

**HB 959, HD1**

DAVID Y. IGE  
Governor

SHAN S. TSUTSUI  
Lt. Governor



State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
1428 South King Street  
Honolulu, Hawaii 96814-2512  
Phone: (808) 973-9600 FAX: (808) 973-9613

SCOTT E. ENRIGHT  
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER  
Deputy to the Chairperson

**TESTIMONY OF SCOTT E. ENRIGHT  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT**

**MARCH 15, 2017  
1:15 P.M.  
CONFERENCE ROOM 224**

**HOUSE BILL NO. 959 HD1  
RELATING TO THE AGRIBUSINESS DEVELOPMENT CORPORATION**

Chairperson Gabbard and Members of the Committee:

Thank for the opportunity to testify on House Bill No. 959 HD1, relating to the Agribusiness Development Corporation (ADC). This bill requires the Office of the State Auditor to conduct a management and financial audit of the ADC. The Department respectfully opposes this measure.

ADC is an attached agency to the Department of Agriculture. The Department fully supports the work that ADC performs each day as they serve as the agency dedicated to providing direction on the State's transition from plantation land and water systems for diversified agriculture, develop facilities to support diversified agriculture, and provide solutions for the many challenges that local agriculturalists face throughout the State. This work is critical in moving the State forward toward food security and self-sufficiency.

Moving forward with such an audit diverts ADC's limited resources. The Department respectfully asks that you defer this measure.

Thank you for the opportunity to testify on this measure.





SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

The Honorable Senator Mike Gabbard, Chair  
The Honorable Senator Gil Riviere, Vice Chair

**H.B. No. 959, H.D. 1, Relating to the Agribusiness Development Corporation**

Hearing: Wednesday, March 15, 2017, 1:15 p.m.

The Office of the Auditor has **no position** regarding H.B. No. 959, H.D. 1, which directs us to conduct a “management and financial audit” of the Agribusiness Development Corporation. However, **we request that the committee consider clarifying the scope of the requested management and financial audit.**

We advise the committee that the financial audit required by the bill will provide an opinion on whether the Agribusiness Development Corporation’s (ADC) financial statements are presented fairly and in accordance with generally accepted accounting principles. Currently, the department of agriculture’s and the ADC financial records are audited annually as part of the state’s Comprehensive Annual Financial Report (or CAFR). That audit, however, involves very limited review and testing of the ADC financial records, if any. If the legislature is interested in something other than an opinion by a private CPA firm as to the presentation of the ADC financial statements, we recommend that the bill be amended to specifically state the specific aspects of the ADC finances that the legislature wants examined.

In addition, the bill’s direction to perform a “management audit” of the ADC is very broad and likely will require us to narrow the audit’s scope, **which may result in an audit that does not review the specific area or function that the legislature wants us to audit.** If there are specific issues related to ADC activities that the legislature wants us to audit, we recommend that the legislature define in the bill, as specifically as practicable, the scope of the audit request.

We are available to work with the committee to more clearly define an audit scope that includes the operations or practices that the legislature wishes for us to evaluate. Assuming that the bill passes out of the committee, we intend to discuss our concerns about the breadth of the audit request with the bill’s primary sponsors, if possible.

Thank you for considering our testimony related to the audit requested in H.B. No. 959, H.D. 1.

**DAVID Y. IGE**  
Governor

**SHAN S. TSUTSUI**  
Lt. Governor



**JAMES J. NAKATANI**  
Executive Director

STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**  
235 S. Beretania Street, Room 205  
Honolulu, HI 96813  
Phone: (808) 586-0186 Fax: (808) 586-0189

**TESTIMONY OF JAMES J. NAKATANI**  
**EXECUTIVE DIRECTOR**  
**AGRIBUSINESS DEVELOPMENT CORPORATION**

**BEFORE THE COMMITTEE ON AGRICULTURE AND ENVIRONMENT**

Wednesday, March 15, 2017  
1:15 p.m.

**HOUSE BILL NO. 959**  
**RELATING TO THE AGRIBUSINESS DEVELOPMENT CORPORATION**

Chairperson Gabbard and Members of the Committee:

My name is James Nakatani, Executive Director of the Agribusiness Development Corporation (“ADC”). The ADC respectfully opposes House Bill No. 959 which requires the Auditor to conduct a management and financial audit of the Agribusiness Development Corporation.

The ADC is a State agency attached to the Hawaii Department of Agriculture. It is not like a department or even a division of a department. The agency currently has a staff of four at its main office. Because of its size, in addition to their respective responsibilities, each staff cross-trains and assists each other with whatever action demands their attention on any given day. These four manage and oversee all of ADC’s infrastructure improvement and maintenance, research and development projects, and leased lands and dam safety. They prepare for and attend ADC’s monthly board meetings and

diligently do all things required of them by their board. They conduct ADC's land and asset acquisitions including all due diligence required, ADC does not have the personnel to accommodate an audit. An audit would be too onerous at this time for an agency the size of ADC due to the amount of time and attention it will require.

Secondly, other measures that require the Auditor to conduct an audit typically include statements and findings of inadequacy or a lack of information followed by the reasons an audit would assist or benefit the legislature or the state, this bill offers no rationale or findings that would prompt an investigation.

Lastly, the ADC is administratively attached to the Hawaii Department of Agriculture and therefore, all financial encumbrances and expenditures are administered and disclosed by the department. For these reasons, the ADC respectfully asks the committee to hold this bill.

Thank you for the opportunity to testify.