

REPORT TO
THE LEGISLATURE OF THE STATE OF HAWAII

Long And Short Range Programs
Of The Office Of The Auditor

SUBMITTED BY
THE AUDITOR OF THE STATE OF HAWAII
DECEMBER, 1965

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CLINTON T. TANIMURA
Auditor

THE OFFICE OF THE AUDITOR
State of Hawaii
Iolani Palace
Honolulu, Hawaii 96813

December 15, 1965

Honorable Members
of the Third State Legislature
Budget Session of 1966
Iolani Palace
Honolulu, Hawaii

Gentlemen:

The purpose of this report is to describe the proposed long and short range programs of the Office of the Auditor. The long range program attempts to identify the reasons for the existence of the office, the goals we are trying to achieve and the kind of organization we are trying to become. It also sets forth the major policies of the office. These policies describe the specific means through which the long range goals are to be achieved. The short range program details out our near term goals and our operational plans for the deployment of our resources.

Specifically this report is concerned with:

- (1) explaining the purpose of the Auditor's Office;
- (2) identifying our specific long range objectives of the office;
- (3) delineating our functional, administrative and

financial accountabilities; (4) stipulating our major operational policies; (5) identifying our short range objectives and the performance tasks for the fiscal year 1965-66; and (6) stipulating the planned program achievements and budget requirements for the fiscal year 1966-1967.

As with all other plans, the long and short range programs outlined herein are subject to change as conditions warrant. However, we have striven to present for your review our operational plans as they presently exist and as candidly and as detailed as possible.

We trust that you will find this report useful in understanding the nature and role of the Office of the Auditor. Your comments on possible improvements to our program will always be welcome.

Respectfully,



Clinton T. Tanimura
Auditor

A STATEMENT OF THE LONG AND SHORT RANGE PROGRAMS
OF THE OFFICE OF THE AUDITOR

I. Purpose of Statement

The purpose of this statement is to outline the long and short range programs of the Office of the Auditor. The goals, policies, and specific performance tasks contained herein are not only intended to explain the nature and scope of the Auditor's program but also to serve as a ready source of reference for staff action and performance and as a basis for evaluating program performance. Specifically, the purpose of this statement can be stated as follows:

- A. To delineate the nature and scope of the functional, administrative and financial areas of accountabilitys of the Auditor's Office.
- B. To establish the long and short range program objectives of the Auditor's Office.
- C. To identify the short range performance tasks of the Auditor's Office.
- D. To serve as an objective basis for legislative evaluation of the performance of the Auditor's Office.
- E. To serve as a working guideline for the day-to-day administration of the Auditor's Office.

II. Purpose of the Office of the Auditor

The Office of the Auditor is established by Article VI, Section 8, of the Constitution of the State of Hawaii. It is intended by the Constitution that this office shall serve as an instrument through which the Legislature can more effectively and efficiently carry out its responsibility to review the administration of public programs. Thus the Office of the Auditor is a part of the legislative branch of government and is responsible to the State Legislature. The Constitution provides that the Auditor shall have the duty

"to conduct post-audits of all transactions and of all accounts kept by or for all departments ... of the State and its political subdivisions, to certify to the accuracy of all financial statements issued by the respective accounting officers ... to report his findings and recommendations to the governor and to the legislature ... make such additional reports and conduct such other investigations as may be directed by the legislature."

It is intended that the Auditor shall carry out these responsibilities in an independent and objective manner. Neither the Executive nor the Legislature shall dictate the nature, scope, method, or outcome of his post-audit examinations. The relationship of the Office of the Auditor to the Legislature, therefore, is similar to that of an independent accounting firm retained by a corporate board of directors to conduct an examination of the effectiveness of the corporation's management.

In summary, the purpose of the Office of the Auditor, therefore, is to provide to the Legislature an independent and impartial public management, program, and financial analysis and audit capabilities and services of the highest quality possible.

III. The Long Range Objectives of the Office of the Auditor.

The long range objectives of an organization indicate what the organization wants to become and what it is trying to achieve. The following long range objectives have been identified for the Office of the Auditor:

1. To establish and maintain the Office of the Auditor as the authoritative source of information on matters relating to the management and financing of State and local governments in Hawaii.
2. To effectively and actively assist the Legislature in its decision-making responsibilities.
3. To promote the effective, efficient and economical performance of public programs.
4. To effect improvements in financial administration practices throughout the State and local governments.

IV. Auditor's Scope of Accountability

This section outlines the functional, administrative, and financial assignments which the Auditor is made accountable for successful implementation.

A. Functional assignments

1. Planning Audits. Implement a comprehensive audit program of the planning activities of public agencies which will include the following:
 - a. The identification and evaluation of major statewide and related departmental goals and objectives whether implicit or explicit.
 - b. The identification and evaluation of the major State policies employed to attain the major goals and objectives of the State.
 - c. The identification and evaluation of the environmental, competitive, and internal information which are collected, analyzed and utilized by management for planning purposes.
 - d. The identification and evaluation of alternative investment of funds and manpower over the long run.
 - e. The identification of success or performance factors to determine the efficacy of the State's goals, policies, and operations.
 - f. The evaluation of performance measures against planned achievements for purposes of re-planning.
 - g. The conduct of special studies relating to broad problems of financial administration.

2. Control Audits. Implement a comprehensive audit program of the operations of State and local governments which will include the following:
- a. The review of management's operational and financial plans for conformity with State laws, goals, and legislative policy and intent.
 - b. Assistance to management by imparting to it, upon request, information and insights on legislative actions so that management may more knowledgeably and effectively manage the affairs of the State.
 - c. The conduct of post-audits of statewide and departmental management control systems (financial and non-financial). "Post-audits" shall mean examination to ascertain the following:
 - (1) That management is carrying out the activities and programs authorized by the Legislature and is doing so effectively, efficiently, and economically.
 - (2) That expenditures are made and revenues collected in accordance with the laws and regulations.
 - (3) That the assets of the State are properly safeguarded and utilized.

