

Honolulu, Hawaii

FEB 26 2010

RE: S.B. No. 2625
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2625, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO OUT-OF-STATE OFFICES,"

begs leave to report as follows:

The purpose of this measure is to address concerns regarding the Department of Business, Economic Development, and Tourism's out-of-state offices and the State's 2005 trade mission to China and Korea.

Specifically, this measure:

- (1) Requires that, beginning July 1, 2010, financial audits of the Department of Business, Economic Development, and Tourism's out-of-state offices be conducted at least every two years;
- (2) Repeals the exemption from audit and accounting requirements for out-of-state offices;
- (3) Requires the Department of Business, Economic Development, and Tourism to cease expending or transferring any remaining federal reimbursement market development cooperator program funds, beginning February 1, 2010;



- (4) Requires the Department of Business, Economic Development, and Tourism to update policies and procedures of the out-of-state offices;
- (5) Requires the State Procurement Office to review financial records of the State's 2005 trade mission to China and Korea; and
- (6) Requires the Department of Business, Economic Development, and Tourism to submit reports on the status of the market development cooperator program funds and the policies and procedures of the out-of-state offices to the Legislature.

Your Committee finds that Auditor's Report No. 10-01, *Investigation of Specific Issues of the Department of Business, Economic Development & Tourism*, concluded that the Department of Business, Economic Development, and Tourism has demonstrated a troubling pattern of nondisclosure regarding the State's 2005 China trade mission and provided misleading and inaccurate information regarding the department's market development cooperator program award. In addition, in two of the three operational areas examined, internal controls were found to be seriously lacking, which created opportunities for fraud and abuse. Your Committee further finds that this measure implements the recommendations of Auditor's Report No. 10-01, regarding the Department of Business, Economic Development, and Tourism's out-of-state offices.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purpose of clarity and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2625, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2625, S.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DONNA MERCADO KIM, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 2625, SD1	Committee Referral: EDT, WAM	Date: 2/24/10		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	/			
TSUTSUI, Shan S. (VC)	/			
CHUN OAKLAND, Suzanne	/			
ENGLISH, J. Kalani	/			
FUKUNAGA, Carol	/			
GALUTERIA, Brickwood	/			
HEE, Clayton	/			
HOOSER, Gary L.	/			
KIDANI, Michelle N.	/			
KOKUBUN, Russell S.	/			
TOKUDA, Jill N.	/			
HEMMINGS, Fred				/
TOTAL	11	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes