

ALAN M. ARAKAWA  
Mayor



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


March 27, 2018

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

For Transmittal to:

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

APPROVED FOR TRANSMITTAL

  
Mayor  
3/27/18  
Date

Dear Chair Hokama:

**SUBJECT: SHORT-TERM INVESTMENTS (FISCAL YEAR 2018 (JULY 1, 2017 TO JUNE 30, 2018)) (BF-14(3))**

Pursuant to your letter dated March 23, 2018, below are the responses to your questions/requests:

1. What is the status of a Third-Party Investment Consultant for the County of Maui?

*Response: As provided in response to your March 20, 2018 letter, the Department of Finance issued a Request for Information (RFI) in January 2018, to seek information from qualified and registered investment advisers to provide investment advisory and portfolio management services for approximately \$350 million in operating and capital funds (non-pension funds). The standard fees based on a \$350 million portfolio, range between \$150,000 and \$525,000 per year, plus other applicable fees.*

*The results of the RFI were discussed at length with the Investment Committee at its meeting held on March 23, 2018. Based the Investment Committee's review of the responses from the RFIs, coupled with the Treasury Divisions FY19 Budget request for additional personnel to assist the Accountant III in response to the April 2015 Treasury*

*audit finding, and the proven positive investment performance by the Treasury Division, the body does not feel that it is necessary for the Treasury Division to seek an outside consultant to manage our investment portfolio at this time. However, the Investment Committee is open to discuss any ideas/recommendations the Budget & Finance Committee may have regarding the management of the County's investment portfolio.*

2. Has any portion of the \$94,814 been expended? If so, provide the amount and type of expenditure.

*Response: No, the funding for the Third-Party Investment Consultant has not been expended.*

3. Explain how short-term investments are currently made. Identify the positions in the Treasury Program that are involved in the investment process and explain each position's role.

*Response: Please refer to Attachment A for Treasury Program's Flowchart of Investment Activity, showing the investment process and explaining the role of each position.*

4. Has there been any instance when the employees responsible for investments and cash flow were on leave and away from the office for the same period of a day or more? If so, how many times did that occur and for what duration was each occurrence? In their absence, who is responsible for the County's management?

*Response: As provided in Attachment A, most of the investment activities are primarily assigned to the Accountant III and Treasurer. There have been a number of instances when both of these positions were on leave and/or away from the office for the same period of a day or more. However, if the leave is planned, the investment activities and cash flow requirements are scheduled prior to their leave. The Treasury Division has the capability through its custodial services portal to initiate and authorize a security purchase well in advance of the settlement date. Additionally, Treasury has the same ability with our banks to ensure that scheduled bank transaction activities are executed in a timely manner. Further, the Treasury Division staff is very proactive in planning and communicating their planned leave to various County agencies as well as our banks.*

*Whether the leave is planned or unplanned, the Director and Deputy of Finance have access to execute security transactions on behalf of the Treasurer. Likewise, the Treasurer is capable of initiating a transaction and submitting a request for proposals from our broker/dealers and completing the tasks on behalf of the Accountant III. If the Treasurer initiates a transaction, the Director or Deputy Director of Finance will become the authorizing officer to execute the transactions, for internal control*

*purposes. This is the same case for managing the County's day-to-day banking activities.*

*Additionally, if the Treasurer and/or Accountant III are away from the office for training reasons, they are still able to fulfill their duties with regards to investment activities and day-to-day cash management through the use of a laptop computer.*

*The Department of Finance recognizes that the current structure of two personnel being primarily involved in managing its investments and cash flow activities is not ideal. To minimize the risks and concerns as reported in the County Auditor's audit finding, the Department of Finance would like to build its internal competency, provide continuity, and institutionalize the knowledge of the Treasury Division by proposing an expansion position of an Accountant II in the FY 2019 Budget. This position will primarily support the Accountant III in its debt and investment activities. Additionally, the Treasury Division is in the process of reallocating the four positions under its Investment and Banking section. This section provides the centralized management and investment of the County's cash, ensuring its investments are secure and adequately collateralized, along with debt management responsibilities, billing and collection for various County charges, and administering the countywide cashiering system.*

5. Are there any qualifications, such as license, that are needed for persons responsible for performing investment transactions? Please explain. Identify which positions in the Department of Finance meet the criteria.

*Response: The following are based on the County of Maui's Minimum Qualification Specifications' requirements for the Treasurer and Accountant III:*

- *Treasurer - a combination of education and experience substantially equivalent to graduation from an accredited college or university with a bachelor's degree in accounting, business administration or a related field, and four years of responsible administrative experience in business or finance management.*
- *Accountant III - a combination of education and experience substantially equivalent to graduation from an accredited college or university with a major in accounting or in business administration with courses in accounting and three years of responsible work experience in professional level accounting.*

*Our Treasurer holds a Bachelor of Science (B.S.) degree in Business Administration with major in Accounting and Master of Business Administration (M.B.A.). Additionally, our Treasurer has over 14 years of budgeting, accounting and finance experience in both government and private sectors.*

Honorable Riki Hokama, Chair  
Budget & Finance Committee  
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*Our Accountant III holds a B.S. and Master of Science in Mineral Economics, and an M.B.A. and Graduate Certificate in Accounting. Additionally, he is also currently pursuing a Charter Holder designation with the Charter Financial Analyst Institute (CFA) and is currently a level three candidate. The Accountant III has an extensive private and public sector experience in economics, accounting, and finance.*

*Both the Treasurer and Accountant III meet the criteria required for the positions they currently hold.*

Should you have any questions, please feel free to contact me at extension no. 7474 or May-Anne Alibin, Treasurer, at extension no. 7464.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark R. Walker', written in a cursive style.

MARK R. WALKER  
Director of Finance

Attachments

**Treasury's Flowchart of Investment Activity**