- (4) That the reports and financial statements disclose all material information necessary to a proper evaluation of the State's activities.
 - d. The establishment of the principles, standards, and other requirements for the auditing of the financial administration of State and local governments.
 - e. The verification of the accuracy of all financial statements prepared by State and local governments.
3. Budget Review and Analysis. Analyze the Governor's recommended operational and capital budgets and submit comments to the Legislature. The analysis shall include but not necessarily be limited to the following:
- a. The identification of the specific goals and policies which are explicitly or implicitly incorporated into the Governor's budgets.
 - b. The appropriateness of such goals and policies in the light of present day and projected environment.
 - c. The reasonableness of such goals and policies in the light of past experiences both here and in other jurisdictions.

- d. The reasonableness of such goals and policies in the light of the availability of resources, such as personnel, physical facilities, funds, etc.
4. Other Legislative Services. Provide, upon request, the following services to the Legislature or its duly constituted committees:
- a. Special studies and investigations of State and county operations and financing.
 - b. Fiscal analysis of any revenue or appropriation measure.
 - c. Fiscal analysis of alternative legislative goals and policies.
 - d. In-service training of legislative staff members as may be assigned to the Auditor for training as budget and management specialists.
- B. Administrative Assignments
- 1. Program Planning. Develop and implement appropriate long and short range program plans which will successfully achieve all aspects of the scope of the Auditor's accountabilities.
 - 2. Organizing. Organize the office to effectively administer the program.

3. Staffing. Attract, recruit, and develop qualified administrative and professional staff members.
4. Direction. Motivate and direct the affairs of the office.
5. Control. Monitor and control the office's performance.
6. Innovation. Seek out and develop such innovations as will permit more effective performance of the office.
7. Representation. Maintain mutually beneficial relationships with others in government and in the community at large; represent the office before legislative committees and other groups.

C. Financial Assignments

1. Standards. Establish cost-performance standards.
2. Reports. Establish cost-performance reporting system.
3. Control. Monitor and control the expenses of the office.

V. Major Operational Policies

A. Audits

1. The primary responsibility of the Office of the Auditor is to conduct independent and objective examination of how effectively, efficiently, and economically public agencies manage programs

entrusted to them for implementation. Due attention will, of course, be given to the detection of fraud and other unauthorized, illegal, improper or unsafe handling or expenditure of public funds.

2. The Auditor is given authority to conduct post-audits of:

" ... all executive departments, boards, commissions, bureaus, offices, agencies and all independent commissions and other establishments of the state government (excepting the legislature) and all quasi-public institutions and all courts which are supported in whole or in part by, or which handle state or public funds ... all counties and municipalities of the State insofar as they are supported by or handle state or public funds."
Section 2-30, RLH 1955, as amended.

3. The scope of audit examinations shall cover all aspects of management's responsibilities including the following areas: planning, organization, staffing, direction, control, innovation, and representation.
4. Each public agency is responsible for planning, organizing, directing, and controlling its operations. The audit examinations are not intended to usurp or impede management's responsibility to manage. The Auditor's Office exercises no control functions and is restricted to reviewing, evaluating and reporting its findings and recommendations to the Governor and to the Legislature.

5. Each public agency and the Department of Accounting and General Services are responsible for establishing and maintaining appropriate accounting and other internal control systems. The Auditor is responsible for evaluating the effectiveness of these systems. The evaluation will center on whether these systems provide:
 - a. Full disclosures of financial results of the agency's activities;
 - b. Adequate financial information needed for the agency's management purposes;
 - c. Effective control over and accountability of all funds; property and other assets for which the agency is responsible, including appropriate internal audit.
 - d. Reliable accounting results to serve as the basis for preparation and support of the agency's budget requests, for controlling the execution of the budget and for providing the financial information required by the Department of Budget and Finance.
 - e. Suitable integration of departmental accounting systems with that of the Department of Accounting and General Services.
6. The nature, scope, and frequency of audits of any agency shall be based on the relative need of such audits.

7. The Auditor shall coordinate his post-audit activities with the Department of Accounting and General Services to minimize duplication of efforts.
8. The Auditor shall establish and maintain on a current basis a schedule of the audit examinations to be conducted.
9. The Auditor shall investigate as soon as possible all reliable information brought to his attention relating to alleged instances of unauthorized, irregular, illegal, improper or unsafe handling or expenditure of State funds or improper practice of financial administration.
10. The Auditor shall conduct a continuous review of State and county operations and report to the Legislature or any legislative interim committee whenever he discovers evidence of any unauthorized, illegal, irregular, improper or unsafe handling or expenditure of State funds or that such action is being contemplated. He shall also report to the Legislature all known instances where the legislative policy or intent was not adhered to, the reasons therefor, and suggestions as to the corrective actions which could be taken.

11. The Auditor shall maintain appropriate liaison with legislative committees as will enable him to be knowledgeable about legislative goals, policies, and intents.

B. Reports

1. In the event the Auditor discovers evidence of any unauthorized, illegal, irregular, improper or unsafe handling or expenditure of State funds, or other improper practice of financial administration or in the event he has knowledge that such practice is being contemplated, he shall immediately notify the legislature or any duly constituted legislative interim committee, the Governor of the State and the city council or board of supervisors of the county concerned.
2. The Auditor shall submit an annual report to the Legislature of the audits and examinations conducted by him for the immediate preceding fiscal year, and all other audits and examinations conducted during the current fiscal year, together with his findings and recommendations relative to the expenditures made and financial transactions had by the State and county agencies.
3. The Auditor shall transmit certified copies of all audits and examinations to the Governor and the director of finance and shall transmit

pertinent portions of any audits or examinations to the city council or boards of supervisors of the counties.

