



October 10, 2019

Maui County Council
Attn: Traci N. T. Fujita, Director
Office of Council Services
200 S. High Street
Kalana O Maui Bldg
Wailuku, HI 96793

RECEIVED
2019 OCT 10 PM 3:06
OFFICE OF THE
COUNTY CLERK

Subject: Fiscal Audit, Phase 1 Transmittal

Dear Maui County Council:

As discussed, please see the pdf version of our final report for the County of Maui Fiscal Audit Phase 1 attached. Please share the report with all councilmembers and let me know when it would be a good time to make the presentation to the Council. I would like to thank you and your staff for all the help during this process.

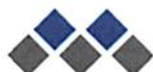
If you have any questions or comments about this report, please contact me at 813-843-5801 or via email at rcepin@mgtconsulting.com.

Sincerely,

Ricardo Cepin

Ricardo Cepin, CPA, CFE
Consultant, Financial Solutions
MGT of America Consulting, LLC
www.mgtconsulting.com

GENERAL COMMUNICATION NO. 19-A



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Report No. 2020-1

SUBMITTED BY:

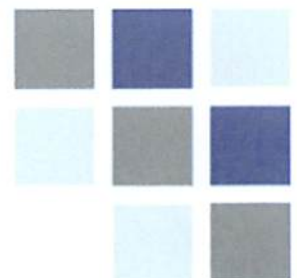
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FISCAL AUDIT PHASE I

MAUI COUNTY COUNCIL



MAUI COUNTY COUNCIL

FISCAL AUDIT

OCTOBER 7, 2019

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COVER LETTER

October 7, 2019

Ms. Kelly T. King
Council Chair
Maui County
200 South High Street, Room 703
Wailuku, Hawaii

Dear Ms. King

MGT of America Consulting, LLC (MGT) is pleased to submit our report of the fiscal audit of the Maui County Council (Council). The County of Maui contracted with MGT to conduct a fiscal audit of the Maui County Council. The objective of audit was to provide the current Council with an overview of past practices by the 2015-2017 and 2017-19 councils and their management of expenditures to identify long-term, decision-making solutions.

The purpose of this report is to provide the current Council with independent, objective analysis, and information concerning the activities reviewed. Although MGT exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

MGT appreciates the cooperation and professional courtesies extended to the team.

Sincerely,



J. Bradley Burgess
Executive Vice President
MGT of America Consulting, LLC

EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Maui County Council (Council) is a nine-member legislative body of officials who are elected on an at-large basis by nonpartisan special elections held in conjunction with the primary and general elections every two years. Each of the nine councilmembers are residents of different areas of Maui County: Lanai, Molokai, East Maui, West Maui, Makawao-Haiku-Paia, Pukalani-Kula-Ulupalakua, South Maui, Kahului, and Wailuku-Waihee-Waikapu.

The Council is the legislative and policy-making body of the Maui County government, as provided by Section 2-2 of the Charter of the County of Maui (Charter). Section 3-6 of the Charter authorizes the Council to “conduct investigations of (a) the operation of any department or function of the County and (b) any subject upon which the Council may legislate.”

On behalf of the Council, the Office of Council Services (OCS) contracted with MGT to conduct Phase 1 of a fiscal audit of the Council. The purpose of the audit was to provide the current Council with an overview of past practices by the 2015-2017 and 2017-19 councils and their management of expenditures with the intention that it will identify long-term, decision-making solutions.

AUDIT SCOPE

The scope of the fiscal audit incorporated the review of 2015-17 and 2017-2019 councils' expenditure transactions and salary related actions (i.e., salary increases, bonuses, compensatory time-off, etc.) that occurred from the period January 2, 2015 through January 2, 2019.

AUDIT OBJECTIVES

Our overall audit objectives for the fiscal audit were:

- A. To review the expenditures made in the central Council account and determine whether such expenditures complied with relevant laws, policies, and procedures.
- B. To review the expenditures made in the accounts of the individual councilmembers and determine whether such expenditures complied with relevant laws, policies, and procedures.
- C. To review compliance with policies relating to reimbursement of expenditures, including travel and meeting costs.
- D. To determine whether expenditure policies and actions were consistently applied to all councilmembers and OCS staff.
- E. To review the minimum requirements for each staff position and the correlation to the staff pay plan and pay ranges.
- F. To review staff salaries, including increases, step increase consistency, bonuses, and one-time payments made for each position.
- G. To review staff overtime, including cash and compensatory time off.

AUDIT METHODOLOGY

- ♦ Interviewed Council personnel and performed research to understand the entity and its functions.
- ♦ Held fraud discussions with members of the management team.
- ♦ Interviewed key personnel, flowcharted processes, reviewed applicable policies and procedures and laws and regulations to gain an understanding of the process for procuring and approving expenditures.
- ♦ Randomly selected 75 expenditures (i.e., 30 from the OCS central account and 45 from the accounts of the individual Councilmembers) for testing. For these 75 expenditures, we obtained and reviewed supporting documentation stored within the Council records to determine whether the expenditures complied with relevant laws, regulations, policies, and procedures.
- ♦ Reviewed applicable County ordinances and resolutions to understand the process for establishing pay plans and pay ranges.
- ♦ Obtained and reviewed the position descriptions and minimum requirements of each staff position to assess the correlation between staff pay plans and pay ranges.
- ♦ Reviewed applicable County ordinances and resolutions to understand the process for establishing OCS staff salaries, including increases and step increases consistency.
- ♦ Obtained and reviewed the Earnings Reports for fiscal years 2015-2016, 2016-17, 2017-18, and 2018-19 to determine whether bonuses or supplemental one-time payments were given to OCS staff, Council aides, and/or Council executive assistants.
- ♦ Obtained the fiscal years 2015-2016, 2016-17, 2017-18, and 2018-19 Earnings Report and performed an analysis to determine if there was evidence that overtime was equally distributed and whether the overtime compensation for any employee was significant (i.e., above 10%) when compared to the employee's regular salary.

AUDIT COMMENTS

The audit comment/conclusion associated with each of the audit objective is presented in **Table 1** below.

Table 1 – Audit Comments

AUDIT OBJECTIVE	AUDIT COMMENT
A	Audit procedures disclosed that expenditures made in the OCS generally complied with relevant laws, policies, and procedures. However, there is opportunity for improvement as it relates to the documentation of quotes and/or explanation as to the reason an expenditure is exempt from the quotes requirement for the type and amount of the expenditure.
B	Expenditures made in the accounts of the individual councilmembers complied with relevant laws, policies, and procedures.
C	Travel expenditures made in the OCS central account and the accounts of individual councilmembers complied with policies relating to reimbursement.
D	Audit procedures disclosed that policies for actual expenditures were consistently applied to all councilmembers and OCS staff. However, there is opportunity for improvement as it relates to the

EXECUTIVE SUMMARY

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	documentation of expenditure requisitions and reimbursement forms that were not approved by the Chair because he determined that the expenditure was not primarily for the benefit of the County or deemed the expenditure to be excessive in amount. Furthermore, due to the lack of documentation, the Audit Team was not able to determine whether actions (i.e., approvals/disapprovals of expenditures) were consistently applied to all councilmembers and OCS staff.
E	Minimum requirements for each staff position generally correlated to the staff pay plan and pay ranges. The pay plan and pay ranges increased as the education and experience requirements needed for the position increased. However, the pay plan and pay ranges for the council services clerk positions did not appear to correlate with the minimum requirements required for the positions. For example, the council services clerk positions required a four-year degree from an accredited college or university and a minimum of three (3) years of relevant work experience, yet the position was classified as CR-1 with a minimum starting salary that was less than the committee secretary positions for which the minimum requirements included a high school diploma and two (2) years of relevant work experience.
F	Audit procedures disclosed that there were instances in which salary increases were not applied consistently throughout the OCS. For example, the step increases effective July 1, 2018, per Ordinance 4855 provided the committee secretaries salary increases above 6%, while the council services clerks, legislative analysts, and legislative attorneys received salary increases of 2%.
G	Although total overtime as a percentage of total gross salaries was only between three to five percent per fiscal year, there were certain employees who received significant (i.e., over 10% of their gross salary during the fiscal year) overtime compensation during the 2015-16, 2016-17, 2017-18, and 2018-19 fiscal years.

