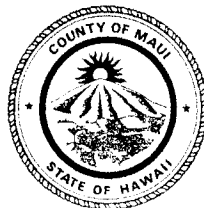


ALAN M. ARAKAWA
MAYOR



KEITH A. REGAN
MANAGING DIRECTOR

DEPARTMENT OF MANAGEMENT
COUNTY OF MAUI

April 10, 2017

Ms. Lynn A. S. Araki-Regan *LR*
Budget Director, County of Maui
200 South High Street
Wailuku, HI 96793

Honorable Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

Alan Arakawa 4/10/17
Mayor Date

2017 APR 10 PM 2:53
OFFICE OF THE
COUNTY CLERK

RECEIVED

For Transmittal to:

Honorable Riki Hokama
Chair, Budget and Finance Committee
Maui County Council
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Hokama:

SUBJECT: FISCAL YEAR ("FY") 2018 BUDGET (MD-2) (BF-1)

This is in response to your letter dated April 3, 2017 requesting response/answers to requests made by the Budget and Finance Committee. We have provided you with the following answers to your questions:

1. Who is responsible for monitoring "spiking" within the Departments?

Response: Generally, it is each department director's responsibility to monitor "spiking" within their respective departments. The Department of Finance also plays a major role in monitoring "spiking" on an organizational level. According to the Charter of the County of Maui, Article 8, Chapter 4, Section 3, item 8, the Director of Finance is required to "prepare payrolls and pension rolls." As such, the Director of Finance's role is to control the payroll and financial systems of the County of Maui.

It is our understanding that Act 153 “spiking” invoices and communications from the ERS are sent directly to the Department of Finance. We are currently investigating the process utilized by the Department of Finance to determine the validity of these invoices and the method by which the identified departments are notified and involved. It is our strong belief that, once in receipt of the Act 153 invoices, a thorough investigation of the claims must be initiated and, if unfounded, should be immediately and vehemently refuted.

2. Does the Administration have a plan to reduce “spiking” activity with the Departments?

Response: Currently, department directors are instructed to review their respective payrolls on a monthly basis utilizing reports generated through our accounting system. Additionally, department directors are instructed to closely monitor overtime expenditures throughout the month as part of their oversight responsibilities. Department directors pay close attention to budgetary expenditures and make the appropriate adjustments to operations as needed.

The process of reducing “spiking” is challenging but the administration is aware and concerned with the costs associated with it. We believe an opportunity exists to address the ERS’s claims that a violation of Act 153 has occurred but it requires that the Department of Finance investigate and refute claims that are unfounded. Additionally, departments identified to have founded “spiking” claims will require deeper analysis to determine whether or not the claims could have been avoided and what corrective actions should be taken to prevent another occurrence in the future. Please understand that this may be challenging for the Department of Finance to undertake as it requires significant resources to conduct and complete a thorough investigation.

3. Provide a copy of the “spiking” bills received from the Employees’ Retirement System as it relates to the funding request...in the Fiscal Year 2018 Budget.

Response: The “bills” referred to in your letter are sent from the ERS directly to the Department of Finance. As per the Maui County Charter, the Director of Finance is responsible for the handling and payment of these demands. As a matter of courtesy, we have requested any and all “bills” from the Director of Finance and have attached them to this correspondence (Attachment 1 and 2). Should you require additional information, please contact the Department of Finance directly.

We thank you for your inquiry and would be happy to address any further questions you may have regarding this subject.

Sincerely,



KEITH A. REGAN
Managing Director

Attachments (2)

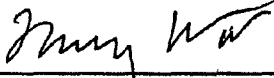
STATE OF HAWAII
DEPARTMENT OF BUDGET & FINANCE
EMPLOYEES' RETIREMENT SYSTEM

BILL FOR COLLECTION

County of Maui Department of Finance Director: Danny Aagsalog 200 South High St. Kalana O Maui Bldg, 2 nd Floor Wailuku, HI 96793	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">BILL NO.</td> <td style="width: 50%; text-align: right;"><u>2015-ACT 153-MAUI</u></td> </tr> <tr> <td>DATE</td> <td style="text-align: right;"><u>11/24/2015</u></td> </tr> </table>	BILL NO.	<u>2015-ACT 153-MAUI</u>	DATE	<u>11/24/2015</u>
BILL NO.	<u>2015-ACT 153-MAUI</u>				
DATE	<u>11/24/2015</u>				

DATE	DESCRIPTION	AMOUNT	TOTAL
FYE 6/30/2015 EXCESS PENSION COSTS (PER ACT 153/SLH 2012 REFER HRS Section 88-100)			
		Requirement	
		\$ 1,773,652.00	\$ 1,773,652.00

I certify the above is correct and just;
Payment not received as of this date.



Accounting Manager

Remit **one copy** of this bill together with your check made payable to:

Employees' Retirement System of the State of Hawaii
 City Financial Tower
 201 Merchant Street, Suite 1400
 Honolulu, HI 96813-2980

Should there be any questions regarding this Bill for Collection, please call Larry Wolfe at 586-1728.

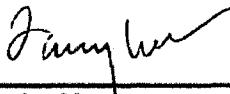
STATE OF HAWAII
DEPARTMENT OF BUDGET & FINANCE
EMPLOYEES' RETIREMENT SYSTEM

BILL FOR COLLECTION

County of Maui Department of Finance Director: Danny Agsalog 200 South High St. Kalana O Maui Bldg, 2 nd Floor Wailuku, HI 96793	BILL NO. DATE	<u>2016-ACT 153-MAUI</u> <u>10/21/2016</u>
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DATE	DESCRIPTION	AMOUNT	TOTAL
FYE 6/30/2016 EXCESS PENSION COSTS (PER ACT 153/SLH 2012 REFER HRS Section 88-100)			
		Requirement	
		\$ 1,091,207.00	\$ 1,091,207.00

I certify the above is correct and just;
Payment not received as of this date.



Accounting Manager

Remit one copy of this bill together with your check made payable to:

Employees' Retirement System of the State of Hawaii
 City Financial Tower
 201 Merchant Street, Suite 1400
 Honolulu, HI 96813-2980

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 or Larry Wolfe at 586-1728.