4. The Auditor shall place in the State Archives a certified copy of all audits and examinations which shall be available for public inspection.

C. Legislative Services

1. In addition to the Auditor's Constitutional duties, he shall serve the Legislature by providing this body with public management, program, and financial analysis and audit capabilities of the highest possible quality.
 - a. During legislative sessions, the Auditor shall give priority to requests made by legislative finance committees. Services to other legislative committees shall also be rendered upon direction by the President of the Senate or the Speaker of the House.
 - b. During the interim between sessions, the Auditor shall conduct such studies and investigations as the Legislature may direct by law or concurrent resolution or by direction of any duly constituted and authorized legislative interim committee or upon instruction of the President of the Senate or the Speaker of the House.

2. The Auditor shall provide technical assistance to the Legislative Reference Bureau and legislative staffs on matters relating to the fiscal implication of specific policies and actions.
3. The Auditor's Office is a non-political and a non-partisan organization. As such, it shall not engage in activities that are considered to be strictly political in nature.

D. Personnel

1. The Auditor may employ, with the concurrence of the Speaker of the House and the President of the Senate, persons with such technical and professional skills as will enable him to properly carry out his duties and responsibilities.
2. The Auditor shall select his staff on the basis of merit and the applicant's ability to work effectively in a staff capacity to the legislature.
3. The Auditor shall consult with the Department of Personnel Services with respect to the proper classification and compensation of staff positions and shall follow such advice as closely as possible. See "Professional Staff Class Specifications and Compensation."

4. Staff members shall be entitled to participate in all fringe benefit programs accorded to regular State government employees.
5. Staff members shall not have tenure rights and shall serve at the pleasure of the Auditor; provided, however, that the Auditor may enter into contracts for services with individuals and private businesses.
6. Members of the Auditor's staff shall refrain from active participation in political activities such as holding office in political parties, working for a candidate in political campaigns, serving on campaign strategy committees and making public endorsement of candidates. Membership in a political party, attendance at political rallies, coffee hours and the like, and making voluntary contributions to candidates are permitted.
7. The regular office hours of the Auditor's Office shall be from 7:45 a.m. to 4:30 p.m., Mondays through Fridays. When the Legislature is in session, however, the office hours shall coincide with those maintained by legislative staff members. Staff members, however, shall make themselves available for service at any other time upon request by the Legislature.

VI. Short Range Objectives: 1965-1966

1. To prepare for legislative review the long and short range programs of the Auditor's Office.
2. To establish mutually satisfactory relationships with the Legislature, the Governor, State departments and the county governments.
3. To promote general appreciation and understanding of the role of the Auditor's Office in the total scheme of government in Hawaii by:
 - (a) conducting studies which will demonstrate the nature and utility of the various audit programs of this office;
 - (b) reviewing on a selective basis the State operating and financing plans for 1965-66;
 - (c) reviewing and analyzing selected aspects of the Governor's 1966-67 operating and capital budgets; and
 - (d) providing, upon request, fiscal analysis services to the Legislature.
4. Initiate preliminary survey of public program management.

VII. Short Range Performance Tasks: 1965-1966

A. Legislative Directions

1. Act 230, S.L.H. 1965
 - a. Appropriation: \$125,000(5).

- b. position ceiling: "The maximum number of positions authorized ... during the fiscal year 1965-1966 is the number stated in parenthesis after the appropriation."
- c. Other directions: "The Legislative Auditor shall, during the next fiscal year, formulate long and short range plans for his office and he shall submit such plans and his budget to the legislature at least twenty days prior to the budget session of 1966."

2. S.C.R. No. 80, S.D. 1

Budget Execution Review. "... the President of the Senate and the Speaker of the House (shall)... instruct the legislative auditor and his staff ... to continuously review program execution"

B. Planned Achievements by January 1, 1966 .

- 1. Planning. Prepare and submit for legislative review a long and short range program for the Auditor's Office; prepare and present program plans and budget requirements for 1966-1967; propose necessary amendments to laws relating to the duties and powers of the Auditor.
- 2. Organizing. Prepare organization plans which will permit the effective administration and achievement of the planned program.

3. Staffing. Classify and price staff positions; attract and recruit initial staff; identify reservoir of potential staff members.
4. Representation. Plan and initiate program to establish mutually beneficial relationships with the following: legislature; legislative service agencies and groups; state and county officials; community groups; and legislative fiscal review and audit agencies in other jurisdictions.
5. Control. Plan and initiate management control system for the office; prepare appropriate operational policies.

C. Planned Achievements by June 30, 1966

1. Execute the following operational strategy up to start of 1966 Budget Session.
 - a. Prepare for maximum service to legislature in making budget decisions for 1966-67 by:
 - (1) Reviewing executive's program and financing plans for 1965-66 and conducting field investigations on a sampling basis to verify plans.
 - (2) Conduct special audit studies on program effectiveness as described in section "b" below.

- (3) Attend executive budget hearings on 1966-67 budget requests (capital and operational).
 - (4) Attend governor's revenue estimation committee meetings.
 - (5) Prepare comments on executive's recommended budget for 1966-67.
 - (6) Conduct limited and short range studies for legislative finance committees upon request.
- b. Complete timely studies which will effectively demonstrate the nature, scope and utility of the proposed functional assignments for the Auditor's Office.
- (1) Audit of the Office of the Revisor of Statutes (H.R. 29, H.D. 1).
 - (2) Study on the implementation of Act 97, S.L.H. 1965 (transfer of functions).
 - (3) Study on the impact of recent federal legislations on State programs.
 - (4) Audit of the Statewide Information System.
 - (5) Audit of the overtime policy and practices of State agencies.
- (Note: Items (3) to (5) may not be completed by the opening day of the 1966 Budget Session. Interim reports may be issued if findings can be of value to Legislature.)

