

BFED Committee

From: County Auditor
Sent: Wednesday, April 17, 2024 11:33 AM
To: BFED Committee
Subject: Request from BFED Chair to County Auditor at today's meeting
Attachments: 240403afn01_restatement.pdf

Aloha, BFED Committee. As requested at this morning's BFED meeting, attached is the letter requested by Chair Sugimura. Specifically, it is the County Auditor's letter dated 04/04/2024 to the Acting Finance Director.

Camille Sakamoto
Administrative Officer
Office of the County Auditor
County of Maui
2145 Wells Street, Suite 303
Wailuku, Maui, HI 96793
(808) 463-3192
<http://www.mauicounty.gov/auditor>



OFFICE OF THE COUNTY AUDITOR

COUNTY OF MAUI
2145 WELLS STREET, SUITE 303
WAILUKU, MAUI, HAWAII 96793
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April 4, 2024

Ms. Maria Zielinski, Acting Director
Department of Finance
County of Maui
200 South High Street
Wailuku, Hawaii 96793

Dear Ms. Zielinski:

**SUBJECT: EVALUATION OF THE ASSESSMENT AND COLLECTION
OF THE MAUI COUNTY TRANSIENT
ACCOMMODATIONS TAX (Project 23-01)**

At the April 1, 2024 meeting of the Maui County Council's Budget, Finance, and Economic Development ("BFED") Committee, you made the following statements:

"I should just say, because I know it was a question, I just wanna mention DOTAX has actually informed us that they feel that the number of 16.9 [sic] which the Auditor has said we were, you know, were in, that was delinquent, is not that number. They don't agree with it. They said they believe it's more like 6 million instead..."

To be clear, the \$16.7 million figure included in our Report was obtained directly from the audited financial statements of your Department¹. It is our understanding that this figure was the result of an audit adjustment recommended by N&K CPAs, Inc.² and agreed to by the County's Department of Finance. Further, that audit adjustment was required to accurately present the County's receivable relating to transient accommodations tax for the Fiscal Year Ended June 30, 2022.

¹ Page 45, Balance Sheet, Governmental Funds – Receivables, from the Annual Comprehensive Financial Report for the County of Maui for Fiscal Year Ended June 30, 2022.

² The external auditors contracted by the Office of the County Auditor to perform the independent financial audit of the County's accounts.

Ms. Maria Zielinski
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While I can appreciate collaboration between the County and State Department of Taxation ("DOTAX") and efforts to more accurately track and collect transient accommodations tax, the implications of your statements to the BFED Committee relating to the accuracy of the County's financial statements should be looked in to. Therefore, may I request your responses to the following:

- 1) What is the difference in amounts between what the County reported as its transient accommodations tax receivable as of June 30, 2022 (\$16.7 million) and what DOTAX has concluded the County's receivable should have been?
- 2) Can the difference be addressed through a restatement? Or does the amount require a more serious effort, such as recalling and reissuing the County's financial statements for Fiscal Year Ended June 30, 2022 and Fiscal Year Ended June 30, 2023?
- 3) Does the County have any additional obligations to notify outside stakeholders (e.g., bond holders, bond counsels, rating agencies, etc.) regarding a restatement or recall and reissuance of the County of Maui's financial statements?

Based on your response, I may need to enter into further discussions with you and your Department regarding additional work to be performed if it is decided a restatement or recall and reissuance of the County's financial statements is necessary. Alternatively, should the County choose to NOT restate or recall and reissue the County's financial statements, I will need to gain an understanding of how that decision may result in the County's external auditor having to modify previously clean opinions.

If you have any questions, please call me at (808) 463-3192.

Sincerely,



LANCE T. TAGUCHI, CPA
County Auditor

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cc: Dwayne Takeno, Engagement Partner, N&K CPAs Inc.