Source: MGT Consulting

OFFICE OF COUNCIL SERVICES

AUDIT OBJECTIVE

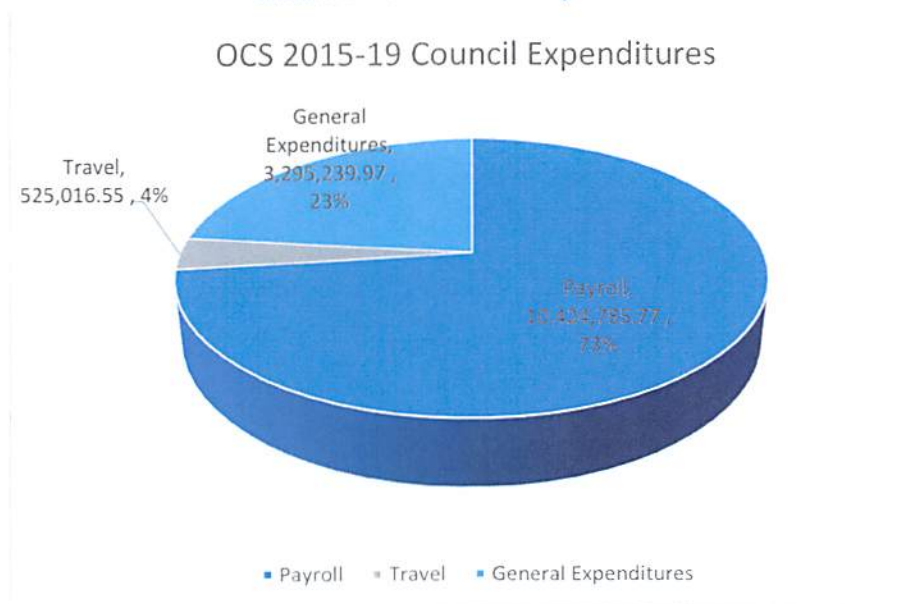
To review the expenditures made in the central OCS account and determine whether such expenditures complied with relevant laws, policies, and procedures.

BACKGROUND

Section 2.08.030 of the Maui County Code established the OCS to provide stenography, research, and other assistance to the members of the Council, individually and collectively, and any other duties that may be assigned by the Director of OCS. The Council appoints the Director of OCS. The Director of OCS is the administrative head of the OCS and supervises all members of the OCS to provide the necessary assistance to all members of the Council in the performance of their legislative duties.

During the 2015-2017 and 2017-19 councils (i.e., January 2, 2015 through January 2, 2017; and January 2, 2017 through January 2, 2019), the OCS' expenditures totaled approximately \$14.2M. For the purpose of this audit, the Audit Team divided the OCS' expenditures into three categories: Payroll, Travel, and General Expenditures. As illustrated in Exhibit 1, payroll related expenditures accounted for approximately 73% of expenditures, while Travel and General Expenditures accounted for 4% and 23%, respectively.

Exhibit 1 – OCS 2015-19 Expenditures



Source: Created by MGT Consulting from data extracted from the County's Financial System as provided by the Senior Accountant

AUDIT PROCEDURES

The Audit Team interviewed key personnel, flowcharted processes, reviewed applicable policies and procedures and laws and regulations to gain an understanding of the process for procuring and approving

general expenditures (travel related expenditures are addressed in Audit Objective C and payroll related expenditures are addressed in Audit Objectives E through G below).

To test general expenditures, the Audit Team randomly selected and tested 24 general expenditures that occurred during the period January 2, 2015 through January 2, 2019. For these 24 expenditures, the Audit Team obtained and reviewed supporting documentation (e.g., purchase orders, invoices, recommendation memos, contracts, etc.) stored within the Council's records to determine whether the expenditures complied with relevant laws, policies, and procedures, including whether:

- ♦ If applicable, there was evidence that the right number of quotes were obtained depending on the nature and amount of the expenditure. (*Table 2* below provides a summary of the quote requirement based on expenditure type and amount)
- ♦ There was evidence of approval by the Chair or designee.
- ♦ The expenditure appeared to be related to County business.
- ♦ If a major expenditure (i.e., \$25,000+), the expenditure went through the competitive bid process.
- ♦ The amount in the financial records agreed with the amount per the supporting documentation.

Table 2 – Quotes Requirement

EXPENDITURE TYPE	AMOUNT	QUOTES REQUIREMENT
Goods & Services	\$0-999.99	Quotes not required but recommended if time permits
Goods & Services	\$1,000-\$4,999.99	Three verbal quotes
Goods & Services	\$5,000-\$24,999.99	Three written quotes
Goods & Services/Construction	\$25,000+	Competitive bid process
Construction	\$0-\$4,999.99	Quotes not required but recommended if time permits
Construction	\$5,000-\$24,999.99	Three written quotes

Source: Created by MGT Consulting from information obtained from the Small Purchase Thresholds memo issued by the Department of Finance on February 25, 2011.

AUDIT COMMENT

Audit procedures disclosed that expenditures made in the OCS generally complied with relevant laws, policies and procedures. However, there is opportunity for improvement as it relates to the documentation of quotes and/or explanation as to the reason an expenditure is exempt from the quotes requirement for the type and amount of the expenditure. Specifically, audit procedures disclosed that for:

- ♦ 82% (14 of 17) of applicable expenditures, there was evidence within the Council's records that the appropriate number of quotes were obtained or an explanation as to reason the quotes were not obtained.
- ♦ 100% of our sample items, there was evidence of approval by the Chair or designee.
- ♦ 100% of our sample items, documentation stored within the Council's records subjected that the evidence was related to County business.
- ♦ 100% of applicable expenditures, the expenditure went through the competitive bid process.
- ♦ 100% of our sample items, the amount stored per the financial records agreed with the amount per the supporting documentation stored within the Council's records.

RECOMMENDATION

Procedures should be enhanced to ensure that all quotes and/or documentation explaining why an expenditure is exempt from the quotes requirement for the category and amount of the expenditure is documented and stored within the Council's records.

ACCOUNTS OF INDIVIDUAL COUNCILMEMBERS

AUDIT OBJECTIVE

To review the expenditures made in the accounts of the individual councilmembers and determine whether such expenditures complied with relevant laws, policies, and procedures.

BACKGROUND

In accordance with Section 3-6 of the Charter, the Council is specifically empowered to:

- Legislate taxes, rates, fees, assessments and special assessments, and to borrow money, subject to the limitations provided by law and the Charter of the County of Maui.
- Legislate appropriations for County purposes subject to the limitations provided by the Charter of the County of Maui.
- Conduct investigations of (a) the operation of any department or function of the County and (b) any subject upon which the Council may legislate.
- Fix the salaries of such employees and officers as may be necessary.
- Require periodic and special reports from all County departments concerning their functions and operations. Such reports shall be requested and submitted by and through the mayor.
- Retain or employ, by a vote of two-thirds of its entire membership, special counsel (private attorneys) for any special matter presenting a real necessity for such employment. Any such employment shall specify the compensation, if any, to be paid for said services.
- To designate attorneys within the office of council services to serve as legal advisors.

Each councilmember has a separate office to independently address individual legislative priorities. In addition, the Council maintains district offices in Hana, Lanai, and Molokai. Although all nine offices of the councilmembers receive equal budgets each fiscal year to use at their discretion, the Council Chair is the designated Procurement Officer and all expenditures (e.g., travel related expenditures, general expenditures, etc.) are required to be submitted to the Council Chair for review and approval.

At the end of the Council term, funds remaining in the out-going councilmember's office account appropriations are divided equally among the incoming councilmembers. During the 2015-2019 Council, expenditures for the offices of the individual councilmembers totaled approximately \$4.8M. **Table 3** below provides an overview of the total expenditures for each Council office during the period January 2, 2015 through January 2, 2019.

Table 3 – Individual CM Expenditures

ID NO.	COUNCIL MEMBER OFFICE	EXPENDITURES	% OF TOTAL
901400	Makawao	\$485,053.62	9.95%
901401	Molokai	\$578,010.27	11.85%
901402	Wailuku	\$569,193.62	11.67%
901403	Kahului	\$574,124.08	11.77%
901404	Lanai	\$512,287.60	10.50%
901405	Upcountry	\$548,382.03	11.24%

ACCOUNTS OF INDIVIDUAL COUNCILMEMBERS

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901406	East Maui	\$515,466.75	10.57%
901407	West Maui	\$564,882.25	11.58%
901408	South Maui	\$529,616.65	10.86%
Total		\$4,877,016.87	100.00%

Source: Created by MGT Consulting from data extracted from the County's Financial System as provided by the Senior Accountant

AUDIT PROCEDURES

The Audit Team interviewed key personnel, flowcharted processes, reviewed applicable policies and procedures and laws and regulations to understand the process for procuring and approving general expenditures (travel related expenditures are address in Audit Objective C and payroll related expenditures are address in Audit Objectives E through G below).

To ensure that expenditures from each of the nine (9) offices of the councilmembers were selected for testing, the Audit Team filtered the expenditure data by Council ID number and then randomly selected 24 general expenditures for testing. For these 24 sample items, the Audit Team obtained and reviewed supporting documentation (e.g., purchase orders, invoices, etc.) stored within the Council's records to determine whether the expenditures complied with relevant laws, policies, and procedures, including whether:

- ♦ There was evidence of approval by the Chair or designee.
- ♦ The expenditure appeared to be related to County business.
- ♦ The amount in the financial records agreed with the amount per the supporting documentation.

