

STATE OF HAWAII  
OFFICE OF THE AUDITOR  
465 S. King Street, Room 500  
Honolulu, Hawaii 96813-2917



DEPT. COMM. NO. 69

MARION M. HIGA  
State Auditor

(808) 587-0800  
FAX: (808) 587-0830

April 21, 2009

The Honorable Colleen Hanabusa  
President of the Senate  
State Capitol, Room 409  
Honolulu, Hawaii 96813

Dear Madam President:

I transmit to you a copy of our report, *Investigation of the Procurement and Expenditure Practices of the Department of Business, Economic Development & Tourism and Selected Attached Agencies*.

Our investigation revealed a culture unconcerned with the directives of the Legislature and unconvinced of the importance of the Hawai'i Public Procurement Code. The "tone at the top" placed emphasis on expediency of job completion over the accountability necessary in state government. We found that the department made use of appropriation transfer authority to fund projects denied by the Legislature. We also noted violations of procurement procedures, poor procurement practices, and inadequate training. All of this resulted in transactions that are questionable, which contributed to an environment filled with internal control deficiencies.

We hope that the report will assist you in reviewing the issues examined. We will place the report on our website, [www.state.hi.us/auditor](http://www.state.hi.us/auditor), and release it to the public and press, on Wednesday, April 22, 2009.

Sincerely,

Handwritten signature of Marion M. Higa in cursive.

Marion M. Higa  
State Auditor

Enclosure

c: ✓ Carol Taniguchi, Senate Clerk