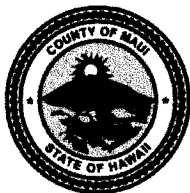


ALAN M. ARAKAWA
Mayor



DANILO F. AGSALOG
Director

MARK R. WALKER
DEPUTY DIRECTOR

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

April 7, 2016

Mr. Sananda K. Baz
Budget Director, County of Maui
200 South High Street
Wailuku, Hawaii 96793

Handwritten initials "SB" in black ink.

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

APPROVED FOR THE MAYOR
Handwritten signature of Alan M. Arakawa in black ink.
Mayor

OFFICE OF THE
COUNTY COUNCIL
APR 11 PM 3:11

RECEIVED

For Transmittal to:

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

Dear Chair Hokama:

SUBJECT: FISCAL YEAR ("FY") 2017 BUDGET (FN-4) (BF-1)

Pursuant to your letter dated April 2, 2016, attached is the policy for managing the County's asset inventory. The Department of Finance does not have a policy for maintaining asset value. The process for maintaining the County's asset value may vary by department.

Should you have any additional questions or need additional information please contact me at extension 7475.

Sincerely,

Handwritten signature of Danilo F. Agsalog in black ink.

Handwritten initials "DFA" in black ink.
DANILO F. AGSALOG
Finance Director

DFA:maa

Attachment

COUNTY OF MAUI DEPARTMENT OF FINANCE

Legal Requirements on Real Property Acquisition and Donations

Real Property Acquisition

Maui County Code (MCC), Chapter 3.44 defines “real property” as land and structures or fixtures permanently attached thereto. MCC, Chapter 3.44 provides laws and regulations for the acquisition and disposition of real property. The department acquiring real property must ensure that the laws and regulations provided in this code are being complied with.

Any acquisition of real property by the County of Maui, whether by agreement, purchase, exchange, gift, devise, eminent domain, or otherwise, shall be accomplished in accordance with the provisions of MCC, Chapter 3.44. If a real property has a purchase price that exceeds \$100,000, the County Council must authorize the acquisition by the passage of a resolution, approved by a majority of its members¹.

Real Property Donation

Prior to acceptance of gifts or donated real property or any interest in real property, a resolution must be passed and approved by a majority of the County council’s members².

Legal Requirements on Disposal, Sale, Exchange, and Grant of Personal Properties

Policy and Procedures on Disposal

Chapter 2.72 of the Maui County Code (MCC) provides laws and regulations for disposing County’s personal properties. Personal property is defined in the code as “all property other than real property or fixtures permanently attached thereto.”

The following procedures must be followed by all departments disposing any County’s real personal properties:

1. The department must submit to the Accounts Division a Request to Dispose of County Property and Removal from Inventory Forms when a department having the control of personal property needs to sell, exchange, grant, or otherwise dispose a personal property. The Request to Dispose of County Property form must be signed by the department/agency head and notarized.

¹ Provided that, Council approval is not required for the purchase of housing units for less than \$150,000 pursuant to repurchase options and other buy-back provisions granted to the County as follows: 1. Deed restriction in a County housing project was developed (secured final subdivision approval or certificate of occupancy) prior to January 1, 1999; and 2. Agreement that was executed by and between the County and the developer of a housing project prior to January 1, 1999 under a County housing program.

² See MCC, Chapter 3.44.015.

COUNTY OF MAUI DEPARTMENT OF FINANCE

2. Upon receipt of the forms, the Finance Director will review the forms and supporting documents for approval or disapproval, or may authorize another method of disposal. If the Finance Director finds that it is advantageous to the County to sell the personal property, an estimate of its fair market value will be provided, set an upset price, and offer it for sale. The department may be required to estimate the fair market value and cost of sale of the personal property being disposed. If an estimate of fair market value is required and the department director/head finds that it is not advantageous to obtain an independent or expert appraisal, the estimate must be based on an investigation that it is reasonable under the circumstances. Factors considered in making the estimate must be in writing, along with the estimate.
3. Certified statements must be submitted by the department/agency disposing the personal property, to the Finance Director, Attn: Accounts Division immediately after the disposal of personal property.
4. An annual report must be submitted by the Finance Director to the County Council, which contains a detailed statement of the Finance Director's action with reference to the disposition of any personal property.

Other Disposal

Under the provisions of MCC Chapter 2.72.056, the Finance Director may authorize the disposal of personal property that is worthless, including personal property with an estimated fair market value that is less than the estimated cost of selling it.

Policy and Procedures on Sale

The Finance Director is authorized to offer personal property for sale by a public auction or call for sealed bids, unless sale by public auction or call for sealed bids is waived by a veto of at least six Council members, in which case the sale of personal property without public auction or without calling for sealed bids is authorized.

All monies received from the sale of any property will be deposited into the appropriate fund as determined by the Finance Director. The records of all proceedings of the disposition of any personal property must be kept in the office of the Finance Director.