2. Execute the following operational strategy during Budget Session of 1966.
 - a. Seek legislative approval to eliminate position ceiling established for 1965-66 under Act 230, S.L.H. 1965.
 - b. Attract and recruit additional personnel to staff the control and planning audit sections within money ceiling set by Act 230.
 - c. Seek legislative approval for proposed budget for fiscal 1966-67.
 - d. Provide on a first priority basis fiscal analysis services to Legislature.
 - e. Complete studies underway.
3. Execute the following operational strategy after the 1966 Session to June 30, 1966.
 - a. Prepare and issue report on final legislative actions affecting State and local finances.
 - b. Plan and initiate preliminary survey of statewide and departmental management control systems.

VIII. Operating Budget Request: 1966-1967

A. Planned Program Achievements 1966-1967

The following program achievements are planned for 1966-1967. In setting these targets it was assumed that a full staff complement as requested

in section "B" below will be available at the beginning of the fiscal year. Delays in hiring will affect performance to an important extent.

1. Management Control Systems

Priority will be given to completing the preliminary survey of statewide and departmental management control systems. The purpose of this survey is to test the financial and other management control systems such as the planning, manpower utilization, personnel, and performance control systems. Areas of weaknesses will thus be identified and become the basis for the scheduling of the audit examinations.

2. Financial Post-Audits

Decisions on the specific financial (fund) audits to be conducted will be made after the preliminary survey.

3. Budget Execution Review

The review of how management organizes and implements State programs is a year-long activity. Management's financial and operational plans for all programs will be examined for conformity with State laws and legislative authorizations. All major statewide and departmental operating goals and policies will be examined for clarity, consistency, and reasonableness. Actual expenditures and program

achievements will be examined quarterly. Field audits will be conducted where a more detailed study of the program operation appears to be necessary. An end of the year evaluative report will also be prepared.

4. Budget Request Analysis

An analytical report of the executive's recommended operational and capital budgets will be prepared for presentation to the Legislature during its 1967 general session. The coverage and quality of the "budget request analysis" will depend on the rapidity with which our planning audit capabilities can be developed. It is estimated that it will take about three years to reach a satisfactory level of analysis.

5. Legislative Services

Starting with the pre-session work period and for the duration of the legislative session of 1967, the staff will be on call to render fiscal analysis service to legislative finance committees.

B. Budget Request for 1966-1967

It is estimated that an appropriation of \$275,000 will be needed to accomplish the planned program for 1966-1967 and to move the office forward in the attainment of its long range goals. Of this amount,

\$225,000 is planned to be used to meet the normal office expenses and the remaining \$50,000 is set as a reserve to meet the expenses of any unanticipated audits conducted. The budget will finance a staff of 16 persons, consisting of the Auditor, 12 analysts and 3 secretaries.

The planned program calls for the following breakdown of total staff expense by cost units:

	<u>Amount</u>	<u>Percent</u>
Administration	\$ 29,625	13
Control audits (financial and non-financial)	101,270	45
Planning audits including budget analysis	39,355	18
Other legislative services	26,830	12
Vacation, holidays and sick leaves	<u>27,920</u>	<u>12</u>
	\$225,000	100

See statements at end of this memorandum for further details.

What values would accrue to the Legislature and the people of Hawaii by the establishment of the Auditor's Office? The following values are listed for your consideration:

1. The Legislature for the first time will have sufficient staff capacity: (a) to take effective leadership in the formulation of State goals and

- policies; (b) to follow-up on governmental programs to ensure adherence to legislative intents and policies; and (c) to objectively appraise the performance of executive agencies and their personnel.
2. The establishment of a legislative fiscal staff will free many staff members of executive agencies who have in the past provided such services to the Legislature at the expense of carrying out their regular duties.
 3. The audit activities of legislative analysts will serve to further deter the taking of illegal and improper actions by government personnel and to provide further incentives for the effective, efficient, and economical operations of governmental programs and for the successful attainment of program objectives.

C. Expenses of Certain Executive Agencies

For the fiscal year 1965-66, it is estimated that the adjusted appropriation for executive agencies charged with functional responsibilities similar to those of the Auditor amounts to \$470,000 and 45 authorized positions. The total appropriation is broken down by agencies as follows:

	<u>Adjusted Appropriation 1965-66</u>
Budget Services:	
Budget and Finance	\$247,000 (23)
Planning and Economic Development	60,000 (6)
Management Services:	
Budget and Finance	57,000 (5)
Post-Audit Services:	
Accounting and General Services	<u>106,000 (11)</u>
Total	\$470,000 (45)

It is almost certain that the expenses of these agencies for the fiscal 1966-1967 will well exceed \$500,000.

D. Limitation of Budget Estimates

The budget request purports to estimate the level of financial outlays necessary to attain established levels of productivity and achievements. The lack of any meaningful operating experience, however, places some serious limitations on the reliability of any estimates or projections of budgetary requirements which can be developed at this time. There are many unknowns which can not now be intelligently assessed. For example, the scope and frequency of the financial post-audit program will depend to a large extent on our findings as to the adequacy of financial control systems which are being implemented;

the extent of program achievements will depend on the availability of competent analysts, on the start-up time needed to plan an orderly approach in implementing the audit programs; and on the speed with which satisfactory relationships and cooperation can be achieved with executive agencies.

