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David Y. Ige
Governor

George D. Szigeti
President and Chief Executive Officer

Statement of
George D. Szigeti
Chief Executive Officer
Hawai'i Tourism Authority
on
HR130/HCR202 Requesting A Management Audit Of The Hawaii Tourism Authority
House Committee on Tourism
Tuesday, March 21, 2017
9:00 a.m.
Conference Room 429

Chair Onishi, Vice-Chair Tokioka, and Committee Members,

The Hawai'i Tourism Authority ("HTA") offers the following **testimony opposing** HR130/HCR202, which seeks to express a resolution by the House and Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017, that the Auditor is requested to conduct a management audit of HTA.

As a government agency, HTA is not opposed to being audited, but an additional management audit at this time would be unnecessary. State law already requires HTA to undergo a management audit every five years. The last audit took place in 2013. The next management audit will take place in 2018. Conducting a management audit a year before the next audit would be a waste of taxpayer funds and resources and would impose an unwarranted burden on HTA's staff.

HTA is following sound financial reporting practices. In May 2016, the State Auditor issued a follow-up report to its 2013 audit and concluded that HTA was fulfilling its requirements. The report title *New HTA Management Continues to Improve Plans, Contract Oversight, and Reporting: Follow-Up on Recommendations Made in Report 13-09* found that HTA is acting responsibly in its financial reporting.

In addition to the mandatory management audit every five years, HTA has undergone financial audits every year since its formation. Recently, HTA underwent an audit for the 2015-2016 fiscal year, the purpose of which was to form an opinion on the fairness of the presentation of HTA's financial statements. At the conclusion of the audit, conducted by CW Associates, A Hawai'i Certified Public Accounting Corporation, the auditor concluded that HTA's financial statements were presented fairly in all material respects and in accordance with generally accepted accounting principles. The auditor did not find deficiencies, material weaknesses in internal control over financial reporting, instances of noncompliance or other matters necessitating reporting under Government Auditing Standards.

As a further source of review, HTA distributes its annual budget to the Legislature at the beginning of each legislative session and strives for the utmost collaboration and transparency with the Legislature in sharing its budget information.

Considering the mandatory audit in 2018, the yearly voluntary audits and the disclosures to the Legislature, there is no reason or benefit to requiring the State Auditor to conduct another audit of HTA in 2017. The resolutions should not be passed out of committee.

Mahalo for the opportunity to offer this testimony in opposition.



March 20, 2017

The Honorable Richard H.K. Onishi
Members of the House Tourism Committee

Re: Opposition to HR130 and HCR202

Aloha Chair Onishi and Committee Members,

As Chair of the Board of Directors for the Hawai'i Tourism Authority, I would like to respectfully register my opposition to House Resolution No. 130 and House Concurrent Resolution No. 202.

Please understand the HTA board and staff members are not opposed to having our management practices and financial reporting audited by the State Auditor on a regular basis. As determined by State law, HTA already undergoes a management audit every five years and a financial audit annually.

My opposition to HR130 and HCR202 is based on the fact that it calls for the State Auditor to conduct a management audit of HTA this year when a management audit is already scheduled for 2018.

With all due respect to the Legislature, it is my opinion that having the State Auditor conduct a management audit of HTA this year is an unnecessary duplication of time, money, resources and effort.

Furthermore, the State Auditor filed a report in May 2016 noting that HTA is making good progress in fulfilling the recommendations of the audit that was conducted in 2013. The State Auditor also concluded that HTA's financial audit for 2016 was acceptable and had no reported deficiencies.

Our focus at HTA is always doing what is best to support Hawai'i's tourism industry at being successful, while fulfilling our fiduciary responsibilities to the State of Hawai'i.

I appreciate you considering my testimony in opposition to HR130 and HCR202.

Mahalo,

L. Richard Fried
Board Chair
Hawai'i Tourism Authority



March 20, 2017

The Honorable Richard H.K. Onishi
Members of the House Tourism Committee

Submittal of Testimony Opposing H.R. 130 and H.C.R. 202

Aloha Chair Onishi and Members of the House Tourism Committee,

Please accept my testimony in opposition to H.R. 130 and H.C.R. 202, which would require the **State Auditor to conduct a management audit of the Hawaii Tourism Authority this year.**

It is important to know that the State Auditor is mandated by law to conduct a management audit of HTA every five years, the next one of which will take place in 2018.

