

## OPINION NO. 148

An auditor in a state agency evaluates and examines audit findings and procedures of the agency. His primary responsibility is to supervise and participate in field audits of governmental books of accounts, review and evaluate internal control, recommend corrective action and prepare financial exhibits and reports. A large part of his responsibility includes performing audits and developing audit programs; reviewing previous audit reports; conducting surveys; evaluating internal control; verifying financial data with control records; and determining whether recorded transactions conform to legal requirements.

He has inquired whether he may accept, as an independent public accountant, a private bookkeeping account for a company which is a licensee of a division of his agency. For a fee of \$150 per month, he would post the transactions from the books of original entry and summarize and record transactions in a general ledger. He would also prepare the financial statements, tax returns and reports from the general ledger.

Licensees of the division apply for their license and pay a set fee plus a percentage of gross receipts derived from its operations. The state agency audit includes an examination of reporting procedures and the reasonableness of the amounts reported. This employee has indicated that the audits of licensees are generally performed by private, non-government auditors, but that his office conducts such audits upon request of the division when the non-government auditors are too busy.

We advised him that he should not accept as private clients, businesses or individuals who do business with his agency and who may be audited by his office. It was our opinion that the action he contemplated would be in violation of HRS, §84-14(b), which states that, "No employee shall acquire financial interests in any business or other undertaking which he has reason to believe may be directly involved in official action to be taken by him." The facts submitted indicated that there was sufficient reason to believe that his private client may be involved in an official audit by his office.

We noted that the prohibition of HRS, §84-14(b), applied regardless of the employee's ability to disqualify himself, since the purpose of the provision is to prohibit employees from intentionally and knowingly placing themselves in conflict situations from which they will be unable to perform their official responsibilities. We added, however, this provision did not prohibit him from accepting other clients who did not deal with his agency and who would not have occasion to be audited by his office.

Dated: Honolulu, Hawaii, October 11, 1972.

STATE ETHICS COMMISSION  
Walters K. Eli, Vice Chairman  
Gwendolyn B. Bailey, Commissioner  
Audrey P. Bliss, Commissioner  
Fred S. Ida, Commissioner

Note: Chairman Vernon F. L. Char was excused from the meeting at which this opinion was considered.