It is requested, therefore, that the Legislature take cognizance of the limitations of the budget estimates which have been prepared for 1966-1967. We trust that next year, with one year's experience behind us, more reliable planned programs and budget requirements would be presented.

E. Conclusion

When one considers that the 1965 Legislature made budget decisions totalling some \$380,000,000, an expenditure of \$275,000 to provide competent fiscal and management analysis services to the Legislature appears to be reasonable.

Your favorable consideration of the requested budget for 1966-1967 is strongly urged.

OFFICE OF THE AUDITOR
 PROJECTED OPERATING EXPENSES FOR 1966-1967
 ALLOCATED BY ORGANIZATIONAL AND COST UNITS

	<u>Adminis- tration</u>	<u>Control Audits</u>	<u>Planning Audits Including Budget Analysis</u>	<u>Other Legis- lative Service</u>	<u>Vacation, Holidays and sick leaves</u>	<u>Total</u>
Staff Salary Expenditures:						
<u>Education</u>						
Associate Assistant	. . .	\$ 5,500	\$ 3,300	\$ 2,200	\$ 2,200	\$ 13,200
	. . .	<u>5,400</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>10,800</u>
Sub-total	. . .	10,900	5,100	4,000	4,000	24,000
%	. . .	45%	21%	17%	17%	100%
<u>Economic Development</u>						
Associate Assistant	. . .	5,500	3,300	2,200	2,200	13,200
	. . .	<u>5,400</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>10,800</u>
Sub-total	. . .	10,900	5,100	4,000	4,000	24,000
%	. . .	45%	21%	17%	17%	100%
<u>Health & Welfare</u>						
Associate Assistant	. . .	5,500	3,300	2,200	2,200	13,200
	. . .	<u>5,400</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>10,800</u>
Sub-total	. . .	10,900	5,100	4,000	4,000	24,000
%	. . .	45%	21%	17%	17%	100%

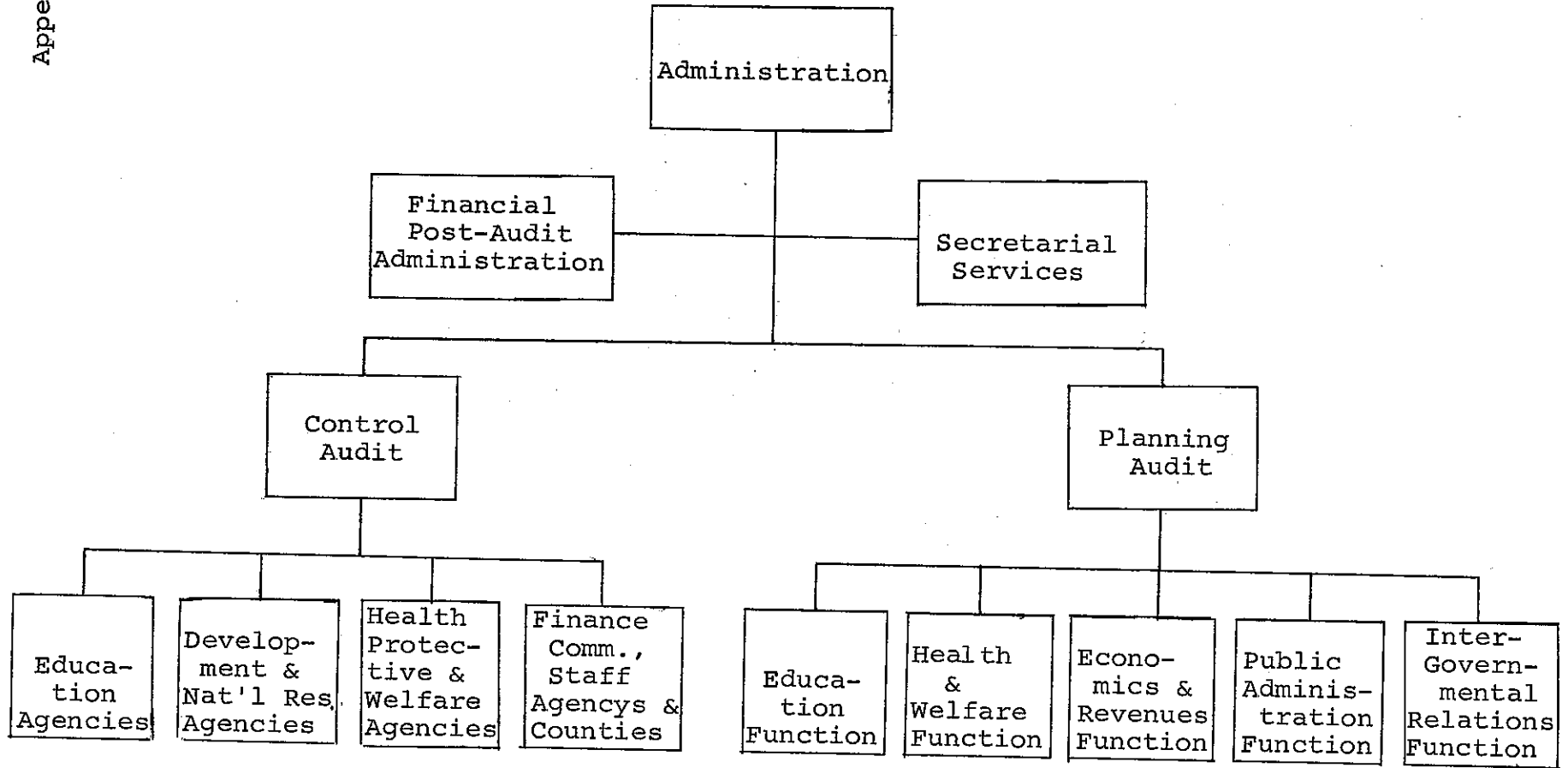
	<u>Adminis- tration</u>	<u>Control Audits</u>	<u>Planning Audits Including Budget Analysis</u>	<u>Other Legis- lative service</u>	<u>Vacation, Holidays and sick leaves</u>	<u>Total</u>
<u>Staff - Counties</u>						
Associate	. . .	8,800	1,100	1,100	2,200	13,200
Assistant	. . .	7,200	900	900	1,800	10,800
Sub-total	. . .	16,000	2,000	2,000	4,000	24,000
%	. . .	67%	8%	8%	17%	100%
<u>Public Administration - Inter-governmental Relations</u>						
Associate	. . .	8,800	1,100	1,100	2,200	13,200
%	. . .	67%	8%	8%	17%	100%
<u>Revenues & Economics</u>						
Associate	. . .	. . .	8,800	2,200	2,200	13,200
%	. . .	. . .	67%	17%	16%	100%
<u>Financial Post-audit</u>						
Associate	. . .	10,000	1,250	1,250	2,500	15,000
%	. . .	67%	8%	8%	17%	100%
<u>Administration</u>						
Auditor	22,000	. . .	. . .	. . .	. . .	22,000
Senior (legal)	. . .	10,720	1,280	1,280	2,720	16,000
Secretary	4,250	2,100	900	550	700	8,500
Typist	. . .	2,350	1,000	650	800	4,800
Typist	. . .	2,350	1,000	650	800	4,800
Sub-total	26,250	17,520	4,180	3,130	5,020	56,100
%	47%	31%	7%	6%	9%	100%

