



SENATE COMMITTEE ON WAYS AND MEANS
The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair

**H.B. NO. 1561, H.D. 1, PROPOSED S.D. 2, RELATING TO AGRIBUSINESS
DEVELOPMENT**

Hearing: Friday, April 5, 2019, 10:00 a.m.

The Office of the Auditor has **no position** regarding H.B. No. 1561, H.D. 1, Proposed S.D. 2, which requires that we conduct “a performance audit of the agribusiness development corporation” and grants us discretion to conduct a financial audit “if sufficient funds are available.” **However, we offer the following comments and request clarification of the intended scope of the audit.**

We strongly suggest that the committee identify the specific programs or activities that it wants assessed to ensure that our report covers the issues that the Legislature is most interested in having us examine. We conduct performance audits in accordance with generally accepted government auditing standards. Those standards require us to properly plan, document, and carry out work necessary to address “audit objectives” that we identify during the planning phase of our audit work. Without more specific direction we may develop audit objectives that may be different from those envisioned by the Legislature, and for that reason, the report may offer less value to the Legislature.

We note and appreciate that the bill includes an unspecified appropriation for the required audit. However, the measure limits the appropriation for contracting with “an accounting firm to conduct a performance audit.” Generally, our staff conducts performance audits—i.e., we assess a department or program’s performance, meaning we evaluate the department or program’s operations against appropriate criteria, such as relevant statutes, administrative rules, policies, procedures, and best practices. Unless we require a consultant or expert to assist in performing this work, our office typically does not require an appropriation.

Requests for financial audits, by contrast, will require an appropriation. We do not perform any financial audits in-house; rather, we contract with certified public accounting (CPA) firms to audit the financial statements of State agencies and for the State’s Comprehensive Annual Financial Report. If the intent is to have us audit the Agribusiness Development Corporation’s financial statements, we suggest that the language be amended to indicate that the appropriation is for the purpose of contracting with an accounting firm for a financial audit and note that we require an appropriation of no less than \$100,000 to contract with a CPA firm.

Thank you for considering our testimony related to H.B. No. 1561, H.D. 1, Proposed S.D. 2.

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

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TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE COMMITTEE ON WAYS AND MEANS
Friday, April 5, 2019
10:00 a.m.

HOUSE BILL NO. 1561 HD1 SD2
RELATING TO AGRIBUSINESS DEVELOPMENT

Chairperson Dela Cruz and Members of the Committee:

My name is James Nakatani, Executive Director of the Agribusiness Development Corporation (“ADC”). The ADC provides comments on the proposed House Bill No. 1561 HD1 SD2, which appropriates funds for the fiscal biennium 2019-2021 operating budget of the Agribusiness Development Corporation (ADC). It also appropriates funds and requires the Auditor to conduct a management and financial audit of the ADC and requires ADC to annually report specified information to the Legislature.

Regarding the Program Appropriations (Part II), ADC supports the proposed appropriation.

Regarding the Performance Audit (Part V), ADC concurs with the State Auditor’s comments submitted in the February 13, 2019 testimony to the House Agriculture Committee for HB871. The comments are summarized as follows:

- Identify the specific programs or activities that the Legislature wants assessed to ensure the report covers the issues that the Legislature is most interested in.
- Provide adequate appropriation to conduct a financial audit.

Regarding the Statutory Provisions (Part IV), ADC requests section (b) be deleted as the much of the requested information is provided in ADC's Annual Report and will also be posted on its website.

Thank you for the opportunity to testify, and for your consideration of this bill.

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HB1561hd1,sd1,ProposedSD2, Relating to Agribusiness Development
Senate WAM Hearing
Friday, April 5, 2019
10:00 am
Conference Room 211

Testimony by: Larry Jeffs
Position: Support

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate WAM Committee:

I am Larry Jeffs, owner and operator of Larry Jeffs Farms, LLC, which is part of our family-run business of farms on Oahu and Molokai, under the administrative umbrella of Sugarland Growers, Inc. We have more than 35 years of Hawaii farm experience on Molokai and Oahu. I am a volunteer director for the West Oahu Soil and Water Conservation District (SWCD).

The Agribusiness Development Corporation (ADC) was established in 1994 to provide and assist with the transition of local agriculture from plantation-type agriculture to diversified agriculture. ADC's objectives to assist farmers with this transition are broad and often exceed the limited staffing.

One of its objectives is to facilitate transition of agribusiness resources of land, water and infrastructure. During the days of plantation agriculture, plantations repaired and maintained irrigation systems, not only for their use but these systems often were of benefit to surrounding farmers and at times residential areas. When plantations closed, irrigation systems fell in disrepair.

ADC, as one of its first projects, acquired Waiahole Ditch, of which I and many of my farm-neighbors are able to access affordable water. I am appreciative of that because water is the lifeblood of my farms. Without water, there would be no farms.

It's been my experience that ADC and its staff, of which it could use more support, is a needed part of Hawaii agriculture and food production. ADC knows Hawaii agriculture—the challenges and possible solutions—and they get things done.

Please support funding for ADC. Thank you for the opportunity to testify.

HB-1561-SD-1

Submitted on: 4/2/2019 10:39:00 AM

Testimony for WAM on 4/5/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Wendy Arbeit	Individual	Support	No

Comments:

I strongly support HB1561 HD1.

Oversight of ADC is long overdue. We need an accurate accounting to see how ADC has used our taxes and to see if it's still needed.

Wendy Arbeit

Makiki, O`ahu