of Accounting and General Services.
3. Provide necessary format and guidance for preparing reports to the State Comptroller in accordance with the requirement of Section 34-15 R.L.H. 1955.
4. Representatives of the Director of Budget and Finance, the State Comptroller, and Director of Health jointly review the necessity for maintaining certain Special Funds.

An accounting manual will be prepared in connection with the present accounting system study. A procedural or operating manual should be prepared by the department.

This matter will be reviewed in our study of the Statewide accounting system.

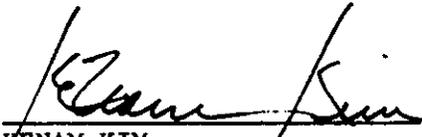
We plan to handle this matter on an individual basis. The funds mentioned in this report will be reviewed within this fiscal year and appropriate recommendations will be made to the department.

We will be glad to participate in this matter. We will contact the other departments involved for the review and make adjustments where necessary.

Other findings and recommendations relating to fiscal and internal control matters will be reviewed at our next audit of the departments involved to determine the adequacy of the action taken by the respective departments.

If you have any questions regarding our comments, please call us.

Very truly yours,



KENAM KIM
STATE COMPTROLLER

NEAL S. BLAISDELL
MAYOR



CITY AND COUNTY OF HONOLULU

OFFICE OF THE MAYOR
HONOLULU, HAWAII 96813

January 18, 1968

RECEIVED

JAN 22 1968

OFFICE OF THE AUDITOR
TIME

Mr. Clinton T. Tanimura
Legislative Auditor
State of Hawaii
Honolulu, Hawaii

Dear Mr. Tanimura:

Thank you for the opportunity to review the recommendations contained in the preliminary audit report entitled "State of Hawaii, Department of Planning and Economic Development, Management Letter, June 30, 1967."

We anticipate no difficulty in complying with the recommendations on pages 22-23 of the report relating to the programs of the Federal Bureau of Outdoor Recreation and the State Department of Planning and Economic Development.

Sincerely,

A handwritten signature in cursive script that reads "Neal S. Blaisdell".

NEAL S. BLAISDELL
Mayor
City and County of Honolulu



O F F I C E O F T H E C H A I R M A N

COUNTY OF HAWAII • HILO, HAWAII 96720

SHUNICHI KIMURA
CHAIRMAN AND EXECUTIVE OFFICER

RECEIVED

JAN 19 1968

January 17, 1968

OFFICE OF THE AUDITOR
TIME _____

Mr. Clinton T. Tanimura
Legislative Auditor
The Office of the Auditor
State of Hawaii
Iolani Palace
Honolulu, Hawaii 96813

Dear Mr. Tanimura:

Pursuant to your letter of January 4, 1968, I discussed your audit report with the Parks and Recreation Superintendent. Attached is his review which points out that we are in total compliance with your recommendations at the present time.

Thank you very much for involving us in the audit report.

Very truly yours,

Shunichi Kimura
SHUNICHI KIMURA

cc: Governor John A. Burns

Attach.

P. O. BOX 111

TELEPHONE 2781



LEIUE, KAUAI, HAWAII

January 11, 1968

RECEIVED

JAN 11 1968

OFFICE OF THE AUDITOR
TIME _____

Mr. Clinton T. Tanimura
Legislative Auditor
State of Hawaii
Iolani Palace
Honolulu, Hawaii 96813

Dear Mr. Tanimura:

In reply to your letter of January 4, 1968, I am in complete agreement with the consultant's recommendations pertaining to my jurisdiction.

In fact, I have already started implementing some of the recommendations of the consultant.

Mahalo and warmest personal regards.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Antone Vidinha, Jr.", is written over the typed name.

ANTONE VIDINHA, JR.
Chairman & Executive Officer

bu