

Charlotte A. Carter-Yamauchi  
Director

Shawn K. Nakama  
First Assistant

Research 808-587-0666  
Revisor 808-587-0670  
Fax 808-587-0681



LEGISLATIVE REFERENCE BUREAU  
State of Hawaii  
State Capitol, Room 446  
415 S. Beretania Street  
Honolulu, Hawaii 96813

## TESTIMONY IN SUPPORT

### HB2520

## MAKING APPROPRIATIONS TO PROVIDE FOR THE EXPENSES OF THE LEGISLATURE, THE AUDITOR, THE LEGISLATIVE REFERENCE BUREAU, THE OMBUDSMAN, AND THE ETHICS COMMISSION

Charlotte A. Carter-Yamauchi, Director  
Legislative Reference Bureau

Presented to the House Committee on Finance

Tuesday, February 6, 2024, 2:00 p.m.  
Conference Room 308

Chair Yamashita and Members of the Committee:

I am Charlotte Carter-Yamauchi, Director of the Legislative Reference Bureau (LRB). Thank you for this opportunity to provide testimony in strong **support** of H.B. No. 2520, which contains the LRB's budget for fiscal year 2024-2025.

The LRB provides comprehensive, impartial research and reference services on legislative matters, primarily for the Legislature, but occasionally for other governmental agencies, other entities, and the general public.

The LRB's major functions include:

- Providing research and drafting services, including drafting bills and other legislative documents, such as bill reviews and committee reports, at the request of the Legislature, legislative committees, and individual legislators. We prepare studies, reports, and memoranda on various issues. We strive to maintain a standard of being objective, impartial, nonpartisan, and fair in all our work and treatment of clients.
- Engaging in statutory revision, including the publication of the Session Laws of Hawaii, the Hawaii Revised Statutes and all cumulative Supplements thereto, and annual Replacement Volumes to the Hawaii Revised Statutes. We also establish the format for administrative agency rules and compile and publish a table indicating those administrative rules that implement state laws.

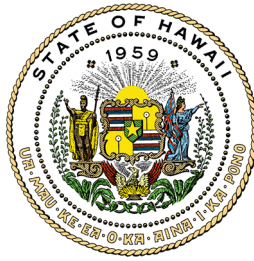
- Maintaining a reference library as an information resource primarily for the Legislature and legislative staff, but which is also used by other government agencies and the general public. Our library provides outstanding services, including online information services, and maintains the LRB's website, which is designed to facilitate legislative research by providing links to other important resources.
- Maintaining a legislative systems office that purchases, maintains, and provides technical support for the computer hardware, software, and other equipment for the LRB and coordinates the integration of the LRB's computer system with the House and Senate information systems. In addition, the systems office maintains the LRB's data management system, which is used by LRB staff, other legislative research offices, and Legislators to electronically access information and data on the subject matter and status of legislative documents and is also used for critical LRB operations, such as managing internal documents and workload tracking.
- Maintaining the Public Access Room, which was established by the Legislature to facilitate public participation in the legislative process. Our Public Access Room staff have expanded the availability of legislative information, materials, and services, most notably through ongoing webinars, use of social media, and maintaining a robust website and growing library of videos.

We have attached an exhibit that provides more detailed information on the functions and services provided by LRB.

H.B. No. 2520, proposes a Bureau budget for Fiscal Year 2024-2025 that is \$314,776 more than its Fiscal Year 2023-2024 budget. This total increase consists of IT security, Concordance licensing, and Linux software programming costs of \$96,870; an \$80,539 increase in publishing costs and a \$1,350 increase in Westlaw subscription costs; a \$107,617 increase for across-the-board staff salary costs, an \$8,400 for Director and First Assistant Director personnel costs established by the 2019 Commission on Salaries, and a \$20,000 increase for session staff costs to assist the Bureau in attracting qualified candidates to work during the legislative session.

In addition to the total increase stated above, H.B. No. 2520 also proposes a separate \$73,970 increase in its vacation payout allowance so that the amount approximates 25% of the value of the Bureau's total vacation payout liability for its increasing number of retirement-eligible employees.