	<u>Adminis- tration</u>	<u>Control Audits</u>	<u>Planning Audits Including Budget Analysis</u>	<u>Other Legis- lative Service</u>	<u>Vacation, Holidays and sick leaves</u>	<u>Total</u>
Total Staff						
Salary Expense:	26,250	85,020	32,630	21,680	27,920	193,500
Add: Supply and Equipment Expenses	<u>3,375</u>	<u>16,250</u>	<u>6,725</u>	<u>5,150</u>	<u>. . .</u>	<u>31,500</u>
Total Staff Expense	\$29,625	\$101,270	\$39,355	\$26,830	\$27,920	\$225,000
%	13%	45%	18%	12%	12%	100%
Contract Hires	. . .	. . .	. . .	. . .	. . .	50,000
Total Appropriation Request	. . .	. . .	. . .	. . .	. . .	\$275,000

OFFICE OF THE AUDITOR
NON-SALARY EXPENSE: 1966-1967

	<u>1966-67</u>		<u>1966-67</u>
Materials and Supplies:		Printing and Binding	3,800
Stationery and Office Supplies	\$ 3,000	Maintenance, Office Equipment	1,000
Education and Scientific	400	Repairs to building	3,000
Communication:		Dues and subscriptions	300
Postage	600	Books	800
Telephone and Cables	1,300	Office Equipment and Machines	<u>6,000</u>
			\$31,500
Travel and Subsistence:			
Private car mileage	1,000		
Transportation, Intra State	3,000		
Subsistence, Intra State	4,500		
Transportation, Out of State	2,000		
Subsistence, Out of State	600		
Other travel and subsistence	200		

STATE OF HAWAII
OFFICE OF THE AUDITOR
FUNCTIONAL CHART
December, 1965



State of Hawaii
The Office of the Auditor
Organization by Functions
December, 1965

ADMINISTRATION

- (a) Plans, organizes, staffs, directs, and controls the operations of the Office of the Auditor;
- (b) represents the office in its relations with the Legislature, other governmental agencies, and the public.

FINANCIAL POST-AUDIT ADMINISTRATION

- (a) Develops standards and specifications governing financial post-audits of governmental accounts and transactions;
- (b) coordinates financial post-audit program;
- (c) reviews financial post-audit reports.

SECRETARIAL SERVICES

- (a) Provides stenographic and clerical services;
- (b) maintains office library;
- (c) controls office equipment and supplies;
- (d) maintains personnel and financial records of the office;
- (e) maintains correspondence and report files.

CONTROL AUDIT

- (a) Conducts comprehensive audit program of the operations of State and local governments, including the review of governmental operating

and financial plans and actions for conformity with State goals and strategies; the identification and evaluation of statewide and departmental management control systems; the conduct of financial post-audits;

- (b) conducts special studies relating to program effectiveness and productivity;
- (c) analyzes the Governor's recommended operational and capital budgets;
- (d) provides fiscal analysis services to Legislature.

Sections Within Control Audit

Education Agencies:

Department of Education

University of Hawaii

Health, Protective and Welfare Agencies:

Defense

Hawaiian Home Lands

Health

Judicial Branch

Labor and Industrial Relations

Regulatory Agencies

Social Services

Development and Natural Resources Agencies:

Agriculture

Land and Natural Resources

Planning and Economic Development

Transportation

Finance, Commerce, Staff Agencies and Counties:

Accounting and General Services

Attorney General

Budget and Finance

Executive

Lieutenant Governor

Personnel Services

Taxation

Hawaii

Kauai

Maui

Oahu

PLANNING AUDIT

- (a) Conducts comprehensive audit program of the planning activities of the State, including the identification and evaluation of major statewide and related departmental goals and objectives, the major policies employed to attain goals and objectives (strategy); the alternative investments of funds and manpower; the principal performance or "success" factors; the workload and other budgetary standards; the evaluation of program performance achieved for replanning purposes; the assessment of statewide and departmental planning processes;
- (b) conducts special studies relating to broad programs of statewide goals and policies;
- (c) analyzes the Governor's recommended operational and capital budgets;
- (d) provides fiscal analysis services to Legislature.