As a member of HTA's **board of directors**, I can assure the House Tourism Committee that HTA will fully and willingly comply with all of its statutory requirements, including a management audit by the State Auditor next year.

I can guarantee my fellow board members share this same commitment to satisfying the responsibilities that HTA carries as an agency for **the State of Hawaii**.

Also, there is no justification for conducting management audits of HTA in consecutive years. The most recent reports issued by the State Auditor have reflected favorably upon HTA.

Knowing a management audit is already scheduled for 2018, I believe the public would see the same audit being conducted this year as a waste of State resources and funds.

I encourage the members of the House Tourism Committee to reject H.R. 130 and H.C.R. 202 and the request that a management audit of HTA be conducted this year.

Thank you for allowing me to share my views opposing H.R. 130 and H.C.R. 202.

Mahalo.

George Kam

Board Member



March 20, 2017

The Honorable Richard H.K. Onishi
Members of the House Tourism Committee

RE: Testimony Opposing HR 130 and HCR 202

Aloha Chair Onishi and Members of the House Tourism Committee,

I am submitting this testimony to oppose HR 130 and HCR 202, which requests the State Auditor to conduct a management audit of the Hawai'i Tourism Authority.

Respectfully, these two resolutions should not be approved for the simple reason that the State Auditor is already scheduled to audit the management operations of HTA in 2018. A management audit of HTA is required by statute every five years. The next audit is already on the books for next year, since the last audit was done in 2013.

I am a board member for HTA and I can attest that our board, managers, and staff will do everything needed to assist the State Auditor in completing this management audit.

There is no need to do a management audit of HTA this year. Doing so would only add an unnecessary burden to the State Auditor and to the staff of HTA, and would use up taxpayer monies that can be put to better use for the people of Hawai'i.

I have great respect for this Committee and the work being done by all of our elected officials during this legislative session. However, I urge the members of this Committee to not allow HR 130 and HCR 202 to go forward.

Mahalo for considering my testimony in opposition to these two resolutions.

Craig Nakamura

Board Member



HOUSE COMMITTEE ON TOURISM
The Honorable Richard H.K. Onishi, Chair
The Honorable James Kunane Tokioka, Vice Chair

**H.C.R. No. 202, Requesting the Auditor to Conduct a Management Audit of the Hawai'i
Tourism Authority**

Hearing: Tuesday, March 21, 2017, 9:00 a.m.

The Office of the Auditor has **no position** regarding H.C.R. No. 202, which requests the Auditor to conduct a management audit of the Hawai'i Tourism Authority ("HTA"). **However, we note that we will be auditing HTA in 2018.**

Our most recent audit of HTA was conducted in 2013¹, and we issued a report in May 2016, following up on the recommendations that were made in the 2013 audit.² Every five years, we are required to conduct a management and financial audit of HTA's major contracts and agreements.³ Pursuant to that statutory requirement, we will be initiating an audit of HTA in 2018 and expect to submit our audit report to the legislature in December 2018. As part of that audit, we also will continue following up on the recommendations that HTA either had not addressed or had not completely addressed.

We suggest the committee consider our scheduled audit of HTA in 2018 when determining whether to advance the audit requested by H.C.R. No. 202.

If the committee advances the resolution, we request that the scope of the management audit be more clearly and narrowly defined. The audit as currently described in H.C.R. No. 202 is broad and likely will require us to narrow the audit's scope, which may result in a report that does not review the specific area or function that the legislature wants us to audit. If there are specific issues related to HTA that the legislature wants us to audit, we strongly recommend that the legislature define in the measure, as specifically as practicable, the scope of the audit request.

Thank you for considering our testimony related to H.C.R. No. 202.

¹ Report No. 13-09, *Audit of Major Contracts and Agreements of the Hawai'i Tourism Authority* (December 2013). The report may be accessed through our website at <http://files.hawaii.gov/auditor/Reports/2013/13-09.pdf>.

² Report No. 16-05, *New HTA Management Continues to Improve Plans, Contract Oversight, and Reporting: Follow-Up on Recommendations Made in Report No. 13-09, Audit of Major Contracts and Agreements of the Hawai'i Tourism Authority* (May 2016).

³ Section 23-13, Hawai'i Revised Statutes.