Thank you for the opportunity to testify in support of H.B. No. 2520.



SENATE COMMITTEE ON WAYS AND MEANS  
The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Sharon Y. Moriwaki, Vice Chair

**Testimony in SUPPORT of H.B. No. 2520,  
Making Appropriations to Provide for the Expenses  
of the Legislature, the Auditor, the Legislative Reference Bureau,  
the Ombudsman, and the Ethics Commission.**

Hearing: Thursday, February 22, 2024, 10:00 a.m.

The Office of the Auditor **supports** H.B. No. 2520, specifically Sections 7, 8, 9, and 13, which appropriates to the Office of the Auditor for FY2024-25: **\$3,406,800** for personnel and operational expenses; **\$150,000** for special studies and other legislative requests; **\$2,800,000** to be deposited in the Audit Revolving Fund to cover the cost of the financial audits of state departments and political subdivisions performed by independent certified public accountants; and **\$68,106** for employees' accrued vacation payments and vacation transfer payments. The bill also provides for **\$6,300,000** to be appropriated from the Audit Revolving Fund to conduct or complete our audit functions as provided by law.

**The Office of the Auditor**

The position of Auditor is established by Art. VII, Section 10 of the State Constitution. The Office of the Auditor is responsible for conducting post audits of, among other things, the accounts and performance of State departments, agencies, and programs. We report our audit findings and recommendations to the Governor and the Legislature as well as to the audited entity. We also perform other work as directed by the Legislature.

Our audits are conducted in accordance with *Government Auditing Standards* promulgated by the Comptroller General of the United States, which require that we be independent and free of undue influence threats that impair – or can be seen as impairing – that independence.

We provide nonpartisan, unbiased, and objective assessments of State programs. More specifically, we assess whether programs are effectively and efficiently achieving their statutory purposes, providing valuable transparency into those programs and helping to answer questions the Legislature may have about how those programs are performing. And, we offer meaningful recommendations to address audit findings and to improve program performance.

## **Operating Budget**

The Office of the Auditor requests a total operating budget of **\$3,556,800**, which includes both the personnel and operating expenses of \$3,406,800, as well as an amount for special studies and other legislative requests of \$150,000. Exhibit 1 presents the budget request by objects of expenditure. Exhibit 2 shows the current appropriation and estimated expenditures.

## **Audit Revolving Fund**

The Office of the Auditor contracts with independent certified public accountants for the financial audits of 20 departments, agencies, and programs as well as the State of Hawai‘i’s Annual Comprehensive Financial Report (ACFR). We strongly support the independent audits of departments, agencies, and programs’ financial statements. Among other things, independent audits provide assurance that their respective financial statements are presented fairly in accordance with generally accepted accounting principles. State departments, agencies, and programs must be accountable for their use of public funds, and the financial audit is one aspect of that accountability. Moreover, the State’s ACFR is reviewed by credit-rating agencies in evaluating the State’s credit risk. The State’s credit rating has a significant impact on how much money the State can borrow to finance projects and the cost of that financing.

State departments, agencies, and programs receiving federal grants and other awards are also required to have financial audits as well as reviews of their respective compliance with the terms of those grants and awards. The contracts issued by the Office of the Auditor include those compliance reviews, referred to as single audits, for those departments, agencies, and programs that require single audits, including the single audit of the State of Hawai‘i. The cost of financial and single audits contracted by the State Auditor are paid through the Audit Revolving Fund, and some departments, agencies, and programs reimburse all or part of those costs, which are deposited into the fund.

The financial statement audit contracts that we administer through our Audit Revolving Fund are listed on Exhibit 3.<sup>1</sup> The proposed sum of \$2,800,000 will ensure sufficient funds to pay for these financial and single audits.

