

**SB 1359**

**DAVID Y. IGE**  
Governor

**JOSH GREEN**  
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  
MONDAY, February 4, 2019  
1:20 p.m.

SENATE BILL NO. 1359  
RELATING TO 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 provides comments on Senate Bill No. 1359, which requires the Department of Agriculture to conduct a management and financial audit of the Agribusiness Development Corporation and appropriates funds.

A management and financial audit will disrupt the daily and project based tasks of the ADC staff; creating possible delays in meeting milestones and requirements for fiscal and managerial administration. Additionally, it is not clear for the reason of the audit, as no negligence in fiscal nor managerial administration has occurred nor been reported. However, an audit conducted by the HDOA will assure that the agriculture development background is present to frame ADC's activities in context with the changing agriculture landscape.

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



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SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

The Honorable Mike Gabbard, Chair  
The Honorable Russell E. Ruderman, Vice Chair

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

Hearing: Monday, February 4, 2019, 1:20 p.m.

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The Office of the Auditor has no position regarding S.B. No. 1359, which requires that the Department of Agriculture (DOA) conduct “a management and financial audit of the Agribusiness Development Corporation.” However, we offer the following comments to inform the committee of our responsibility to contract for the financial audits of all the State departments, agencies, and programs that receive individual audits as well as for the State’s Comprehensive Annual Financial Report (CAFR).

Nineteen State departments, agencies, and programs currently have their financial statements audited annually. We contract with independent CPA firms to perform those audits on behalf of the departments, agencies, and programs. The contracts, generally, are for three years.

The Legislature created the Audit Revolving Fund, specifically directing that “[m]oneys in the audit revolving fund shall be expended by the auditor to conduct audits of the State’s departments, offices, agencies, and political subdivisions . . . and for the services of certified public accountants contracted to conduct such audits.” Section 23-3.6(b), HRS. The Legislature appropriates \$2,800,000 annually to replenish the fund and authorizes us to spend \$6,300,000 out of the fund to pay for the financial audits. See H.B. No. 1 (2019 Regular Session). The departments, agencies, and programs reimburse the fund for all or a portion of the contract amount. See Section 23-3.5, HRS.

We construe the provisions cited above to *require* that the Office of the Auditor – not the individual departments – procure the services of independent CPA firms for *every* financial audit of a State department, agency, and program. For that reason, we suggest that the bill be amended to require the Office of the Auditor to conduct a financial audit of the Agribusiness Development Corporation and to require the Agribusiness Development Corporation to reimburse the Office of the Auditor for the entire cost of the financial audit.

The bill does not specify the fiscal year for which the Agribusiness Development Corporation’s financial statements are to be audited. However, we understand the bill to require a financial audit of only one fiscal year. We strongly recommend that, if the committee believes that the Agribusiness Development Corporation’s financial statements should be independently audited, such an independent opinion of the agency’s financial statements should be required annually. Alternatively, we suggest that the bill require a financial audit of the Agribusiness Development

Corporation's financial statements for the fiscal years ending June 30, 2019, June 30, 2020, and June 30, 2021.

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.

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

DAVID Y. IGE  
Governor

JOSH GREEN  
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER  
Acting Chairperson  
Board of Agriculture

State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
1428 South King Street  
Honolulu, Hawaii 96814-2512  
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TESTIMONY OF THE DEPARTMENT OF AGRICULTURE  
BEFORE THE SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

FEBRUARY 4, 2019  
1:20 P.M.  
CONFERENCE ROOM 224

SENATE BILL NO. 1359  
RELATING TO THE AGRIBUSINESS DEVELOPMENT CORPORATION

Chairperson Gabbard and Members of the Committee:

Thank you for the opportunity to present testimony on Senate Bill 1359. This bill requires the Department to perform a management and financial audit of the Agribusiness Development Corporation (ADC) and report to the legislature 20 days prior to the convening of the 2020 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.