AUDIT COMMENT

Expenditures made in the accounts of the individual councilmembers complied with relevant laws, policies, and procedures. Specifically, audit procedures disclosed that for:

- ♦ 100% of our sample items, there was evidence of approval by the Chair or designee.
- ♦ 100% of our sample items, documentation stored within the Council's records subjected that the evidence was related to County business.
- ♦ 100% of our sample items, the amount stored within the financial records agreed with the amount per the supporting documentation stored within the Council's records.

RECOMMENDATION

Not Applicable – All expenditures tested complied with relevant laws, policies, and procedures.

TRAVEL EXPENDITURES REIMBURSEMENT

AUDIT OBJECTIVE

To review compliance with policies relating to reimbursement of expenditures, including travel and meeting costs.

BACKGROUND

General expenditure reimbursements and travel related reimbursements requests are submitted via reimbursement forms. General expenditure reimbursements and meeting costs (e.g., conferences) were included in the sample items tested for the OCS and offices of the individual councilmembers. As such, this section of the report will focus on travel related expenditures, including reimbursement of these expenditures.

Per the chart of accounts, travel related expenditures are coded under object code 615 (see **Exhibit 2** below).

Exhibit 2 – Travel Related Expenditures

615 TRAVEL	6201	Airfare, Transportation
	6202	Mileage Non-Reportable
	6204	Mileage & Allow Rptble Non-Tax
	6222	Per Diem Non-Reportable
	6223	Per Diem Reportable Non-Taxabl
	6226	Per Diem S/D/T Taxable
	6252	Per Diem Reportable Taxable
	6254	Excess Mileage Reimbursement

Source: Account Codes & Descriptions provided by the OCS

AUDIT PROCEDURES

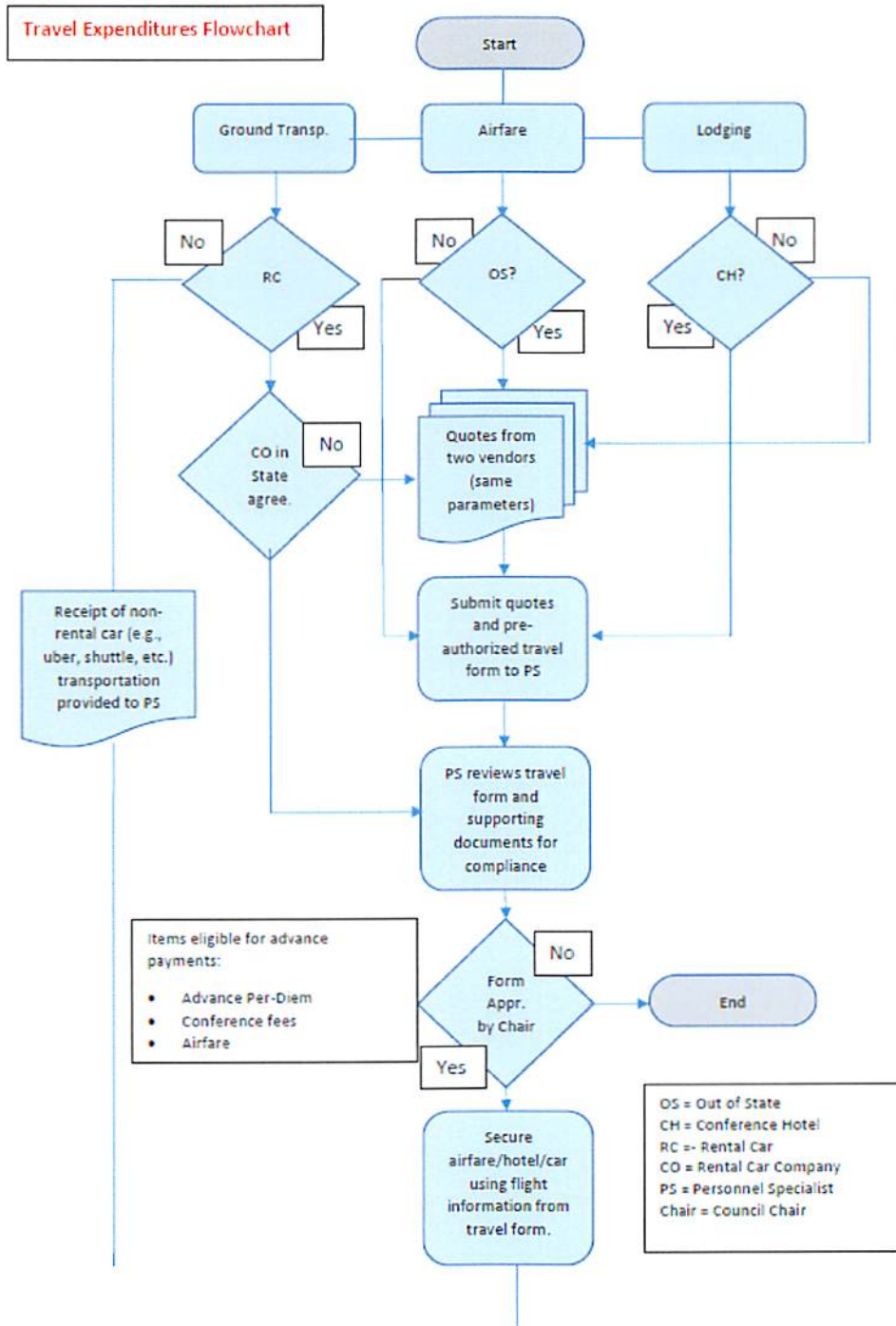
The Audit Team used the sub-object codes (e.g., 6201, 6202, etc.) to filter the 2015-2019 OCS' and individual councilmembers' expenditure data to only include travel related expenditures. Based on these sub-object codes, the Audit Team determined that total travel related expenditures for the OCS and offices of individual councilmembers totaled \$525,016 and \$250,312, respectively.

In addition, the Audit Team interviewed key personnel, flowcharted processes, reviewed applicable policies and procedures and laws and regulations to gain an understanding of the process for procuring and approving travel related expenditures. **Exhibit 3** below provides an overview of this process.

TRAVEL EXPENDITURES REIMBURSEMENT

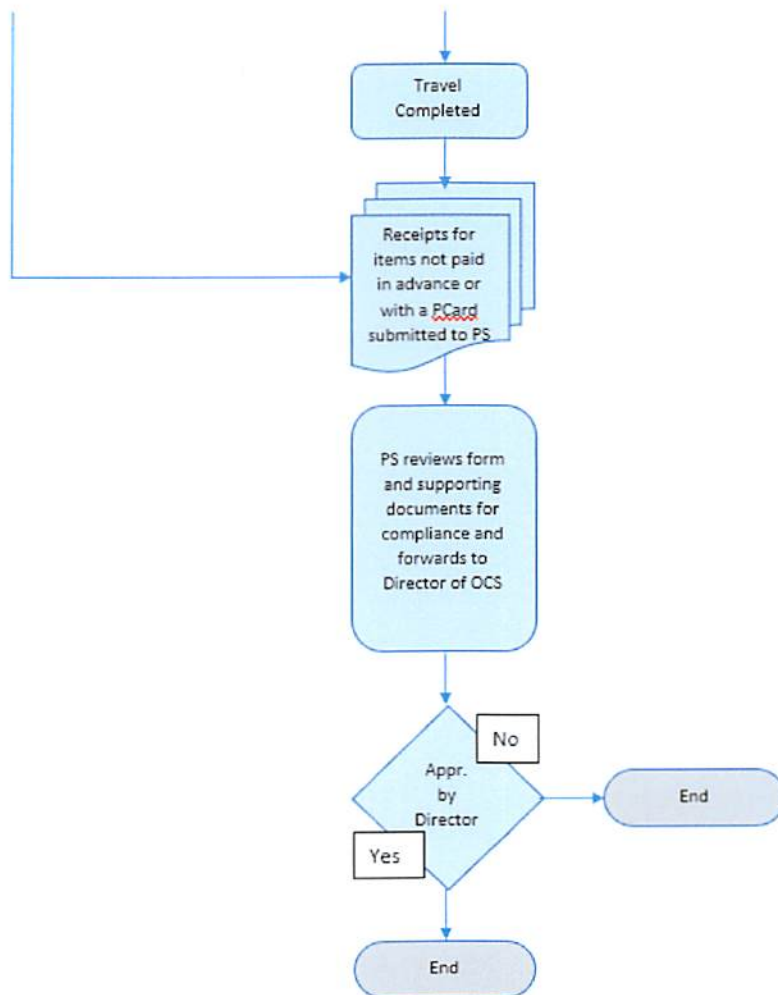
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Exhibit 3 – Travel Expenditures Flowchart



TRAVEL EXPENDITURES REIMBURSEMENT

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Source: Created by MGT and reviewed by the Personnel Specialist

From the OCS' travel related expenditure data, the Audit Team randomly selected six (6) travel expenditures for testing. To ensure that travel expenditures from each of the nine (9) offices of the councilmembers were selected for testing, the Audit Team filtered the expenditure data by Council index number and then randomly selected 21 expenditures for testing for a total of 27 travel related expenditures for testing (i.e., 6 from OCS and 21 from individual councilmembers). For these 27 sample items, the Audit Team obtained and reviewed supporting documentation (e.g., purchase orders, invoices, etc.) stored within the Council's records to determine whether the expenditures complied with policies relating to reimbursement of travel related expenditures, including:

- ♦ If applicable, there was evidence that the right number of quotes were obtained depending on the nature and amount of the expenditure. (**Table 2** above provides a summary of the quotes requirement based on expenditure type and amount)

TRAVEL EXPENDITURES REIMBURSEMENT

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- ♦ There was evidence of approval by the Chair or designee.
- ♦ The expenditure appeared to be related to County business.
- ♦ The amount in the financial records agreed with the amount per the supporting documentation.