## **Our Work**

Exhibit 4 is a list of the reports that we issued to the Legislature in 2023 and 2024. The work includes audits of the Office of Hawaiian Affairs and the Hawai‘i State Hospital’s implementation of the Hawai‘i Information Portal (HIP), as well as statutorily required reviews of the special funds, revolving funds, trust funds, and trust accounts maintained by the Department of Public Safety, the Department of Labor and Industrial Relations, the Department of Agriculture, the Department of Defense, the Department of Accounting and General Services, and the Department of Budget and Finance. We additionally issued reports on statutorily

---

<sup>1</sup> The cost for financial audits of the Office of the Auditor, the Hawai‘i State Ethics Commission, the Legislative Reference Bureau, and the Office of the Ombudsman are paid from our operating budget.

required reviews of legislative proposals to require health insurers to provide coverage for fertility preservation services for cancer patients, various sexual and reproductive health care services, and services provided by pharmacists.

We are in the process of completing statutorily required reviews of certain tax credits, exemptions, and exclusions under the General Excise Tax and income tax laws. Sections 23-72, et seq. and 23-91, et seq., Hawai'i Revised Statutes, require us to review a number of different tax exemptions, exclusions, credits, and deductions each year.

We completed an assessment of the implementation of audit recommendations contained in Report No. 18-18 by the Office of Health Care Assurance's Adult Residential Care Homes Program. Generally, we conduct active follow-up on the status of an agency's implementation of our audit recommendations two to three years after issuance of an audit report. An omnibus report on the general implementation of recommendations from 2018 through 2021 was issued separately in November 2023.

The State of Hawai'i's ACFR was issued on January 29, 2024. Last year, the State of Hawai'i earned the coveted Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting, an award given to individual governments that succeed in preparing ACFRs that evidence the spirit of transparency and full disclosure; we hope the State earns that same award this year. On-time issuance of the ACFR and achievement of GFOA's award can positively affect the State's ability to issue general obligation bonds to fund capital improvement projects. We are working to provide support and expect the statewide Single Audit to issue by its March 31, 2024 deadline.

We are reviewing bills that propose to create new special or revolving funds and will be providing the Legislature with a report no later than 30 days prior to *sine die* that assesses whether those proposed funds meet certain statutory criteria as required by Section 23-11, Hawai'i Revised Statutes.

Thank you for your continued support of the Office of the Auditor and for your consideration of our testimony in support of the appropriations to the Office of the Auditor in H.B. No. 2520.

**OFFICE OF THE AUDITOR**  
**Statement Showing Budget for Office Operations**  
**By Object of Expenditure for FY2024-2025**

Exhibit 1

**Operating Budget**

Personal services:

Staff salaries	\$3,015,504
Salary Commission Increase	8,296
Total personal services	<u>3,023,800</u>
Contractual Services	194,916
	<u>3,218,716</u>

Other expenses:

Office expenses	47,500
Intrastate transportation and travel	4,800
Out-of-state travel	42,000
Training	20,000
Printing	5,000
Rental and maintenance of equipment	20,000
Books	500
Equipment	46,284
Miscellaneous	2,000
	<u>188,084</u>
Total other expenses	<u>188,084</u>

**Total Operating Budget** **\$3,406,800**

**Special Studies Appropriation** **\$150,000**

**Vacation Payments Appropriation** **\$68,106**

**Audit Revolving Fund** **\$2,800,000**

**OFFICE OF THE AUDITOR**  
**Statement Showing Budget and Estimated Expenditures**  
**By Object of Expenditure for FY2023-2024**

Exhibit 2

	<b>Budget</b>	<b>Estimated</b>	<b>Variance</b>
Personal services:			
Staff salaries	\$ 2,941,364	\$ 2,414,131	\$ 527,233
Contractual services	194,916	194,916	-
Total personal services	\$ 3,136,280	\$ 2,609,047	\$ 527,233
Other expenses:			
Office expenses	\$ 47,500	\$ 47,500	\$ -
Intrastate transportation and travel	4,800	4,800	-
Out-of-state travel	42,000	42,000	-
Training	20,000	20,000	-
Printing	5,000	5,000	-
Rental and maintenance of equipment	20,000	20,000	-
Books	500	500	-
Equipment	46,284	46,284	-
Advertising	-	-	-
Miscellaneous	2,000	2,000	-
Total other expenses	\$ 188,084	\$ 188,084	\$ -
TOTAL	\$ 3,324,364	\$ 2,797,131	\$ 527,233
Special Studies Appropriation (Act 3, SLH 2023)	\$ 150,000	\$ -	\$ 150,000
Vacation Payments Appropriation (Act 3, SLH 2023)	\$ 68,106	\$ 68,106	\$ -
Audit Revolving Fund Appropriation (Act 3, SLH 2023)	\$ 2,800,000	\$ 2,800,000	\$ -