Sections Within Planning Audit

Education Function

Health and Welfare Function

Economics and Revenues Function

Public Administration Function

Inter-Governmental Relations Function

PROFESSIONAL STAFF
CLASS SPECIFICATIONS AND COMPENSATION

A. JUNIOR LEGISLATIVE ANALYST

Class Specification

Under close supervision, conducts studies pertinent to the evaluation of program operations and/or expenditures of State or county agency as assigned. The responsibility of this class for assigned studies includes the selection of work methods, development of reference and other sources, and presentation of findings.

Examples of duties: Performs assigned reference and research work for appropriate background; develops and conducts studies of departmental operations and programs; and evaluates their effectiveness; prepares reports of findings and conclusions; prepares correspondence; meets and deals effectively with legislative and other public officials and employees.

B. ASSISTANT LEGISLATIVE ANALYST

Class Specification

Organizes and conducts the analysis and evaluation of program operations and expenditures of one or more assigned State and/or county agencies within a broad

governmental activity independently or under general supervision as assigned; or be responsible for the auditing, control and accounting systems for an assigned area of governmental activity. It includes the initiation and conduct of special studies, and the supervision of other analysts as assigned.

Examples of duties: Plans, organizes, and conducts studies of departmental programs and operations, including the review of operational and financial plans for conformity with goals and policies and the evaluation of the adequacy of management control systems. Performs studies of the financial administration and control systems of one or more related departments. Performs post-audits of governmental expenditures as to their propriety and legality. Performs analyses of the fiscal impact of revenue and appropriation measures. Establishes and maintains effective relationships with governmental officials and others; and prepares necessary correspondence and publications.

C. ASSOCIATE LEGISLATIVE ANALYST

Class Specification

Serves as a branch chief and/or member of a special study team responsible for a broad functional area of governmental activity. Be responsible for evaluating and formulating goals and strategy and evaluating management effectiveness in executing stated goals and policies,

or for the auditing, control and accounting systems of more than one functional area of governmental activity. This class supervises subordinate positions within its branch.

Examples of duties: Plans and executes a comprehensive planning audit program in a major discipline, such as public administration or economic and revenue policy, including the identification and evaluation of statements and departmental goals, major policies, success criteria, and the adequacy of information systems for planning and evaluation. Plans and executes a comprehensive control audit program in a broad functional area of governmental activity, such as education or economic development, including the review of operational and financial plans for conformity with goals and policies, the identification and evaluation of management control systems, and the conducting of special studies relating to program effectiveness, productivity and performance. Plans and executes a program for the evaluation or establishment of financial audit standards and specifications, the conducting of special studies and post-audits, and the design and recommended improvements to systems. Performs fiscal analyses of alternative legislative goals and policies, and ascertains the fiscal impact of revenue and appropriation measures.

Assigns and reviews the work of subordinate analysts; initiates special studies and directs their completion; prepares or directs the preparation of publications; establishes and maintains effective relationships with public and private individuals and groups, speaks before groups as necessary.

D. ASSOCIATE LEGISLATIVE ANALYST (C.P.A.)

Class Specification

Assists the Auditor in the establishment and maintenance of principles, standards, and specifications for the auditing and evaluation of financial administration in State and local governments. Plans, organizes and conducts the evaluation of program operations and expenditures as they relate to the financial management of State and local governments; and provides for the development and maintenance of professional standards and skills of the certified public accountant and financial audit staff.

Examples of duties: Establishes, coordinates and supervises the activities of a comprehensive program, such as the post-audit of financial transactions of State and local governments, including the establishment of principles, standards and specifications for the audit and evaluation of the financial administration in all agencies. Plans, organizes and conducts the continuous review of program goals and operations in assigned

agencies; initiates special studies, and directs their completion; and prepares reports and publications.

E. SENIOR LEGISLATIVE ANALYST

Class Specification

Serves as the principal assistant to the Auditor in planning, organizing, staffing, directing and controlling the operations of the office.

Examples of duties: Assists in the coordination and execution of the planned program. Assists in the development of performance and budgetary standards for the office. Plans, organizes and conducts special studies. Establishes and maintains effective relationships with cabinet level and other departmental officials, individual legislators and legislative committees, and other public and private individuals and groups; and may relieve the Auditor in his absence.

SCHEDULE OF ANNUAL STAFF COMPENSATION

	<u>Junior Legislative Analyst</u>	<u>Assistant Legislative Analyst</u>	<u>Associate Legislative Analyst</u>	<u>Senior Legislative Analyst</u>
<u>Annual</u>				
Step 1	\$ 7,596.00	\$ 9,600.00	\$12,624.00	\$15,972.00
2	7,896.00	9,984.00	13,128.00	16,608.00
3	8,208.00	10,380.00	13,656.00	17,268.00
4	8,532.00	10,800.00	14,208.00	17,964.00
5	8,868.00	11,232.00	14,772.00	18,684.00
6	9,228.00	11,676.00	15,360.00	. . .
7	9,600.00	12,144.00	15,972.00	. . .
8	9,984.00	12,624.00	16,608.00	. . .
* * * *				
Special				
Step 1	10,380.00	13,128.00	. . .	. . .
2	10,800.00	13,656.00	. . .	. . .

LAWS RELATING TO THE OFFICE OF THE AUDITOR

CONSTITUTION • STATE OF HAWAII

Article VI, Taxation and Finance

Section 8. The legislature, by a majority vote of each house in joint session, shall appoint an auditor who shall serve for a period of eight years and thereafter until a successor shall have been appointed. The legislature, by a two-thirds vote of the members in joint session, may remove the auditor from office at any time for cause. It shall be the duty of the auditor to conduct post-audits of all transactions and of all accounts kept by or for all departments, offices and agencies of the State and its political subdivisions, to certify to the accuracy of all financial statements issued by the respective accounting officers and to report his findings and recommendations to the governor and to the legislature at such times as shall be prescribed by law. He shall also make such additional reports and conduct such other investigations as may be directed by the legislature.