AUDIT COMMENT

Travel expenditures made in the OCS central account and the accounts of the individual councilmembers complied with policies relating to reimbursement. Specifically, audit procedures disclosed that for:

- ♦ 100% of applicable expenditures, there was evidence within the Council's records that the appropriate number of quotes were obtained or an explanation as to reason the quotes were not obtained.
- ♦ 100% of our sample items, there was evidence of approval by the Chair or designee.
- ♦ 100% of our sample items, documentation stored within the Council's records subjected that the evidence was related to County business.
- ♦ 100% of our sample items, the amount stored within the financial records agreed with the amount per the supporting documentation stored within the Council's records.

RECOMMENDATION

Not Applicable – All travel expenditures tested complied with policies relating to reimbursement.

CONSISTENCY OF EXPENDITURE POLICIES

AUDIT OBJECTIVE

To determine whether expenditure policies and actions were consistently applied to all councilmembers and OCS staff.

BACKGROUND

The Council Chair is the Procurement Officer of the Council. As such, the Chair has final say on expenditures matters, including travel and general expenditures. The OCS and offices of the individual councilmembers submit purchase orders, expenditures requisitions, reimbursement forms, etc. to the Council Chair for review and approval. The Chair reviews the expenditure to determine whether the expenses were incurred:

- ♦ In the performance of the claimant's public duty;
- ♦ Under circumstances where no other provision for payment or payment by the County has been made;
- ♦ Primarily for the benefit of the County or one of its agencies; and
- ♦ Required to allow the claimant to carry out his or her public duty or responsibility in an efficient manner.

In addition, the Chair may disallow a portion of a claim deemed to be excessive in amount. In determining whether a claim is for an excessive amount, the Chair is guided by the following criteria:

- ♦ The provisions of any other ordinance or collective bargaining agreement applying to officers or employees of the County respecting allowances for similar expenses;
- ♦ Where relevant, the fair market value of the goods or services purchases;
- ♦ The available alternatives when the expenses were incurred.

AUDIT PROCEDURES

The Audit Team interviewed key personnel and reviewed expenditure policies to gain an understanding of the expenditure procurement and approval process. The Audit Team also randomly selected a total of 30 (i.e., 6 travel related expenditures and 24 general expenditures) that were paid from the OCS central account and 45 (i.e., 21 travel related expenditures and 24 general expenditures) that were paid from the accounts of the individual councilmembers for testing. For these 75 expenditures, the Audit Team obtained supporting documentation stored within the Council records to determine whether the expenditures complied with relevant laws, regulations, policies and procedures. (See *Office of Council Services*, *Accounts of Individual Councilmembers*, and *Travel Expenditure Reimbursement* sections above)

The Audit Team also inquired about supporting documentation for expenditure requisitions and/or reimbursement forms that were not approved by the Chair. In response to audit inquiries, OCS personnel indicated that there are no records of expenditures requisitions or reimbursement forms that were not approved by Chair.

AUDIT COMMENT

Audit procedures disclosed that policies for actual expenditures were consistently applied to all councilmembers and OCS staff. However, there is opportunity for improvement relating to the

documentation of expenditure requisitions and reimbursement forms that were not approved by the Chair because he determined that the expenditure was not primarily for the benefit of the County or deemed the expenditure to be excessive in amount. Furthermore, due to the lack of documentation, the Audit Team was not able to determine whether actions (i.e., approvals/disapprovals of expenditures) were consistently applied to all councilmembers and OCS staff.

RECOMMENDATION

Consideration should be given to enhancing policies and procedures to ensure that all expenditure requisitions, reimbursement forms, and supporting documentation for expenditures that are determined not to be primarily for the benefit of the County or excessive in amount are stored within the Council's records.

CORRELATION OF MINIMUM REQUIREMENTS WITH PAY PLAN AND PAY RANGES

AUDIT OBJECTIVE

To review the minimum requirements for each staff position and the correlation to the staff pay plan and pay ranges.

BACKGROUND

In accordance with Section 2.08.010 of the Maui County Code the term of employment for the Director of OCS and staff shall coincide with the term of office of the Council, unless sooner terminated for cause by vote of six or more members of the Council. As directed by Code, the Council appointed the Director of OCS and individual staff for the 2015-17 and 2017-19 Council terms via Resolution 15-009 and Resolution 17-009, respectively. **Exhibit 4** below lists the positions as appointed under Resolution 15-009 for the period January 2, 2015 through January 2, 2017. **Exhibit 5** lists the positions as appointed under Resolution 17-009 for the period January 2, 2017 through January 2, 2019.

Exhibit 4 – Extract from Resolution 15-009

APPOINTMENT OF INDIVIDUALS TO VARIOUS POSITIONS IN THE OFFICE OF COUNCIL SERVICES AT DESIGNATED PAY RANGE AND PAY STEP

██████████	Committee Secretary	CR-3L
██████████	Committee Secretary	CR-3L
██████████	Legislative Attorney	CR-6H
██████████	Committee Secretary	CR-3L
██████████	Council Services Technician	CR-3L
██████████	Supervising Legislative Analyst	CR-7F
██████████	Council Services Supervisor	CR-8F
██████████	Legislative Analyst	CR-5K
██████████	Council Services Clerk	CR-1F
██████████	Council Services Clerk	CR-1G
██████████	Committee Secretary	CR-3L
██████████	Legislative Analyst	CR-5D
██████████	Legislative Attorney	CR-6J
██████████	Legislative Analyst	CR-5D
██████████	Supervising Committee Secretary	CR-4L
██████████	Council Services Clerk	CR-1G
██████████	Legislative Analyst	CR-5I
██████████	Committee Secretary	CR-3F
██████████	Legislative Analyst	CR-5K
██████████	Legislative Analyst	CR-5E

Source: Resolution 15-009

Exhibit 5 – Extract from Resolution 17-009

APPOINTMENT OF INDIVIDUALS TO VARIOUS POSITIONS
IN THE OFFICE OF COUNCIL SERVICES
AT DESIGNATED PAY RANGE AND PAY STEP, EFFECTIVE
RETROACTIVE TO JANUARY 2, 2017, TWELVE O'CLOCK MERIDIAN,
FOR THE TERM ENDING JANUARY 2, 2019, TWELVE O'CLOCK
MERIDIAN, UNLESS TERMINATED EARLIER

██████████	Council Services Clerk	CR-1F
██████████	Council Services Clerk	CR-1G
██████████	Council Services Technician	CR-3L
██████████	Committee Secretary	CR-3L
██████████	Committee Secretary	CR-3L
██████████	Committee Secretary	CR-3L
██████████	Committee Secretary	CR-3E
██████████	Committee Secretary	CR-3F
██████████	Supervising Committee Secretary	CR-4L
██████████	Legislative Analyst	CR-5J
██████████	Legislative Analyst	CR-5H
██████████	Legislative Analyst	CR-5K
██████████	Legislative Analyst	CR-5E
██████████	Legislative Attorney	CR-6H
██████████	Legislative Attorney	CR-6J
██████████	Supervising Legislative Analyst	CR-7J
<hr/>		
██████████	Legislative Analyst	CR-5K
██████████	Legislative Analyst	CR-5I

Source: Resolution 17-009

The pay plan and pay ranges for all legislative positions for the 2015-17 Council were approved by the 2013-15 Council via Ordinance 4072, effective July 1, 2014 (*Exhibit 6* shows the pay plan and pay ranges as approved by the 2013-15 Council via Ordinance 4072). The pay plan and pay ranges for the 2017-19 Council were approved by the Council via Ordinance 4448, effective January 1, 2017 (*Exhibit 7* shows the pay plan and pay ranges as approved by the 2017-19 Council via Ordinance 4448, effective January 1, 2017). In addition to Ordinance 4448, the 2017-19 Council also approved a pay increase effective July 1, 2018, via Ordinance 4855 (*Exhibit 8* shows the pay plan and pay ranges as approved by the 2017-19 Council via Ordinance 4855).