**OFFICE OF THE AUDITOR  
AUDIT REVOLVING FUND  
FY2025 - BUDGET REQUEST**

# of Contracts	Department - Agency Financial Statement (and Single Audits, as applicable) Audits	Expenditure Ceiling Request Projected FYE 2024 Fees	Funding Source Breakdown			General Fund Request (General Fund portion of fees)
			General Fund	Non-GF (Reimbursement)		
	Department of Accounting and General Services					
1	ACFR-Combined Single Audits	\$ 1,600,000	100.0%	0.0%	n/a	\$ 1,600,000
	ICSD - SSAE 16: IT Controls					
2	Department of the Attorney General	\$ 127,000	55.0%	45.0%	Federal	\$ 69,850
	Department of Budget and Finance					
3	Hawaii Employer - Union Health Benefits Trust Fund	\$ 250,000	0.0%	100.0%	Trust	\$ -
4	Employees' Retirement System	\$ 257,749	0.0%	100.0%	Other Non-GF	\$ -
	Department of Business, Economic Development & Tourism					
5	Stadium Authority	\$ 61,500	0.0%	100.0%	Special	\$ -
6	Hawaii Housing Finance & Development Corporation	\$ 215,242	0.0%	100.0%	Special	\$ -
7	HTA - Hawaii Tourism Authority	\$ 125,000	0.0%	100.0%	Special	\$ -
	Hawaii Convention Center - Special Purpose F/S					\$ -
8	Hawaii Community Development Authority	\$ 45,000	0.0%	100.0%	Special	\$ -
9	Department of Commerce and Consumer Affairs	\$ 167,000	0.0%	100.0%	Special	\$ -
10	Department of Education	\$ 500,000	90.0%	10.0%	Federal	\$ 450,000
11	Department of Hawaiian Home Lands	\$ 150,000	0.0%	100.0%	Trust	\$ -
12	Department of Health					
	Water Pollution Control Revolving Fund	\$ 385,500	70.0%	30.0%	Federal	\$ 269,850
	Drinking Water Treatment Revolving Loan Fund					
	Deposit Beverage Container Program	\$ 52,500	Charge back 100% to DBC program			\$ -
13	Department of Human Services	\$ 445,000	44.56%	55.44%	Federal	\$ 198,301
14	Hawaii Public Housing Authority	\$ 335,000	0.0%	100.0%	Various	\$ -
15	Department of Land and Natural Resources	\$ 127,300	0.0%	100.0%	Special	\$ -
	Department of Transportation					
16	Administration	\$ 42,000	0.0%	100.0%	Special	\$ -
17	Airports	\$ 384,375	0.0%	100.0%	Special	\$ -
18	Harbors	\$ 250,000	0.0%	100.0%	Special	\$ -
19	Highways	\$ 355,000	0.0%	100.0%	Special	\$ -
20	Oahu Metropolitan Planning Organization	\$ 53,000	0.0%	100.0%	Special	\$ -
<b>TOTAL Managed 20 Contracts:</b>		\$ 5,928,166				\$ 2,588,001
<b>Reserve for Estimated Adjustments/Overages:</b>		\$ 371,834				\$ 211,999
<b>TOTAL Requested Budget Amounts:</b>		\$ 6,300,000				\$ 2,800,000



***Performance audits, studies, and other projects***

Report No.	Title
<b>Performance audits and other reports issued in 2023</b>	
23-01	Sunset Evaluation: Regulation of Appraisal Management Companies
23-02	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Public Safety
23-03	Study of Proposed Mandatory Health Insurance Coverage for Early Access Breast Cancer Screening
--	2022 Annual Report
23-04	Audit of the Office of Hawaiian Affairs
23-05	Analyses of Proposed Special and Revolving Funds 2023
23-06	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Labor and Industrial Relations
23-07	Financial and Program Audit of the Department of Health's Deposit Beverage Container Program, June 30, 2022
23-08	Follow-Up on Recommendations from Report No. 18-18, <i>Audit of the Office of Health Care Assurance's Adult Residential Care Homes Program</i>
23-09	Report on the Implementation of State Auditor's Recommendations 2018 - 2021
23-10	Study of Proposed Mandatory Health Insurance Coverage for Various Sexual and Reproductive Health Care Services
23-11	Study of Proposed Mandatory Health Insurance Coverage for Standard Fertility Preservation Services
23-12	Proposed Mandatory Health Insurance Coverage for Pharmacist Services
23-13	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Agriculture
23-14	Review of General Excise and Use Tax Provisions Pursuant to Section 23-75, Hawai'i Revised Statutes

**Office of the Auditor**  
**Current Projects and Reports Submitted to the 2023 and 2024 Legislatures**

**Exhibit 4**

<b>Report No.</b>	<b>Title</b>
<b>Performance audits and other reports issued in 2023</b>	
23-15	Review of Income Tax Provisions Pursuant to Section 23-94, Hawai'i Revised Statutes
23-16	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Defense
23-17	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Accounting and General Services

**Office of the Auditor**  
**Current Projects and Reports Submitted to the 2023 and 2024 Legislatures**

**Exhibit 4**

<b>Report No.</b>	<b>Title</b>
<b>Performance audits and other reports issued and to be issued in 2024</b>	
24-01	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Budget and Finance
24-02	Audit of the Hawai'i State Hospital's Implementation of the Hawai'i Information Portal
24-xx	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Land and Natural Resources
24-xx	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Transportation
24-xx	Audit of the Department of Human Services' Child Welfare Services Branch
24-xx	Audit of the Driver Education Program
24-xx	Audit of the Hawai'i Tourism Authority
24-xx	Report on the Department of Education's Cool Classrooms Initiative
24-xx	Audit of the Department of Human Services' Med-QUEST Division
24-xx	Follow-Up on Recommendations from Report No. 19-12, <i>Audit of the Department of Land and Natural Resources' Special Land and Development Fund</i>
24-xx	Follow-Up on Recommendations from Report No. 19-13, <i>Audit of the Department of Education's Administration of School Impact Fees</i>
24-xx	Follow-Up on Recommendations from Report No. 21-01, <i>Audit of the Agribusiness Development Corporation</i>
24-xx	Review of General Excise and Use Tax Provisions Pursuant to Section 23-76, Hawai'i Revised Statutes
24-xx	Review of Income Tax Provisions Pursuant to Section 23-95, Hawai'i Revised Statutes
24-xx	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of the Attorney General
24-xx	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Business, Economic Development and Tourism

**Office of the Auditor**  
**Current Projects and Reports Submitted to the 2023 and 2024 Legislatures**

**Exhibit 4**

Report No.	Title
------------	-------

**Performance audits and other reports issued and to be issued in 2024**

24-xx	Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i
-------	--

--	2023 Annual Report
----	--------------------

**Proposed fund reviews**

--	We expect to perform approximately 60 - 70 reviews of proposed special and revolving funds during the 2024 legislative session.
----	---

***Financial Statements and Single Audit Reports***

Financial statement audits issued in 2023	Performed by:
State of Hawai'i <b>Annual Comprehensive Financial Report</b> - June 30, 2022	Accuity LLP
State of Hawai'i <b>Single Audit Report</b> - June 30, 2022	Accuity LLP
Department of Accounting and General Services, <b>Stadium Authority</b> - June 30, 2022 Financial Statements and Single Audit Report	N&K CPAs, Inc.
<b>Department of the Attorney General</b> - June 30, 2021 Financial Statements and Single Audit Report	KPMG LLP
Department of Budget and Finance, <b>Employees' Retirement System of the State of Hawai'i</b> - June 30, 2021 Financial Statements	KPMG LLP
Department of Budget and Finance, <b>Hawai'i Employer-Union Health Benefits Trust Fund</b> - June 30, 2022 Financial Statements	KKDLY LLC
Department of Business, Economic Development and Tourism, <b>Hawai'i Community Development Authority</b> - June 30, 2022 Financial Statements	KKDLY LLC
Department of Business, Economic Development and Tourism, <b>Hawai'i Housing Finance and Development Corporation</b> - June 30, 2022 Financial Statements and Single Audit Report	Accuity LLP
Department of Business, Economic Development and Tourism, <b>Hawai'i Tourism Authority</b> - June 30, 2022 Financial Statements	Accuity LLP
<b>Department of Education</b> - June 30, 2022 Financial Statements and Single Audit Report	Accuity LLP
<b>Department of Hawaiian Home Lands</b> - June 30, 2022 Financial Statements and Single Audit Report	Akamine, Oyadomari & Kosaki CPA's, Inc.
<b>Department of Health</b> , State of Hawai'i - June 30, 2022 Financial Statements and Single Audit Report	KMH LLP
Department of Health, <b>Drinking Water Treatment Revolving Loan Fund</b> - June 30, 2022 Financial Statements	KMH LLP
Department of Health, <b>Water Pollution Control Revolving Fund</b> - June 30, 2022 Financial Statements	KMH LLP

**Office of the Auditor**  
**Current Projects and Reports Submitted to the 2023 and 2024 Legislatures**

**Exhibit 4**

<b>Financial statement audits issued in 2023 (cont.)</b>	<b>Performed by:</b>
<b>Department of Human Services</b> - June 30, 2022 Financial Statements and Single Audit Report	Accuity LLP
Department of Human Services, <b>Hawai'i Public Housing Authority</b> - June 30, 2022 Financial Statements	KMH LLP
Department of Human Services, <b>Hawai'i Public Housing Authority</b> - June 30, 2022 Single Audit Report	KMH LLP
Department of Transportation, <b>Administration Division</b> - June 30, 2022 Financial Statements and Single Audit Report	KKDLY LLC
Department of Transportation, <b>Airports Division</b> - June 30, 2022 Financial Statements	KPMG LLP
Department of Transportation, <b>Airports Division</b> - June 30, 2022 Single Audit Report	KPMG LLP
Department of Transportation, <b>Harbors Division</b> - June 30, 2022 Financial Statements	Accuity LLP
Department of Transportation, <b>Highways Division</b> - June 30, 2022 Financial Statements	Accuity LLP
Department of Transportation, <b>Highways Division</b> - June 30, 2022 Single Audit Report	Accuity LLP
Department of Transportation, <b>Oahu Metropolitan Planning Organization</b> - June 30, 2022 Financial Statements and Single Audit Report	Accuity LLP

**Office of the Auditor**  
**Current Projects and Reports Submitted to the 2023 and 2024 Legislatures**

**Exhibit 4**

<b>Financial statement audits issued and to be issued in 2024</b>	<b>Performed by:</b>
State of Hawai'i <b>Annual Comprehensive Financial Report</b> - June 30, 2023*	Accuity LLP
State of Hawai'i <b>Single Audit Report</b> - June 30, 2023*	Accuity LLP
<b>Department of the Attorney General</b> - June 30, 2022 Financial Statements and Single Audit Report*	KKDLY LLC
<b>Department of the Attorney General</b> - June 30, 2023 Financial Statements and Single Audit Report*	KKDLY LLC
Department of Budget and Finance, <b>Employees' Retirement System of the State of Hawai'i</b> - June 30, 2022 Financial Statements	Eide Bailly LLP
Department of Budget and Finance, <b>Employees' Retirement System of the State of Hawai'i</b> - June 30, 2023 Financial Statements*	Eide Bailly LLP
Department of Budget and Finance, <b>Hawai'i Employer-Union Health Benefits Trust Fund</b> - June 30, 2023 Financial Statements	KKDLY LLC
Department of Business, Economic Development and Tourism, <b>Hawai'i Community Development Authority</b> - June 30, 2023 Financial Statements	KKDLY LLC
Department of Business, Economic Development and Tourism, <b>Hawai'i Convention Center</b> - June 30, 2022 Special Purpose Financial Statements	Accuity LLP
Department of Business, Economic Development and Tourism, <b>Hawai'i Convention Center</b> - June 30, 2023 Special Purpose Financial Statements*	Accuity LLP
Department of Business, Economic Development and Tourism, <b>Hawai'i Housing Finance and Development Corporation</b> - June 30, 2023 Financial Statements and Single Audit Report	Eide Bailly LLP
Department of Business, Economic Development and Tourism, <b>Hawai'i Tourism Authority</b> - June 30, 2023 Financial Statements*	Accuity LLP
Department of Business, Economic Development and Tourism, <b>Stadium Authority</b> - June 30, 2023 Financial Statements	N&K CPAs, Inc.
<b>Department of Education</b> - June 30, 2023 Financial Statements and Single Audit Report*	Accuity LLP
<b>Department of Hawaiian Home Lands</b> - June 30, 2023 Financial Statements and Single Audit Report*	Akamine, Oyadomari & Kosaki CPA's, Inc.

**Office of the Auditor**  
**Current Projects and Reports Submitted to the 2023 and 2024 Legislatures**

**Exhibit 4**

Financial statement audits issued and to be issued in 2024 (cont.)	Performed by:
<b>Department of Health</b> , State of Hawai'i - June 30, 2023 Financial Statements and Single Audit Report*	KMH LLP
Department of Health, <b>Drinking Water Treatment Revolving Loan Fund</b> - June 30, 2023 Financial Statements	KMH LLP
Department of Health, <b>Water Pollution Control Revolving Fund</b> - June 30, 2023 Financial Statements	KMH LLP
<b>Department of Human Services</b> - June 30, 2023 Financial Statements and Single Audit Report*	Accuity LLP
Department of Human Services, <b>Hawai'i Public Housing Authority</b> - June 30, 2023 Financial Statements	KMH LLP
Department of Human Services, <b>Hawai'i Public Housing Authority</b> - June 30, 2023 Single Audit Report*	KMH LLP
<b>Department of Land and Natural Resources</b> - June 30, 2021 Financial Statements*	N&K CPAs, Inc.
<b>Department of Land and Natural Resources</b> - June 30, 2022 Financial Statements*	N&K CPAs, Inc.
Department of Transportation, <b>Administration Division</b> - June 30, 2023 Financial Statements and Single Audit Report	KKDLY LLC
Department of Transportation, <b>Airports Division</b> - June 30, 2023 Financial Statements	Plante & Moran, PLLC
Department of Transportation, <b>Airports Division</b> - June 30, 2023 Single Audit Report*	Plante & Moran, PLLC
Department of Transportation, <b>Harbors Division</b> - June 30, 2023 Financial Statements	Accuity LLP
Department of Transportation, <b>Highways Division</b> - June 30, 2023 Financial Statements*	Accuity LLP
Department of Transportation, <b>Highways Division</b> - June 30, 2023 Single Audit Report*	Accuity LLP
Department of Transportation, <b>Oahu Metropolitan Planning Organization</b> - June 30, 2023 Financial Statements and Single Audit Report*	N&K CPAs, Inc.

\*Financial Statements and/or Single Audit Reports have not yet been submitted to the Legislature.