**SB-1359**

Submitted on: 1/31/2019 11:56:27 AM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Joseph Kohn MD	Testifying for We Are One, Inc. - www.WeAreOne.cc - WAO	Comments	No

Comments:

**Request that the State Auditor conduct the audit and not the DOA**



Board of Directors:

**Senate Committee on Agriculture & the Environment**

Gary L. Hooser  
*President*

Hawaii Alliance for Progressive Action (HAPA) provides comments for: SB 1357

Andrea N. Brower  
Ikaika M. Hussey  
*Co-Vice Presidents*

Monday, February 4, 2019, 1:20 p.m., Conference Room 224

Kim Coco Iwamoto  
*Treasurer*

Aloha Chair Gabbard, Vice Chair Ruderman and Members of the Committee,

Bart E. Dame  
*Secretary*

On behalf of the Hawaii Alliance for Progressive Action (HAPA) I would like to provide comments on SB 1357.

Paul Achitoff

HAPA supports an internal audit of the Agribusiness Development Corporation (ADC). However we strongly believe that to ensure a truly independent review of the ADC the audit should be conducted by the State Auditor rather than the Department of Agriculture.

Nancy Aleck

The purpose of an audit is to provide an independent review of the agency, and the state's Department of Agriculture is too closely related to the ADC to provide a truly independent audit.

Laura Harrelson

Kaleikoa Ka'eo

Michael Miranda

In 2002 the federal government passed Sarbanes Oxley Act (SOX). Enacted in 2002, SOX primarily applies to private companies, however the principles of SOX sets out best practices in governance standards. In fact most non-profits voluntarily adopt their own internal SOX polies and many have argued that SOX should be extended to apply to government.

Walter Ritte Jr.

Pua Rossi-Fukino

Karen Shishido

Some of these practices are:

Leslie Malulani Shizue Miki

- Adopting a code of conduct and ethics;
- Appointing one or more independent directors or managers to its board;
- Establishing and maintaining a process of internal financial reporting and controls, including the appointment of independent audit and compensation committees; and
- Adopting policies regarding interested transactions and conflicts of interest.

Please consider amending SB 1357 to require that the State Auditor, rather than the Department of Agriculture conduct the audit of the ADC.

Thank you for your consideration.

Mahalo,

A handwritten signature in black ink, appearing to read 'Anne Frederick', with a long horizontal flourish extending to the right.

Anne Frederick  
Executive Director



**SB-1359**

Submitted on: 2/3/2019 11:29:53 AM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kauai Trainer	Testifying for Momilani Farm	Comments	No

Comments:

Aloha mai,

This measure proposes to utilize the Department of Agriculture (DOA) to conduct the audit and not the State Auditor, in order to ensure impartiality. The DOA is not impartial. I would like the State Auditor to conduct audits and not the DOA.

Mahalo,

Kau'i Trainer, Hilo

**SB-1359**

Submitted on: 2/4/2019 9:49:16 AM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Susan Stayton	Individual	Support	No

Comments:

Aloha committee members,

Agriculture is an important part of Hawaii business, culture, and way of life. I feel it is urgent that the **Agribusiness Development Corporation (ADC)** be audited to assure that moneys appropriated by the legislature are being spent in alignment with the regulations and values of this state.

Please pass this legislation.

Aloha,

Susan

**SB-1359**

Submitted on: 1/29/2019 3:35:39 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
John R. Gordines	Individual	Support	No

Comments:

**SB-1359**

Submitted on: 1/30/2019 4:19:18 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Mary Lu Kelley	Individual	Comments	No

Comments:

**I request that the State Auditor conduct the audit and not the DOA.**

**SB-1359**

Submitted on: 1/30/2019 4:29:28 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Patricia Blair	Individual	Support	No

Comments:

An ADC Audit must be done by the State Auditor to be in integrity.

**SB-1359**

Submitted on: 1/30/2019 4:44:41 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Patricia Fallbeck	Individual	Comments	No

Comments:

I AGREE WITH THE REQUIREMENT OF AN AUDIT, BUT WOULD PREFER AN UNBIASED AUDIT BY THE STATE AUDITOR.

**SB-1359**

Submitted on: 1/30/2019 4:55:25 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
John NAYLOR	Individual	Comments	No

Comments:

Aloha,

request that the State Auditor conduct the audit and not the DOA.

**SB-1359**

Submitted on: 1/30/2019 7:37:53 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jenny Ernst	Individual	Comments	No

Comments:

I do not support allowing the DOA to do the audit, but support and request that the State Auditor conduct the audit.

Thank you.



**SB-1359**

Submitted on: 1/30/2019 7:40:24 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Steve Canales	Individual	Support	No

Comments:

Strongly Support

**SB-1359**

Submitted on: 1/30/2019 7:40:49 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Chris Mentzel	Individual	Comments	No

Comments:

**I request that the State Auditor conduct the audit and not the DOA.**

**SB-1359**

Submitted on: 1/30/2019 8:11:27 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Cory Harden	Individual	Comments	No

Comments:

Aloha legislators,

Please have audit done by the hen (state auditor) not the fox (Dept. of Ag)

Mahalo, Cory Harden, Hilo

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**SB-1359**

Submitted on: 1/31/2019 12:37:20 AM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Sandra Herndon	Individual	Comments	No

Comments:

I support an Audit conducted by the State Auditor, NOT the Department of Agriculture!

**SB-1359**

Submitted on: 1/31/2019 12:45:10 AM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lucia You	Individual	Comments	No

Comments:

I respectfully request that the State Auditor conduct a management and financial audit of the Agribusiness Development Corporation rather than the Department of Agriculture.

**SB-1359**

Submitted on: 1/31/2019 6:41:27 AM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Maria Maitino	Individual	Comments	No

Comments:

To whom this concerns,

I am making a comment regarding SB1359. I request that the State Auditor conduct the audit and NOT the Department of Agriculture.

Thank you,

Maria Maitino

**SB-1359**

Submitted on: 1/31/2019 7:47:59 AM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Barbara Barry	Individual	Support	No

Comments:

Aloha Lawmakers,

I support this measure with the State Auditor only.

No Dept. of Ag auditing themselves please.

Mahalo,

Barbara Barry

**SB-1359**

Submitted on: 1/31/2019 11:54:54 AM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Shannon Rudolph	Individual	Comments	No

Comments:

STRONGLY SUPPORT ADC AUDIT - But NOT by Dept. of Ag.auditor - State Auditor ONLY!!!

There is a very strong possiblility of a real rat's nest at the ADC and an audit needs to be completley transparent without the whiff of any shenannigans to reclaim the public's confidence.

We need to have the confidence of a real audit by State Auditors. If they find a mess, the ADC needs to be repealed & absorbed back into the DOA for more transparency & public oversight to be brought back to it's MAIN mission statement of helping HAWAI'I FARMERS, not giant corporations.



**SB-1359**

Submitted on: 1/31/2019 12:32:33 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lillian Renfro-Robeau	Individual	Comments	No

Comments:

The Audit should be performed by the STATE AUDITOR.  
Mahalo for your time and consideration.

**SB-1359**

Submitted on: 1/31/2019 5:31:16 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael Golojuch Jr	Individual	Comments	No

Comments:

The State Auditor should be responsible for the audit.

Mahalo,

Michael Golojuch, Jr.

**SB-1359**

Submitted on: 1/31/2019 11:11:22 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
A Kathleen Lee	Individual	Support	No

Comments:

Aloha elected representatives,

I wholeheartedly believe the ADC needs to be audited by the state and not by the auditor for the ag department. This has to be complete transparency and objective analysis. If there even is a suspicion on any level that the ADC has not been operating under its mission statement then it should be reabsorbed back into the DOA to completely insure that the purpose of assisting Hawaii farmers is being accomplished and not usurped by the power and money of corporations .

