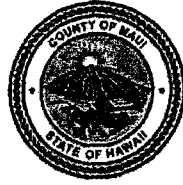


ALAN M. ARAKAWA
Mayor



RECEIVED

MARK R. WALKER
Director

MARCI M. SATO
Deputy Director

2018 MAR -5 PM 3:50

OFFICE OF THE MAYOR


COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

March 5, 2018

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

For Transmittal To:

Honorable Stacy Crivello, Chair
Housing, Human Services, and Transportation Committee
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL
 3/5/18
Mayor

Dear Ms. Crivello:

SUBJECT: KA HALE A KE OLA WESTSIDE SHELTER (HHT-20)

This is in response to your letter dated February 22, 2018 related to the loan agreement for the construction of the Ka Hale A Ke Ola Westside shelter facility. In this regard, following please find the Finance Departments response to the questions raised in your correspondence.

Q – The measures employed by the Department to manage the loan repayment since payments became due.

A – I cannot speak to the measures employed by the Department of Finance prior to my arrival to the County of Maui in 2013. One of my early meetings as the new Deputy Director of Finance was with then Director of Housing and Human Concerns, Ms. Jo-Ann Ridao, to discuss both of the loans then owing to the County by related entities of Ka Hale A Ke Ola. Since that time the Department of Finance has continued to work with the Department of Housing and Human Concerns, Corporation Counsel, the Housing, Human Services and Transportation Committee and the borrower to arrive at a mutually acceptable “workout” repayment schedule for this loan.

Q – The date the loan agreement was first reflected in the Department’s financial statements.

A - Our external auditors, N&K CPAs, Inc., have confirmed that this loan was never entered as a receivable on the County of Maui’s financial system. I cannot explain at this

Honorable Stacy Crivello, Chair
March 5, 2018
Page 2

junction why this loan was not entered into the financial system when it was first made in December 2003. At my arrival in 2013 it had already been determined that this loan was in default and probably uncollectable as no payments had ever been made on it. As a result, it made no sense to put it on the "books" at that time as it would have had to have been immediately written off because of its non-performance and un-collectability. It should be noted out that even though the loan was not recorded in the County's financial system, the debt had not been forgiven and was being tracked by the Department.

Q – The date the Department deemed the loan uncollectible.

A – I am not aware of any specific date that the Department of Finance deemed this loan uncollectable. However, as mentioned earlier in this correspondence, when I arrived in 2013 the loan was already in default and had already been deemed uncollectable.

Q – The Department's justification for deeming the loan uncollectible.

A – The Department of Finance, in conjunction with our external auditors, deemed the subject loan uncollectable because no payments had ever been made on the loan (first loan payment was due 6/30/05) and the loan was in arrears by approximately \$2 million.

Thank you for the opportunity to provide comment regarding this matter and should you have additional questions, please feel free to contact me at ext. 7474.

Sincerely,



MARK R. WALKER
Director of Finance

cc: Carol Reimann, Housing and Human Concerns Director
Marcy Sato, Deputy Director of Finance
Steve Tesoro, Accounting System Administrator