CORRELATION OF MINIMUM REQUIREMENTS WITH PAY PLAN AND PAY RANGES

• • •

Exhibit 6 – Extract from Ordinance 4072

Effective July 1, 2014

Steps	CR-0	CR-1	CR-3	CR-4	CR-5	CR-6	CR-7	CR-8
A	44,389	40,508	41,066	44,389	43,857	[53,352] 57,620	[72,444] 77,655	62,417
B	46,167	43,857	42,701	46,167	49,295	[59,064] 63,789	[76,248] 81,733	64,922
C	48,036	47,400	44,389	48,036	55,499	[64,776] 69,958	[80,052] 85,810	67,518
D	49,944	51,280	46,167	49,944	62,417	[70,488] 76,127	[83,856] 89,888	70,218
E	51,969	55,499	48,036	51,969	67,518	[76,200] 82,296	[87,660] 93,965	72,996
F	54,006	57,705	49,944	54,006	70,218	[81,924] 88,478	[91,464] 98,043	75,954
G	56,174	60,029	51,969	56,174	72,996	[87,636] 94,647	[95,268] 102,121	79,005
H	58,419	62,417	54,006	58,419	75,954	[93,348] 100,816	[99,072] 106,198	82,158
I	60,756	64,922	56,174	60,756	79,005	[99,060] 106,985	[102,876] 110,276	85,429
J	63,209	67,518	58,419	63,209	82,158	[104,772] 113,154	[106,680] 114,353	88,830
K	65,701	70,218	60,756	65,701	85,429			92,399
L	68,361		63,209	68,361				

Source: Ordinance 4072

Exhibit 7 – Extract from Ordinance 4448

Effective January 1, 2017

Steps	CR-0	CR-1	CR-3	CR-4	CR-5	CR-6	CR-7
A	46,165	42,128	42,709	46,165	45,611	61,077	80,761
B	48,014	45,611	44,409	48,014	51,267	67,616	85,002
C	49,957	49,296	46,165	49,957	57,719	74,155	89,242
D	51,942	53,331	48,014	51,942	64,914	80,695	93,484
E	54,048	57,719	49,957	54,048	70,219	87,244	97,724
F	56,166	60,013	51,942	56,166	73,027	93,787	101,965
G	58,421	62,430	54,048	58,421	75,916	100,326	106,206
H	60,756	64,914	56,166	60,756	78,992	106,865	110,446
I	63,186	67,519	58,421	63,186	82,165	113,404	114,687
J	65,737	70,219	60,756	65,737	85,444	119,943	118,927
K	68,329	73,027	63,186	68,329	88,846		
L	71,095		65,737	71,095			

Source: Ordinance 4448

*Exhibit 8 – Extract from Ordinance 4855*Effective July 1, 2018

Steps	CR-0	CR-1	CR-3	CR-4	CR-5	CR-6	CR-7
A	47,088	42,971	45,297	47,088	46,523	62,299	82,376
B	48,974	46,523	47,088	50,956	52,292	68,968	86,702
C	50,956	50,282	48,974	52,981	58,873	75,638	91,027
D	52,981	54,398	50,956	55,129	66,212	82,309	95,354
E	55,129	58,873	52,981	57,289	71,623	88,989	99,678
F	57,289	61,213	55,129	59,589	74,488	95,663	104,004
G	59,589	63,679	57,289	61,971	77,434	102,333	108,330
H	61,971	66,212	59,589	64,450	80,572	109,002	112,655
I	64,450	68,869	61,971	67,052	83,808	115,672	116,981
J	67,052	71,623	64,450	69,696	87,153	122,342	121,306
K	69,696	74,488	67,052	72,517	90,623	127,140	
L	72,517		69,696	74,488			

Source: Ordinance 4855

AUDIT PROCEDURES

The Audit Team interviewed key personnel, including the Personnel Specialist, and reviewed applicable County ordinances and resolutions to gain an understanding of the process for establishing pay plan and pay ranges. The Audit Team also obtained and reviewed the position descriptions and minimum requirements of each staff position to assess the correlation to the staff pay plan and pay ranges. **Table 4** below provides an overview of the minimum requirements, pay scale, and pay range for each staff position as identified in Resolution 15-009 and Resolution 17-009.

Table 4 – Minimum Requirements, Pay Scale, and Pay Ranges

POSITION	MINIMUM REQUIREMENTS (PER POSITION DESCRIPTION)	PAY SCALE	PAY RANGE EFFECTIVE 7.1.14 (PER ORD. 4072 BASED ON POSITIONS APPOINTED VIA RES. 15-009)	PAY RANGE EFFECTIVE 1.1.17 (PER ORD. 4448 BASED ON POSITIONS APPOINTED VIA RES. 17-009)	PAY RANGE EFFECTIVE 7.1.18 (PER ORD. 4855 BASED ON POSITIONS APPOINTED VIA RES. 17-009)
Council Services Clerk	Graduation from an accredited four-year college or university with a bachelor's degree and over three (3) years of relevant work experience.	CR-1	\$40,508-\$70,218	\$42,128-\$73,027	\$42,971-\$74,488

CORRELATION OF MINIMUM REQUIREMENTS WITH PAY PLAN AND PAY RANGES

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Committee Secretary	Graduation from high school Two years of secretarial or substantive clerical experience.	CR-3	\$41,066- \$63,209	\$42,709- \$65,737	\$45,297- \$69,696
Council Services Technician	Combination of education and experience equivalent to graduation from high school and two (2) year of experience in maintaining personal computers with Windows 2000, XP, or Vista operating systems installed.	CR-3	\$41,066- \$63,209	\$42,709- \$65,737	\$45,297- \$69,696
Supervising Committee Secretary	Graduation from high school Two years of secretarial or substantive clerical experience. Typing at 40 wpm Shorthand at 80 wpm	CR-4	\$44,389- \$68,631	\$46,165- \$71,095	\$47,088- \$74,488
Legislative Analyst	Graduation from an accredited college or university with a bachelor's degree. Strong research and writing skills and experience. Government work experience preferred. Ability to use Microsoft Office word-processing and spreadsheet software and other computer applications	CR-5	\$43,857- \$85,429	\$45,611- \$88,846	\$46,523- \$90,623
Legislative Attorney	Current Hawaii State Bar license Strong research and writing skills Qualification on a test administered by the OCS	CR-6	\$57,620- \$113,154	\$61,077- \$119,943	\$62,299- \$127,140
Supervising Legislative Analyst	Graduation from an accredited college or university with a bachelor's degree. Strong research and writing skills and experience. Government work experience preferred. Ability to use Microsoft Office word-processing and spreadsheet software and other computer applications	CR-7	\$77,655- \$114,353	\$80,761- \$118,927	\$82,376- \$121,306
Council Services Supervisor	Previous experience managing/supervising employees. Graduation from an accredited college or university with a major in purchasing, public or business administration; or (2) any equivalent combination of training and experience. Two (2) years of progressively responsible professional experience in technical purchasing work which involved working with users and vendors in identifying, clarifying, and specifying requirements of products; formal bidding procedures.	CR-8	\$62,417- \$92,399	Not included in Res. 17-009 or Ord. 4448	Not included in Res. 17-009 or Ord. 4855

Source: Created by MGT Consulting from information obtained from the Director of OCS

Upon gaining an understanding of the minimum requirements, pay plan, and pay ranges for each staff position, the Audit Team assessed the correlation of the minimum requirements to the pay plan and pay ranges.

AUDIT COMMENT

Minimum requirements for each staff position generally correlated to the staff pay plan and pay ranges. The pay plan and pay ranges increased as the education and experience requirements needed for the position increased. However, the pay plan and pay ranges for the Council Services Clerk positions did not appear to correlate with the minimum requirements required for the positions. For example, the Council Services Clerk positions required a four-year degree from an accredited college or university and a minimum of three (3) years of relevant work experience, yet the position was classified as CR-1 with a minimum starting salary that was less than the committee secretary position for which the minimum requirements included a high school diploma and two (2) years of relevant work experience.

RECOMMENDATION

The two (2) Council Services Clerk positions were reclassified to Senior Accountant and Personnel Specialist in 2019. However, these positions continue to fall within the CR-1 Pay Scale with a starting salary that is less than the starting salary of the Committee Secretary. Consideration should be given to a possible reclassification of the pay scale for these positions to ensure that the minimum requirements correlate to the staff plan and pay ranges.

REVIEW OF STAFF SALARIES

AUDIT OBJECTIVE

To review staff salaries, including increases, step increase consistency, bonuses, and one-time payments made for each position.

BACKGROUND

In accordance with Section 2.08.050 of the Maui County Code, unless otherwise provided by law, all legislative positions shall be subject to pay plan established by ordinance, as well as the general authority of the Council Chair as Chief Administrative Officer of the legislative branch. As such, the Council establishes salaries and step salary increases for all members of the OCS through ordinances and resolutions. **Table 5** below provides an overview of the personnel and salaries related resolutions and ordinances that were passed during the 2015-17 and 2017-19 council terms.