LAWS RELATING TO THE OFFICE OF THE AUDITOR

CHAPTER 2 REVISED LAWS OF HAWAII 1955, AS AMENDED

Part III. Auditor and Post-Audit

Sec. 2-30. Definition. As used in this part, "departments, offices and agencies" shall mean and include all executive departments, boards, commissions, bureaus, offices, agencies and all independent commissions and other establishments of the state government (excepting the legislature) and all quasi-public institutions and all courts which are supported in whole or in part by, or which handle state or public funds; and "political subdivision" shall mean and include all counties and municipalities of the State insofar as they are supported by or handle state or public funds.

Sec. 2-31. Auditor; appointment, tenure, removal, salary, qualifications. The auditor shall be appointed, hold office for such term and be subject to removal in the manner prescribed in section 8, article VI, of the Constitution. The salary of the auditor shall be fixed by the legislature and shall not be diminished during the auditor's term of office.

Sec. 2-32. Duties. The auditor shall conduct post-audits of all transactions and of all books and accounts kept by or for all departments, offices and agencies of the State, and its political subdivisions. Such post-audits and all examinations to discover evidence of any unauthorized, illegal, irregular, improper or unsafe handling or expenditure of state funds, or other improper practice of financial administration shall be conducted at least once in every two years after the close of a fiscal year, and at such other time or times during the fiscal year as he shall deem necessary or as may be required by the legislature for the purpose of certifying to the accuracy of all financial statements issued by the respective accounting officers and of determining the validity of expenditures of state or public funds.

Sec. 2-33. Auditor; powers. The auditor may examine and inspect all books, records, files, papers and documents and all financial affairs of every department, office and agency and political subdivision, and may, by precept under his hand in the form contained in section 34-49, require all such persons as he may think fit to appear personally before him at any time and place to be named in such precept, and to produce to him all such accounts, books, records, files, papers and documents in the possession or control of such persons as shall appear

to be necessary for the purpose of examination. The auditor may cause search to be made and extracts to be taken from any book, paper or record in the custody of any public officer without paying any fee for the same; and every officer having the custody of any such book, records, files, papers and documents shall make such search and furnish such extracts as thereto requested.

Sec. 2-34. Examination under oath. The auditor shall have power to administer oaths to persons summoned to appear before him and may question such persons, under oath, concerning receipts and expenditures of money and concerning all other things and matters necessary for the due execution of the duties vested in him by this part.

Sec. 2-35. Penalty for violation and false evidence. Any person, who, having been summoned as in section 2-33 provided, to give testimony or to produce any books, papers or other documents relating to any matter under inquiry, wilfully makes default, or who, having appeared, refuses to answer any question pertaining to the matter under inquiry, shall be fined not less than \$100 nor more than \$1,000, or imprisoned not less than one month nor more than twelve months, or both. If any person, in the course of his examination before the auditor, wilfully gives false evidence, such person so offending shall incur the same penalties as are or may be provided against persons convicted of perjury.

Sec. 2-36. Discovery of irregularities. In case the auditor at any time discovers evidence of any unauthorized, illegal, irregular, improper or unsafe handling or expenditure of state funds, or other improper practice of financial administration or if at any time it comes to his knowledge that any unauthorized, illegal, irregular, improper or unsafe handling or expenditure of state funds or other improper practice of financial administration is contemplated but not consummated, in either case, he shall forthwith transmit the facts to the legislature or any legislative interim committee then in existence, and the governor of the State, and the city council or board of supervisors of the political subdivision concerned. The auditor shall in his annual report to the legislature make specific recommendations for the avoidance of the same in the future.

Sec. 2-37. Assistance and staff. In the performance of his duties, the auditor may employ the services of one or more certified public accountants or accounting firms, and such other assistants and clerical workers as may be necessary, provided the cost thereof shall not exceed such sums as may be available out of the appropriations provided by law for the conduct of his office and provided further, that such accountants, firms, and assistants are entirely independent of the departments, offices and agencies of the State and its political

subdivisions whose affairs are subject to audit by the auditor. All employees shall be hired by the auditor subject to the approval of the president of the senate and the speaker of the house of representatives and shall serve at his pleasure; provided, that in the establishment of the salary of each such employee the auditor shall consult with the department of personnel services and shall follow as closely as possible the recommendations of such department; and provided further, that the salary of the first assistant or first deputy shall not exceed a sum equal to ninety-five per cent of the salary of the auditor. The auditor and his full-time staff shall be entitled to participate in any employee benefit program privileges.

Sec. 2-38. Reports. The auditor shall, at each regular session, submit a report to the legislature of the audits and examinations conducted by him for the immediately preceding fiscal year and all other audits and examinations conducted by him during the current fiscal year, together with findings and recommendations relative to the expenditures made and financial transactions had by the departments, offices, and agencies of the State and its political subdivisions. Reports may also be submitted to the legislative council or any legislative interim committee then in existence. Certified copies of all audits and examinations made by the auditor shall be

sent to the governor and the director of the budget.
All such reports shall be available for public inspection.
A certified copy of that portion of any report which
consists of audits and examinations of departments, offices,
or agencies of a political subdivision shall be sent to
the city council or board of supervisors of the political
subdivision concerned.

Sec. 2-39. Salary of the auditor and appro-
priations. The salary of the auditor shall be \$22,000
per annum. The funds for the support of the auditor's
office shall, commencing the 1966 budget session of the
legislature, be provided for in the Act providing for
the expenses of the legislature.