

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

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

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

**MARCH 13, 2019
8:30 A.M.
CONFERENCE ROOM 312**

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

Chairperson Creagan and Members of the Committee:

Thank you for the opportunity to present testimony on Senate Bill 1359 SD1. This bill requires the Auditor to conduct a financial audit and the Department to conduct a 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.



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 AGRICULTURE
WEDNESDAY, March 13, 2019
8:30 a.m.

SENATE BILL NO. 1359 SD2
RELATING TO AGRIBUSINESS DEVELOPMENT CORPORATION

Chairperson Creagan and Members of the Committee:

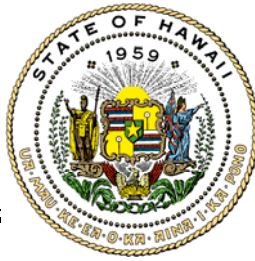
My name is James Nakatani, Executive Director of the Agribusiness Development Corporation ("ADC"). The ADC provides comments on Senate Bill No. 1359 SD2, which requires the Auditor to conduct a financial audit of the Agribusiness Development Corporation and requires the Department of Agriculture to conduct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

ADC concurs with the State Auditor's comments submitted in the February 14, 2019 testimony to the Senate Ways and Means 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 of an appropriation of no less than \$125,000 to contract with a CPA firm to conduct a financial audit.

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



HOUSE COMMITTEE ON AGRICULTURE
The Honorable Richard P. Creagan, Chair
The Honorable Lynn DeCoite, Vice Chair

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

Hearing: Wednesday, March 13, 2019, 8:30 a.m.

The Office of the Auditor has no position regarding S.B. No. 1359, S.D. 2, which requires the Department of Agriculture and our office to conduct a management audit and financial audits, respectively, of the Agribusiness Development Corporation. However, we offer the following comments.

While we defer to the committee as to the appropriateness of the Department of Agriculture contracting for a “management” audit of the Agribusiness Development Corporation, we note that those types of audits are the primary work of our office. Whether the department is tasked with contracting for a management audit or we are required to conduct an audit of the Agribusiness Development Corporation’s performance, we strongly suggest that the committee identify the specific programs or activities that it wants assessed. Without more specific direction, the entity tasked with performing the audit, be it us or an outside auditor, will 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.

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. The Committee on Ways and Means Standing Committee Report No. 1093 states that the measure was amended to add “an appropriation of an unspecified amount for **two fiscal years** for the Auditor’s financial audit.” 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.

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



HAWAI'I
CENTER FOR
FOOD SAFETY

**House Committee on Agriculture
Hawai'i Center for Food Safety supports: SB1359 SD2 with amendments**

Dear Chair Creagan, Vice-Chair DeCoite, and members of the committee,

My name is Autumn Ness and I am the Co-Director of the Hawai'i Center for Food Safety. HCFS is a nationwide public interest, sustainable agriculture nonprofit organization whose mission centers on supporting the increase of sustainable local food production, and increasing public transparency in food production. We have over 1 million farmer and consumer members across the country, including nearing 10,000 in Hawai'i.

I am writing in support of SB 1359 SD2 with amendments. The Agribusiness Development Corporation manages land and resources that, managed well, could propel the State of Hawai'i closer to its food sustainability goals. An audit would make the operations of the ADC more transparent and instill faith in the public that our public funds are being used to advance our state food sustainability goals. An audit will also be a useful tool for the ADC itself, serving as a catalyst for re-examination of operations in such an important time for Hawai'i's agricultural economy.

HCFS supports amending SB1359 SD2 so that both the financial and management audits be conducted by the state auditor, as the Department of Agriculture will see an increased workload in the coming year, given the passage of Act 45 in 2018, and the likelihood that they will have to draft rules on industrial hemp procedures. It is also unusual practice for a department of the administration to audit a corporation, such as the ADC.

Please note that testimony was given in support of a financial and management audit of the ADC, by the State Auditor's office, in the hearing regarding House ADC audit bill in the House Committee on Agriculture. The State Auditor relayed to the committee that his office receives more requests to audit the ADC than any other agency.

Mahalo nui loa for your support.

Autumn Ness, Co-Director
Center for Food Safety, Hawai'i Program

SB-1359-SD-2

Submitted on: 3/8/2019 4:03:35 PM

Testimony for AGR on 3/13/2019 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Cathy Goeggel	Animal Rights Hawai'i	Support	No

Comments:

SB-1359-SD-2

Submitted on: 3/12/2019 9:34:48 AM

Testimony for AGR on 3/13/2019 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Donovan	Individual	Support	Yes

Comments:

Aloha,

My name is Donovan Kanani Cabebe. As a small food producer and chef, it is of great concern to me that the department of ag is held accountable to the highest standards. I'm pleased to see that language making an ADC audit a part of the program has been added and for that reason more than any other I strongly support SB 1339. This is severely needed as there has been no transparency with regard to the ADC finance activity.

Kind regards,

Donovan Cabebe