Policy and Procedures on Exchange

The Finance Director may authorize the trade-in of personal property when procuring goods. Authorization is granted by the Council Chair for legislative branch procurements. Personal

COUNTY OF MAUI DEPARTMENT OF FINANCE

property offered for trade-in must be identified in the procurement documents.

Policy and Procedures on Grant

The Finance Director may authorize the grant of personal property that the County no longer uses, to a non-profit organization, school, or government entity. The personal property must be granted pursuant to a grant agreement contract recommended by the department or agency that has custody or control of the personal property, subject to approval by the Mayor for executive branch or Council Chair for legislative branch. The department/agency must submit the information and documents pertaining to the grant to the Finance Director. Information on the grant must also be included in the annual report submitted by the Finance Director to the County Council.

Inventory Policies and Procedures

Annual Inventory Policy

Chapter 103D-1208 of the Hawaii Revised Statutes requires that each department head or designated staff, having in their custody or under their control or using property belonging to the County, to complete and submit an annual inventory report to the Council. The inventory report includes all non-expendable properties in the possession, custody, control or use of the department.

Annual Inventory Procedures

At the end of each fiscal year, the Finance Department (A/P, Claims and Inventory Supervisor) transmits a memo to all the department heads to review the inventory listings report as of the end of fiscal year. A Certificate of Custodian must be signed by the department/agency head and notarized to comply with HRS 103D-1208. The certification must be returned along with a copy of the inventory listing report by the specified date on the memo. The Finance Department will then transmit the required documents to the County Council.

Guidelines

The following general guidelines have been established to ensure that the inventory will be effectively implemented and performed by the department:

- Individuals responsible for the property management function of the department should establish a timetable to coordinate the effort necessary to conduct the inventory.
- Responsible persons should assist in conducting physical inventories in their area.

COUNTY OF MAUI DEPARTMENT OF FINANCE

- Discrepancies between recorded and actual inventories must be resolved in a timely manner through the submission of revised input forms and tagging, if necessary.
- Each item recorded is physically inspected for changes in condition and availability codes.
- Additions, deletions, and changes to FA inventory records must be transmitted to the individual responsible for departmental property management on a timely basis.
- Inventories may be conducted on a cyclical basis (i.e. all capital assets do not have to be inventoried at the same time as long as the entire inventory is done within the required annual process). Cyclical inventories enable property managers to schedule inventory activities over a long period of time, and thus, conserving staff resources.

The physical inventory must verify the asset's existence, and should provide a reference to lists and/or other documents evidencing the existence and cost of the asset examined. Procedures must include verification from the list to ensure the physical existence of listed assets and from the physical assets back to the list to ensure all assets physically in existence are recorded in the inventory records.

Although a physical inventory is only required once a year, it is recommended that equipment inventories be conducted quarterly, if practical. This is due to equipment assets being more subject to change, therefore, necessitating tighter control.

Guidelines - Equipment

The following detailed guidelines are provided for conducting the inventory and apply primarily to items in the machinery and equipment category:

- The individual performing the department's property management function will be permitted access to every room being inventoried.
- Either all the equipment (or the equipment sampled) located in the room will be checked for tag number and traced back to the inventory listing with the following physical attribute fields rechecked: location, responsible person, equipment condition, and equipment availability. Tagged items in the room which are reported on the department inventory report as located elsewhere will require a revision to record the change of location.
- If tagged items are missing from the inventory listing, or if untagged items are identified as meeting the FA definition of either a capitalized or controlled asset, inventory

information must be completed at the time for subsequent entry into the FA system.

- A sampling of items with tags should be made and traced to the inventory listing to ensure it is recorded. Also, a sampling of items from the listing should be made to ensure the physical existence of the item.
- Any items found to be unrecorded or not physically existing should be listed as a discrepancy, subsequently researched, and then either entered or removed by disposal from the system, as appropriate.
- Once all the departmental locations have been checked for tagged, untagged, recorded or unrecorded items, the required changes will be processed by the Inventory Accountant.

Equipment Additions and Transfers

Manual (Additions and Transfers) When requesting to add inventory items paid by contract or request for payment, the department must submit a Manual Inventory Input Sheet form. This form is also used to add any inventory items that weren't generated by the system such as donated property or property transferred from another governmental agency or items that were mis-coded on the PO.

The Manual Inventory Input Sheet form must also be submitted by the department when transferring inventory between County locations.

Tagging of Equipment

All equipment must be tagged. Tags must have an identification number and be pre-numbered. Consistency of placement is a primary consideration in the tagging process. The placement of the tag should facilitate its usefulness during the annual inventory process without hindering the operation of the asset. Generally, property tags are placed in one of the two locations, 1) near the serial number plate or 2) near the upper right-hand corner of the item which is fully visible without movement of the asset.

Departments/agencies are responsible for ensuring that the property tags are affixed and placed properly.