



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

Testimony of

Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

Committee on Economic Development, Tourism, and Technology

SCR72/SR27: Requesting the auditor to conduct a management audit of the Hawai'i Tourism Authority

Chair Wakai, Vice Chair Taniguchi, and members of the committee, mahalo for the opportunity to offer this testimony on behalf of the more than 700 members of the Hawai'i Lodging & Tourism Association.

We support Senate Concurrent Resolution 72/Senate Resolution 27, which would request that the auditor conduct a management audit of the Hawai'i Tourism Authority and submit a report of the findings and recommendations, including proposed legislation, to the legislature prior to the convening of the Regular Session of 2018.

The Hawai'i Tourism Authority is an important and vital contributor to, and supporter of, the state's top industry. Since its inception, the HTA has been the state's largest single source of public funding for marketing and promotion, and in so doing, has helped to diversify and sustain the industry. The authority is an invaluable partner in ensuring the remarkable success of tourism, which has enjoyed five consecutive years of record growth.

However, the Hawai'i Tourism Authority's internal governance practices, which has come under fire by key legislators and industry stakeholders, point to a need for more openness and transparency in the administration of a public agency dispensing public money and greater accountability. Senate Concurrent Resolution 72 and Senate Resolution 27 both point to remedy this by promoting legislative oversight of the authority's spending and activities through timely reports, and transparency of the Authority's budget, internal governance, and expenditures.

With the general public's desire for government transparency as well as a desire for more collaboration between government leaders and the private sector, such as the tourism industry, the audit called for in this resolution offers another means for taxpayers to be assured that public dollars are expended efficiently and wisely.

Mahalo for the opportunity to testify.



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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

SR27/SCR72 Requesting A Management Audit Of The Hawaii Tourism Authority

Senate Committee on Economic Development, Tourism, and Technology

Friday, March 24, 2017

2:30 p.m.

Conference Room 414

Chair Wakai, Vice-Chair Taniguchi, and Committee Members,

The Hawai'i Tourism Authority ("HTA") offers the following **testimony opposing** SR27/SCR72, 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 22, 2017

The Honorable Glenn Wakai
Members of the Senate Economic Development, Tourism, and Technology Committee

Re: Opposition to SR27 and SCR72

Aloha Chair Wakai 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 Senate Resolution No. 27 and Senate Concurrent Resolution No. 72.

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 SR27 and SCR72 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 SR27 and SCR72.

Mahalo,

L. Richard Fried
Board Chair
Hawai'i Tourism Authority



March 22, 2017

The Honorable Senator Glenn Wakai
Members of the Economic Development, Tourism, and Technology Committee

Submittal of Testimony Opposing SR 27 and SCR72

Aloha Chair Wakai and Members of the Committee,

Please accept my testimony in opposition to SR27 and SCR72, which would require the State **Auditor to conduct a management audit of the Hawai'i 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 Economic Development, Tourism, and Technology 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 Hawai'i.**

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 SR27 and SCR72 and the request that a management audit of HTA be conducted this year.

Thank you for allowing me to share my views opposing SR27 and SCR72.

Mahalo.

George Kam

Board Member, **Hawai'i Tourism Authority**



March 22, 2017

The Honorable Glenn Wakai
Members of the Senate Economic Development, Tourism, and Technology Committee

RE: Testimony Opposing SR 27 and SCR 72

Aloha Chair Wakai and Members of the Senate ETT Committee,

I am submitting this testimony to oppose SR 27 and SCR 72, which requests the State Auditor **to conduct a management audit of the Hawaii 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 Hawaii.**

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 SR 27 and SCR 72 to go forward.

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

Craig Nakamura

Vice Chair, **Hawaii Tourism Authority**



March 22, 2017

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Senator Glenn Wakai
Hawaii State Senate
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Hawaii State Capitol, Room 216
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Senator Wakai,

I fully support SCR72 regarding the management audit of HTA to clarify numerous questions that have been raised about recent expenditures. An audit will put the spotlight on problematic decisions made by the current management team. Some of these areas include, but are not limited to the following:

1. Reducing the responsibilities of HVCB: Why separate out Canada and the gohawaii website and spend more money on both? It created additional administrative cost borne by taxpayers.
2. Account oversight: In many cases the HTA staff has little to no experience in the travel industry. How can efficiencies be gained, or strategies created when those with oversight responsibilities are themselves woefully inexperienced?
3. Marketing plans: There are often no clear goals, nor measurements (key performance indicators) of effectiveness.
4. Sporting Events: There is a lack of clearly defined selection criteria for events such as tennis and surfing. Taxpayer monies are being wasted on pet projects.
5. Convention Center money: Instead of saving funds for mounting repair and maintenance costs, the convention center reserves are being raided to pay for administrative costs.
6. Shell game: HTA is converting state positions to contract positions to avoid the cap on administrative costs (3.5% of \$82 million). They are also playing for payroll liabilities with carryover funding, instead of putting it into marketing programs.
7. Minimal stakeholder interaction: Instead of meeting with industry leaders, HTA staff has decided to make marketing decisions internally, often to the detriment of the industry.

These are just a few of the questionable management decisions that justify an in-depth management audit of HTA. Your efforts to bring better controls and oversight of state funds are sorely needed.

Sincerely,

David H. Uchiyama
President & CEO

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 22, 2017 1:37 PM
To: ETT Testimony
Cc: gdnnelson@gmail.com
Subject: Submitted testimony for SCR72 on Mar 24, 2017 14:30PM

SCR72

Submitted on: 3/22/2017

Testimony for ETT on Mar 24, 2017 14:30PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Gregg Nelson	Individual	Oppose	No

Comments: Dear Committee, I oppose SCR72 and SR27, audit of HTA, as the process will be a waste of funds given that HTA is required to undergo an audit in 2018. Your consideration in rejecting both of these measures is appreciated. Mahalo Gregg Nelson

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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