We are counting on you and have faith in you. We are watching this process carefully.

Resident of the small farming community of Kapa'au, Island of Hawai'i,

April Lee

**SB-1359**

Submitted on: 2/1/2019 10:22:59 AM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jonathan Boyne	Individual	Comments	No

Comments:

**I request that the State Auditor conduct the audit and not the DOA.**

**SB-1359**

Submitted on: 2/2/2019 9:50:07 AM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
denise woods	Individual	Comments	No

Comments:

Please consider the **State Auditor conducting the audit and not the DOA.**

**SB-1359**

Submitted on: 2/3/2019 1:17:52 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ashley Wilcox	Individual	Support	No

Comments:

**From:** [Dave Kisor](#)  
**To:** [AEN Testimony](#)  
**Subject:** comment only SB1359  
**Date:** Saturday, February 2, 2019 9:04:20 PM

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Aloha Chair Gabbard & Vice Chair Ruderman

This is to request the State Auditor conduct the audit and not the DOA.

Mahalo,  
Dave Kisor  
Pahoa, HI

||||| >^.< |||||

Cats & computers. Bring them into your home and your life is no longer your own.  
Don't get upset when things don't work, but rather be amazed when they do!  
Life is an exercise in how well you handle disappointment!

**From:** [Randy Ching](#)  
**To:** [AEN Testimony](#)  
**Subject:** SB1359 -- comments only  
**Date:** Friday, February 1, 2019 9:05:34 AM

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Chair Gabbard, Vice Chair Ruderman and members of the committee,

SB1359 requests an audit of ADC by the DoA auditor. I would like to see this audit conducted by the state auditor, and not the DoA auditor.

The audit needs to be done by an impartial agency. Mahalo for the opportunity to testify.

Randy Ching  
Honolulu (makikirandy@yahoo.com)



**SB-1359**

Submitted on: 2/3/2019 6:30:41 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gary Hooser	Individual	Comments	No

Comments:

Aloha Chair and Committee Members,

Please accept this testimony in support of SB1359, if amended to having the State Auditor conduct the audit of the ADC and not the DOA. For the audit to have public credibility and be perceived as independent, it is important that it be conducted by the State Auditors office.

Thank you,

Gary Hooser

**SB-1359**

Submitted on: 2/3/2019 7:12:39 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Sunny Savage-Luskin	Individual	Support	No

Comments:

**SB-1359**

Submitted on: 2/3/2019 7:42:53 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Anne	Individual	Support	No

Comments:

**I support this bill and request that the State Auditor conduct the audit and not the DOA.**

**SB-1359**

Submitted on: 2/3/2019 10:40:36 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
B.A. McClintock	Individual	Support	No

Comments:

Please support this important bill .

**From:** [Maria Clark](#)  
**To:** [AEN Testimony](#)  
**Subject:** Testimonial in Support of SB 1359  
**Date:** Sunday, February 3, 2019 7:57:49 PM

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> Aloha Chair Gabbard, Vice Chair Ruderman and Members of the Committee

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> My name is Maria Clark, I'm a Massage Therapist and Business Owner in Kauai

> I would like to request that the State Auditor conduct the Audit and not the DOA

> Thank you for your consideration

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>

>

> Mahalo,

> Maria Clark, Anahola

>

>

>

> Sent from my iPhone

**LATE**

**SB-1359**

Submitted on: 2/4/2019 12:24:19 PM

Testimony for AEN on 2/4/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Laura Gray	Individual	Support	No

Comments:

I support SB1359. I am a small farmer in Punaluu, and we have lots of small organic farms here. We need more of them. The only noisy and stinky, polluting farm in the valley is large agribusiness. We need more oversight and regulation/enforcement of our precious AG lands. Mahalo,

Laura Gray R.N.

Punaluu