

HOUSE COMMITTEE ON FINANCE
The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair

S.B. NO. 1359, S.D. 2, H.D. 1, RELATING TO THE AGRIBUSINESS DEVELOPMENT CORPORATION

Hearing: Wednesday, April 3, 2019, 2:00 p.m.

The Office of the Auditor has **no position** regarding S.B. No. 1359, S.D. 2, H.D. 1, which requires us to conduct a management audit and financial audits of the Agribusiness Development Corporation (ADC). **However, we offer the following comments.**

We strongly suggest that the committee identify the specific programs or activities that it wants assessed to ensure that our audit includes the areas 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 audit may offer less value to the Legislature.

With respect to the financial audits, the bill currently requires our office to conduct financial audits of the Agribusiness Development Corporation’s financial statements for the fiscal years ending June 30, 2019; June 30, 2020; and June 30, 2021. However, Section 3 of the measure only appropriates funds for two years of financial audits. We suggest that the committee either include an appropriation to cover the cost for three years or amend the measure to require our office to conduct financial audits for only two fiscal years. We recommend an appropriation of \$100,000 for each year of financial audit work.

Finally, while we appreciate the appropriation included in the measure for “the office of the auditor to conduct a management audit of the [ADC],” we are unable to provide an estimated cost to perform the work because the measure as currently drafted does not provide enough detail. If the committee believes our management audit work may require hiring a consultant or other experts, we strongly recommend that the measure identify the work it is interested in having us perform.

Thank you for considering our testimony related to S.B. No. 1359, S.D. 2, H.D. 1.

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 FINANCE
WEDNESDAY, April 3, 2019
2:00 p.m.

SENATE BILL NO. 1359 SD2 HD1
RELATING TO AGRIBUSINESS DEVELOPMENT CORPORATION

Chairperson Luke and Members of the Committee:

My name is James Nakatani, Executive Director of the Agribusiness Development Corporation (“ADC”). The ADC provides comments on Senate Bill No. 1359 SD2 HD1, which requires the Auditor to conduct a financial audit of the Agribusiness Development Corporation and requires the Department of Agriculture to conduct a management audit of the Agribusiness Development Corporation. It also appropriates funds.

ADC concurs with the State Auditor’s comments submitted in the March 13, 2019 testimony to the House Agriculture Committee for SB1359 SD1. The comments are summarized as follows:

- Suggestion to 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.

- Requirement that adequate funding be appropriated to conduct a financial audit.

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

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

State of Hawaii
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TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE

APRIL 3, 2019
2:00 P.M.
CONFERENCE ROOM 308

SENATE BILL NO. 1359 SD2 HD1
RELATING TO THE AGRIBUSINESS DEVELOPMENT CORPORATION

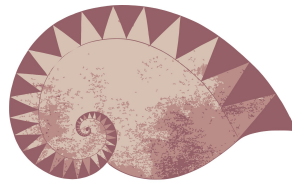
Chairperson Luke and Members of the Committee:

Thank you for the opportunity to present testimony on Senate Bill 1359 SD2 HD1. This bill requires the Auditor to conduct a financial and management audit of the Agribusiness Development Corporation (ADC) and report to the legislature 20 days prior to the convening of the 2022 legislative session. The Department offers comments.

The ADC is tasked with an important role to transition the State's agricultural industry from plantations to diversified agriculture. This includes work to acquire and manage productive agricultural lands, water systems and infrastructure. An audit will take time and resources away from ADC's continuing efforts to support agricultural development around the State.

Thank you for the opportunity to testify on this measure.





Pono Hawai'i Initiative

LATE

Josh Frost - President • Kau'i Pratt-Aquino - Secretary • Patrick Shea - Treasurer
Kristin Hamada • Nelson Ho • Summer Starr

Monday, April 1, 2019

Relating to Agribusiness Development Corporation
Testifying in Support

Aloha, Chair and Committee members

The Pono Hawai'i Initiative (PHI) is in **strong support** of **SB1359 SD2, HD1 Relating to Agribusiness Development Corporation**. This measure includes requirements that the State Auditor conduct a management and financial audit of the corporation.

These audits and additional required reports to the Legislature will provide necessary transparency and oversight and give the Legislature the information it needs for potential legislation. We can not simply fund this program without continued oversight.

Mahalo for the opportunity to testify,

Gary Hooser

Executive Director

Pono Hawai'i Initiative, an organization member of the Common Good Coalition