Table 5 – Personnel and Salaries Related Ordinances and Resolutions

AUTHORITATIVE LANGUAGE	PASSED ON	PURPOSE
Resolution 15-007	January 2, 2015	Appointment of the Director of OCS for the period 1/2/15 - 1/2/17.
Resolution 15-009	January 5, 2015	Appointment of individuals to various positions in the OCS for the period 1/2/15 - 1/2/17.
Resolution 15-043	April 7, 2015	Appointment of Legislative Attorney for the period 5/1/15 - 1/2/17.
Resolution 15-146	November 20, 2015	Appointment of a Legislative Analyst effective 11/20/15 - 2/2/17.
Resolution 17-007	January 2, 2015	Appointment of Director of OCS for period 1/2/17 - 1/2/19.
Resolution 17-009	January 2, 2015	Appointment of individuals to various positions in the OCS for the period 1/2/17 - 1/2/19.
Resolution 17-050	March 7, 2017	Appointment of Supervising Legislative Attorney for the period 1/2/17 - 1/2/19.
Resolution 17-053	March 27, 2017	Appointment of Legislative Attorney in the OCS for the period 5/1/17 - 1/2/19.
Resolution 17-083	May 19, 2017	Appointment of Legislative Analyst in the OCS for the period 6/1/17 - 1/2/19.
Resolution 17-084	May 19, 2017	Establishment of salary for the Supervising Legislative Attorney and designated pay range and pay step for the Legislative Attorney, a Legislative Analyst, and a Committee Secretary, effective retroactively to 1/2/17.
Ordinance No. 4448	May 30, 2017	Establishment of pay plan and pay ranges effective 1/1/17.
Resolution 17-122	August 8, 2017	Appointment of a Legislative Analyst in the OCS for the period 9/1/17 - 1/2/19.
Resolution 17-123	August 8, 2017	Appointment of a Legislative Analyst in the OCS for the period 9/1/17 - 1/2/19.
Resolution 17-124	August 8, 2017	Appointment of a Legislative Analyst in the OCS for the period 9/1/17 - 1/2/19.
Resolution 17-128	August 22, 2017	Appointment of a Council Services Clerk in the OCS for the period 9/1/17 - 1/2/19.
Resolution No. 18-060	April 6, 2018	Appointment of Director of OCS effective 4/23/18 - 1/2/19.
Ordinance No. 4855	May 29, 2018	Establishment of pay plan and pay ranges effective 7/1/18.

REVIEW OF STAFF SALARIES • • •

Resolution 18-088	June 1, 2018	Establishment of pay ranges and pay steps effective July 1, 2018, for two Legislative Analysts, the Budget Committee Secretary, and the Budget Committee Analyst.
Resolution 18-159	September 21, 2018	Appointment of a Legislative Analyst in the OCS for period 10/8/18 – 1/2/19.
Resolution 18-185	November 15, 2018	Establishment of pay range and pay step for a Legislative Analyst, effective 9/1/18 - 1/2/19.

Source: Created by MGT Consulting from language in the ordinances and resolutions referenced in the table.

Contrast to salaries and step increases of the OCS staff which are voted on and approved by a majority of the councilmembers, salaries and salary increases of Council Executive Assistants and Council Aides are established by the supervising councilmember at his/her discretion.

AUDIT PROCEDURES

The Audit Team interviewed key personnel, including the Personnel Specialist, and reviewed applicable County ordinances and resolutions to gain an understanding of the process for establishing OCS staff salaries, including increases and step increases consistency. Our review disclosed that several personnel and salary related ordinances and resolutions were passed during the 2015-17 and 2017-19 council terms. **Table 6** below summarizes the impact on staff salaries from the relevant personnel and salary related ordinances and resolutions that were passed during the 2015-17 and 2017-2019 council terms. *(Note that the Audit Team assigned an Employee Number to each employee to avoid adding employees name on the report. Employee designated numbers displayed in Table 6 will stay consistent throughout the report. In other words, Employee 1 will be used for the same employee throughout the other sections of the report)*

Table 6 – Impact of Salaries Related Resolutions and Ordinances Passed by the 2015-17 and 2017-2019 Councils

EMPLOYEE	POSITION	PAY SCALE	SALARIES EFFECTIVE 7/1/14 (BASED ON APPT. VIA RES. 15-009 AND ORD. 4072)	APPT. AND SALARY BASED ON RES. 15-043 AND ORD. 4072	APPT. AND SALARY BASED ON RES. 15-146 AND ORD. 4072	SALARIES EFFECTIVE 1/1/17 (BASED ON APPT. VIA RES. 17-009 AND ORD. 4448)	% CHANGE IN SALARY FROM RES. 17-009 & 4448	APPT. AND SALARY BASED ON RES. 17-050 AND 17-053	APPT. AND SALARY BASED ON RES. 17-083	SALARY INCREASE FOR SEVERAL EMPLOYEES VIA RES. 17-084	APPT. AND SALARY BASED ON RES. 17-122, 17-123, 17-124, AND 17-128	SALARIES EFFECTIVE 7/1/18 (BASED ON ORD. 4855)	% CHANGE IN SALARY FROM ORD. 4448 & 4855	SALARY INCREASE FOR SEVERAL EMPLOYEES VIA RES. 18-088	APPT. AND SALARY BASED ON RES. 18-159	SALARY INCREASE FOR ONE EMPLOYEE VIA RES. 18-185	% CHANGE IN SALARY SINCE ORD. 4855
Employee 26	Committee Secretary	CR-3L	\$63,209	\$0	\$0	\$65,737	4%	\$0	\$0	\$0	\$0	\$69,696	6%	\$0	\$0	\$0	No Change
Employee 40	Committee Secretary	CR-3L	\$63,209	\$0	\$0	\$65,737	4%	\$0	\$0	\$0	\$0	\$69,696	6%	\$0	\$0	\$0	No Change

REVIEW OF STAFF SALARIES
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Employee 4	Committee Secretary	CR-3F, CR3-H	\$49,994	\$0	\$0	\$51,942	4%	\$0	\$0	\$56,166	\$0	\$59,589	6%	\$0	\$0	\$0	No Change
Employee 62	Committee Secretary	CR-3E	\$0	\$0	\$0	\$49,957	N/A2	\$0	\$0	\$0	\$0	\$52,981	6%	\$0	\$0	\$0	No Change
Employee 14	Committee Secretary/Budget Committee Secretary	CR-3L, CR-4K	\$63,209	\$0	\$0	\$65,737	4%	\$0	\$0	\$0	\$0	\$69,696	6%	\$72,517	\$0	\$0	4%
Employee 2	Committee Secretary/Supervising Committee Secretary	CR-3L, CR-4L	\$63,209	\$0	\$0	\$71,095	12%	\$0	\$0	\$0	\$0	\$74,488	5%	\$0	\$0	\$0	No Change
Employee 52	Council Services Clerk	CR1-G	\$60,029	\$0	\$0	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1
Employee 23	Council Services Clerk	CR-1G	\$60,029	\$0	\$0	\$62,430	4%	\$0	\$0	\$0	\$0	\$63,679	2%	\$0	\$0	\$0	No Change
Employee 51	Council Services Clerk	CR-1F	\$57,705	\$0	\$0	\$60,013	4%	\$0	\$0	\$0	\$0	\$61,213	2%	\$0	\$0	\$0	No Change
Employee 100	Council Services Clerk	CR-1D	\$0	\$0	\$0	\$0	N/A3	\$0	\$0	\$0	\$53,331	\$54,398	2%	\$0	\$0	\$0	No Change
Employee 53	Council Services Supervisor	CR8-F	\$75,954	\$0	\$0	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1
Employee 43	Council Services Technician	CR-3L	\$63,209	\$0	\$0	\$65,737	4%	\$0	\$0	\$0	\$0	\$69,696	6%	\$0	\$0	\$0	No Change
Employee 33	Legislative Analyst	CR-5D	\$62,417	\$0	\$0	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1
Employee 7	Legislative Analyst	CR-5K	\$85,429	\$0	\$0	\$88,846	4%	\$0	\$0	\$0	\$0	\$90,623	2%	\$0	\$0	\$0	No Change
Employee 42	Legislative Analyst	CR-5I, CR-5K	\$0	\$0	\$0	\$85,444	N/A2	\$0	\$0	\$0	\$0	\$87,153	2%	\$90,623	\$0	\$0	4%
Employee 44	Legislative Analyst	CR-5I	\$79,005	\$0	\$0	\$82,165	4%	\$0	\$0	\$0	\$0	\$83,808	2%	\$0	\$0	\$0	No Change
Employee 36	Legislative Analyst	CR-5H, CR-5I	\$0	\$0	\$0	\$78,992	N/A2	\$0	\$0	\$82,165	\$0	\$83,808	2%	\$0	\$0	\$0	No Change
Employee 70	Legislative Analyst	CR-5E	\$67,518	\$0	\$0	\$70,219	4%	\$0	\$0	\$0	\$0	\$71,623	2%	\$0	\$0	\$0	No Change
Employee 87	Legislative Analyst	CR-5D, CR-5E	\$0	\$0	\$0	\$0	N/A3	\$0	\$64,914	\$0	\$0	\$66,212	2%	\$71,623	\$0	\$0	8%
Employee 98	Legislative Analyst	CR-5B, CR-5E	\$0	\$0	\$0	\$0	N/A3	\$0	\$0	\$0	\$51,267	\$52,292	2%	\$0	\$0	\$58,873	13%
Employee 85	Legislative Analyst	CR-5G	\$0	\$0	\$72,996	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1

REVIEW OF STAFF SALARIES
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Employee 97	Legislative Analyst	CR-5B	\$0	\$0	\$0	\$0	N/A3	\$0	\$0	\$0	\$51,267	\$52,292	2%	\$0	\$0	\$0	No Change
Employee 102	Legislative Analyst	CR-5B	\$0	\$0	\$0	\$0	N/A3	\$0	\$0	\$0	\$51,267	\$52,292	2%	\$0	\$0	\$0	No Change
Employee 110	Legislative Analyst	CR-5B	\$0	\$0	\$0	\$0	N/A3	\$0	\$0	\$0	\$0	\$0	N/A2	\$0	\$52,292	\$0	No Change
Employee 3	Legislative Analyst/Budget Committee Analyst	CR-5K, CR-7k	\$85,429	\$0	\$0	\$88,846	4%	\$0	\$0	\$0	\$0	\$90,623	2%	\$104,004	\$0	\$0	15%
Employee 78	Legislative Attorney	CR-6H	\$100,816	\$0	\$0	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1
Employee 38	Legislative Attorney	CR-6J	\$113,154	\$0	\$0	\$119,943	6%	\$0	\$0	\$0	\$0	\$122,342	2%	\$0	\$0	\$0	No Change
Employee 19	Legislative Attorney	CR-6H, CR-6J	\$0	\$0	\$0	\$106,865	N/A2	\$0	\$0	\$119,943	\$0	\$122,342	2%	\$0	\$0	\$0	No Change
Employee 18	Legislative Attorney	CR-6J	\$0	\$0	\$0	\$0	N/A3	\$119,943	\$0	\$0	\$0	\$122,342	2%	\$0	\$0	\$0	No Change
Employee 35*	Legislative Attorney/Supervising Legislative Analyst/Supervising Legislative Attorney*	CR-6J, CR-7J	\$0	\$113,154	\$0	\$118,927	5%	\$120,707	\$0	\$127,948	\$0	\$127,948	6%	\$0	\$0	\$0	No Change
Employee 10	Supervising Committee Secretary	CR-4L	\$68,361	\$0	\$0	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1
Employee 74	Supervising Legislative Analyst	CR-7F	\$98,043	\$0	\$0	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1

Source: Created by MGT Consulting from language in the ordinances and resolutions referenced in the table
N/A1-Employee was not reappointed via Res. 17-009.
N/A2-Employee first appointed via Res. 17-009.
N/A3-Appointed after Res. 17-009.

The Audit Team also asked OCS staff about possible bonuses and one-time payments made to each position. Per the OCS' staff, no bonuses or one-time payments were given to the OCS staff during the 2015-17 and 2017-19 council terms. OCS' staff also indicated that individual councilmembers can give salary increases and bonuses to Council Aides and Council Executive Assistants at their discretion as long as they do not spend over the amount that was budgeted to their individual office at the beginning of the fiscal year.

The Audit Team obtained and reviewed the Earnings Reports for fiscal years 2015-2016, 2016-17, 2017-18, and 2018-19 to determine if the reports indicated that bonuses or supplemental one-time payments were given to OCS staff, Council Aides, and/or Council Executive Assistants. Procedures disclosed that the reports did not include a bonus or supplemental payment category. However, the reports included a "140-Retroactive" category and the FY2018-19 Earnings Report also included category "411-Retro Ern No ERS. The Audit Team inquired with the Personnel Specialist to gain an understanding of the items that were included in the "140-Retroactive" category. Per the Personnel Specialist, the 140-Retroactive category can be several things. For

REVIEW OF STAFF SALARIES
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example, big amounts can be retroactive pay increases and small amounts can be a reconciliation or adjustments from previous pay periods. Retroactive pay increases and adjustments require a one-time lump sum payment to account for the difference in back pay. **Tables 7, 8, 9, and 10** show the employees whose "Retroactive Pay" exceeded \$500 during fiscal years 2015-16, 2016-17, 2017-18, and 2018-19, respectively.

Table 7 – Employees with Retroactive Pay Over \$500 in FY2015-16

EMPLOYEE NO.	POSITION	REGULAR ANNUAL PAY	RETROACTIVE PAY	RETROACTIVE PAY AS % OF REGULAR PAY
Employee48	Council Executive or Council Aide	\$66,354.42	\$2,499.90	4%
Employee49	Council Executive or Council Aide	\$60,499.98	\$666.67	1%
Employee1	Council Executive or Council Aide	\$65,500.05	\$666.66	1%

Source: Created by MGT Consulting from the FY15-16 Earnings Report provided by the Department of Finance, Accounts Program

Table 8 – Employees with Retroactive Pay Over \$500 in FY2016-17

EMPLOYEE NO.	POSITION	REGULAR ANNUAL PAY	RETROACTIVE PAY	RETROACTIVE PAY AS % OF REGULAR PAY
Employee19	OCS Staff	\$88,843.69	\$9,617.57	11%
Employee57	Council Executive or Council Aide	\$40,350.00	\$4,200.00	10%
Employee35	OCS Staff	\$115,893.05	\$4,026.40	3%
Employee28	Council Executive or Council Aide	\$60,106.48	\$2,712.00	5%
Employee38	OCS Staff	\$113,719.76	\$2,545.92	2%
Employee36	OCS Staff	\$73,235.26	\$2,477.48	3%
Employee4	OCS Staff	\$50,462.50	\$2,380.22	5%
Employee3	OCS Staff	\$85,714.28	\$2,248.05	3%
Employee48	Council Executive or Council Aide	\$70,735.84	\$2,209.92	3%
Employee17	Council Executive or Council Aide	\$45,301.36	\$2,016.00	4%
Employee62	OCS Staff	\$47,265.40	\$1,971.27	4%
Employee42	OCS Staff	\$82,432.36	\$1,886.39	2%
Employee14	OCS Staff	\$63,420.10	\$1,602.20	3%
Employee44	OCS Staff	\$79,268.56	\$1,324.39	2%
Employee2	OCS Staff	\$66,227.68	\$1,262.17	2%

REVIEW OF STAFF SALARIES
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Employee26	OCS Staff	\$63,420.20	\$1,191.78	2%
Employee23	OCS Staff	\$60,229.12	\$1,155.33	2%
Employee40	OCS Staff	\$63,419.70	\$1,152.14	2%
Employee51	OCS Staff	\$57,897.44	\$1,070.18	2%
Employee70	OCS Staff	\$67,743.08	\$1,012.86	1%
Employee43	OCS Staff	\$63,419.70	\$968.02	2%
Employee20	Council Executive or Council Aide	\$50,110.50	\$749.25	1%
Employee63	Council Executive or Council Aide	\$24,422.50	\$690.00	3%
Employee22	Council Executive or Council Aide	\$44,536.96	\$666.00	1%
Employee65	Council Executive or Council Aide	\$44,536.96	\$666.00	1%

Source: Created by MGT Consulting from the FY16-17 Earnings Report provided by the Department of Finance, Accounts Program

Table 9 – Employees with Retroactive Pay Over \$500 in FY2017-18

EMPLOYEE NO.	POSITION	REGULAR ANNUAL PAY	RETROACTIVE PAY	RETROACTIVE PAY AS % OF REGULAR PAY
Employee28	Council Executive or Council Aide	\$61,990.96	\$3,559.32	6%
Employee59	Council Executive or Council Aide	\$24,350.00	\$3,500.00	14%
Employee17	Council Executive or Council Aide	\$47,466.68	\$3,000.06	6%
Employee5	Council Executive or Council Aide	\$69,038.00	\$2,668.00	4%
Employee86	Council Executive or Council Aide	\$15,505.00	\$2,590.00	17%
Employee34	Council Executive or Council Aide	\$24,000.00	\$2,520.00	11%
Employee9	Council Executive or Council Aide	\$69,038.11	\$2,334.39	3%
Employee104	Council Executive or Council Aide	\$10,387.50	\$1,807.50	17%
Employee6	Council Executive or Council Aide	\$62,936.06	\$1,794.68	3%
Employee58	Council Executive or Council Aide	\$28,950.00	\$1,500.00	5%
Employee48	Council Executive or Council Aide	\$61,903.03	\$1,124.76	2%
Employee83	Council Executive or Council Aide	\$49,012.50	\$675.00	1%
Employee72	Council Executive or Council Aide	\$41,340.00	\$596.25	1%
Employee103*	Council Executive or Council Aide	\$12,637.50	\$562.50	4%

Source: Created by MGT Consulting from the FY17-18 Earnings Report provided by the Department of Finance, Accounts Program

*-Employee started on December 1, 2017.

REVIEW OF STAFF SALARIES
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Table 10 – Employees with Retroactive Pay Over \$500 in FY2018-19 (up to 3.29.19)

EMPLOYEE NO.	POSITION	REGULAR ANNUAL PAY	RETROACTIVE PAY	RETROACTIVE PAY AS % OF REGULAR PAY
Employee63	Council Executive or Council Aide	\$38,294.50	\$7,500.00	20%
Employee86	Council Executive or Council Aide	\$14,542.50	\$5,000.00	34%
Employee110*	OCS Staff	\$25,920.04	\$2,925.12	11%
Employee97	OCS Staff	\$40,547.56	\$2,467.71	6%
Employee19	OCS Staff	\$92,656.69	\$2,398.44	3%
Employee38	OCS Staff	\$92,656.69	\$2,398.44	3%
Employee100	OCS Staff	\$41,686.56	\$1,491.50	4%
Employee5#	Council Executive or Council Aide	\$38,720.10	\$1,166.38	3%
Employee106	Council Executive or Council Aide	\$25,144.43	\$780.12	3%
Employee50	Council Executive or Council Aide	\$51,572.71	\$517.88	1%

Source: Created by MGT Consulting from the FY18-19 Earnings Report provided by the Department of Finance, Accounts Program

*-Employee started on October 8, 2018.

#-Employee retired on December 31, 2019.

As indicated above, salary increases of OCS are approved by the Council via resolutions and/or ordinances and salary increases of Council Executives/Council Aides are up to the discretion of the supervising councilmember. Councilmembers allocate the funds of their individual offices as they deemed appropriate, including determining the salaries and salaries increases of their Council Executives/Council Aides. However, since at the end of the Council term, funds remaining in the out-going councilmember's office account appropriations are divided equally among the incoming councilmembers, retroactive pay increases given at the end of the term reduce the funds available to be divided among the incoming councilmembers.

AUDIT COMMENT

Audit procedures disclosed that there were instances in which salary increases were not applied consistently throughout the OCS. For example, the step increases effective July 1, 2018, per Ordinance 4855 provided the Committee Secretaries salary increases above 6%, while the Council Services Clerks, Legislative Analysts, and Legislative Attorneys received salary increases of 2%.

RECOMMENDATION

Consideration should be given to enhancing policies and procedures to ensure that salary increases are consistently applied throughout the OCS or documentation explaining the reason(s) why certain staff members received higher percentage increases is stored within the Council's records.

REVIEW OF STAFF OVERTIME

AUDIT OBJECTIVE

To review staff overtime, including cash and compensatory time off.

BACKGROUND

During the 2015-17 and 2017-19 council terms employees were required to submit overtime requests and obtain pre-approval from their immediate supervisor and post-approval from the supervisor and Director of OCS or Council Chair when the Director of OCS was not available. Overtime was paid at time and a half an employee's regular rate of pay. From January 2, 2015 through August 1, 2015 hours logged above 40 hours was considered overtime, regardless if the total number of hours included leave time. For example, if an employee used 6 hours of leave time and worked 38 hours during the week, then the employee was entitled to 4 hours of overtime (i.e., $6+38=44$). On July 22, 2015, the Director of OCS implemented an overtime offset policy effective August 2, 2015, which changed the eligibility for overtime compensation to be based on standard of compensating actual work in excess of hours during the week (Sunday-Saturday). Under the revised policy employees received overtime compensation for actual hours work in excess of 40 hours and any leave used during the week was not counted towards the 40 hours. *Exhibit 9* below shows an extract from the overtime offset policy.

Exhibit 9 – Extract from Overtime Offset Policy

SUBJECT: **ELIGIBILITY FOR OVERTIME COMPENSATION** (PAF 15-099)

Effective August 2, 2015, Office of Council Services' employees' eligibility for overtime compensation during a week will be based on a standard of compensating actual work in excess of 40 hours during the week (Sunday-Saturday).

Here is an example:

- Employee works normal eight-hour days Monday-Wednesday.
- Employee works 10 hours on Thursday (two hours in excess of the normal workday).
- Employee takes three hours of leave on Friday.
- The employee is not eligible for overtime compensation that week because there were only 39 hours of actual work.

This standard will require manual, weekly calculations by OCS Supervisors. We may have to manipulate the eTime system to ensure it produces accurate work and leave hours, consistent with this policy.

The rate of overtime compensation remains the same.

I would like to meet with each section sometime in the next 10 days to announce this policy. Please let me know when the meetings are set.

Thank you for your consideration.

Source: Extract from Eligibility for Overtime Compensation Memo, July 22, 2015

AUDIT PROCEDURES

The Audit Team interviewed key personnel, including the Personnel Specialist, and reviewed applicable policies to gain an understanding of the overtime and compensatory time-off procedures. Additionally, the Audit Team obtained the fiscal years 2015-2016, 2016-17, 2017-18, and 2018-19 Earnings Report and performed an analysis to determine if there was evidence that overtime was equally distributed and whether the overtime compensation for any employee was significant (i.e., above 10%) when compared to the employee's gross salary. **Tables 11 – 14** below provide an overview of the results of our analysis.

Table 11 – Individuals with OT as a % of Gross Pay Above 10% for FY2015-16

EMPLOYEE NO.	GROSS AMOUNT	TOTAL OT COMPENSATION	OT AS % OF TOTAL GROSS AMOUNT
Employee 42#	\$44,203.81	\$15,350.57	35%
Employee 26	\$80,064.71	\$16,855.67	21%
Employee 14	\$80,020.10	\$16,761.06	21%
Employee 3	\$106,941.66	\$21,512.56	20%
Employee 85*	\$46,787.15	\$9,104.15	19%
Employee 48	\$79,710.50	\$10,416.26	13%
Employee 40	\$72,326.54	\$9,117.50	13%

Source: Created by MGT Consulting from the FY15-16 Earnings Report provided by the Department of Finance, Payroll Program

*Employee was employed from November 23, 2015 through June 6, 2016

#Employment started on February 9, 2016

Table 12 – Individuals with OT as a % of Gross Pay Above 10% for FY2016-17

EMPLOYEE NO.	GROSS AMOUNT	TOTAL OT COMPENSATION	OT AS % OF TOTAL GROSS AMOUNT
Employee 14	\$89,515.68	\$24,493.38	27%
Employee 3	\$118,897.45	\$30,935.12	26%
Employee 42	\$104,074.46	\$19,755.71	19%
Employee 62	\$62,358.72	\$11,622.48	19%
Employee 26	\$78,533.94	\$13,921.96	18%
Employee 23	\$72,582.73	\$11,198.28	15%
Employee 40	\$75,987.04	\$11,415.20	15%
Employee 51	\$67,752.81	\$8,785.19	13%
Employee 2	\$76,425.92	\$8,936.07	12%

Source: Created by MGT Consulting from the FY16-17 Earnings Report provided by the Department of Finance, Payroll Program

Table 13 – Individuals with OT as a % of Gross Pay Above 10% for FY2017-18

EMPLOYEE NO.	GROSS AMOUNT	TOTAL OT COMPENSATION	OT AS % OF TOTAL GROSS AMOUNT
Employee 3	\$134,901.44	\$46,005.50	34%
Employee 14	\$93,652.29	\$27,920.93	30%

REVIEW OF STAFF OVERTIME

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Employee 42	\$113,580.61	\$28,136.66	25%
Employee 87	\$85,664.31	\$20,750.31	24%
Employee 62	\$65,603.05	\$15,790.12	24%
Employee 40	\$77,877.36	\$12,140.40	16%

Source: Created by MGT Consulting from the FY17-18 Earnings Report provided by the Department of Finance, Payroll Program

Table 14 – Individuals with OT as a % of Gross Pay Above 10% for FY2018-19 (up to 3.29.19)

EMPLOYEE NO.	GROSS AMOUNT	TOTAL OT COMPENSATION	OT AS % OF TOTAL GROSS AMOUNT
Employee 26	\$71,487.34	\$19,380.30	27%
Employee 14	\$73,846.24	\$19,741.02	27%
Employee 62	\$48,691.06	\$8,207.71	17%
Employee 23	\$58,643.79	\$8,744.64	15%
Employee 40	\$61,146.79	\$9,039.75	15%
Employee 100	\$49,855.20	\$6,677.14	13%

Source: Created by MGT Consulting from the FY18-19 Earnings Report provided by the Department of Finance, Payroll Program

AUDIT COMMENT

Although total overtime as a percentage of total gross salaries was only between three to five percent per fiscal year, there were certain employees who received significant (i.e., over 10% of their gross salary during the fiscal year) overtime compensation during the 2015-16, 2016-17, 2017-18, and 2018-19 fiscal years.

RECOMMENDATION

Consideration should be given to policies and procedures related to overtime. Specifically, establishing overtime limits to ensure that no employee's overtime compensation surpasses a predetermined amount as a percentage of his/her salary. In addition, the Council should perform an analysis to determine if adding temporary or part-time staff during the busy season is more beneficial to the Council than having employees work overtime.