Robin K. Matsunaga  
Ombudsman

Yvonne M.F. Jinbo  
First Assistant

**OFFICE OF THE OMBUDSMAN  
STATE OF HAWAII**

465 South King Street, 4<sup>th</sup> Floor  
Honolulu, Hawaii 96813  
Tel: 808-587-0770 Fax: 808-587-0773 TTY: 808-587-0774  
complaints@ombudsman.hawaii.gov

**TESTIMONY OF ROBIN K. MATSUNAGA, OMBUDSMAN,  
ON H.B. NO. 2520, A BILL FOR AN ACT  
MAKING APPROPRIATIONS TO PROVIDE FOR THE EXPENSES  
OF THE LEGISLATURE, THE AUDITOR, THE LEGISLATIVE REFERENCE  
BUREAU, THE OMBUDSMAN, AND THE ETHICS COMMISSION**

**SENATE COMMITTEE ON WAYS AND MEANS**

**FEBRUARY 22, 2024**

Chair Dela Cruz and Members of the Committee on Ways and Means:

Thank you for the opportunity to present testimony in strong support of H.B. No. 2520. The purpose of this bill is to provide appropriations for the legislative branch, including the Office of the Ombudsman. Section 11 of this bill appropriates \$1,574,544 for the operations of the Office of the Ombudsman for FY 2024-2025. Section 13 of this bill appropriates an additional \$84,035 for accrued vacation payments and vacation transfer payments for employees who leave employment with the Office of the Ombudsman prior to June 30, 2025.

The Office of the Ombudsman was created to receive and investigate complaints about the administrative acts of state executive branch and county government agencies of the State of Hawaii. Although we do not substantiate every complaint that we investigate, by independently and impartially investigating, we level the playing field for Hawaii's citizens who have complaints about their government and ensure that they are being treated lawfully, fairly, and reasonably.

During the past 12 months, we received 3,610 jurisdictional complaints, which is 3.8 percent less than the previous 12 month period, but still 7.6 percent more than we received during the 12-month period preceding the COVID-19 pandemic. The number of complainants who exhibit behavior that is inappropriate, hostile, and sometimes threatening continues to increase, but my office has continued to effectively investigate complaints at pre-pandemic levels of efficiency. We have been able to successfully persuade agencies to take corrective action when we have found through our investigations that an agency had not acted properly.

The appropriation in Section 11 of this bill will provide the funding needed for the office to pay for increased operating expenses, as well as salary adjustments for office staff to keep their pay equitable to that of employees in the executive and judicial branches. The appropriation in Section 13 of this bill will provide funding for vacation payouts and transfers, based on the

current composition of staff in the office. Attached for your information is a breakdown and comparison of my office's proposed budget for FY 2024-2025 and the current fiscal year.

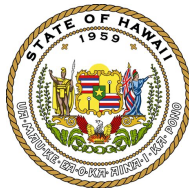
Your support of this bill and the appropriations in Sections 11 and 13 will allow my office to continue to timely, independently, and impartially investigate citizen complaints about the administrative acts of state and county agencies and their employees.

Thank you for your consideration of this testimony and for your support of my office.

## Attachment

OFFICE OF THE OMBUDSMAN  
OPERATING BUDGET  
FY 2024-2025 vs. FY 2023-2024

	<u>FY 2024-2025</u>	<u>FY 2023-2024</u>
A. PERSONAL SERVICES		
Staff Salaries	1,510,544 (14)	1,464,442 (14)
SUBTOTAL PERSONAL SERVICES	1,510,544	1,464,442
 B. OTHER CURRENT EXPENSES		
Office Supplies & Postage	6,600	6,600
Telephone	6,500	6,500
Intra-state Transportation & Subsistence	2,000	2,000
Out-of-state Transportation & Subsistence	7,000	7,000
Coronavirus Pandemic Response	0	200
Printing, Advertising & Publications	1,000	1,000
Maintenance - Office Equipment	4,500	4,500
Equipment Rental	4,700	4,700
Training/Subscriptions/Dues	7,000	7,000
Other Miscellaneous Current Expense	1,100	1,100
Computer Services	21,000	20,000
Risk Management	<u>(included w/Other)</u>	<u>(included w/Other)</u>
SUBTOTAL OTHER CURRENT EXPENSES	61,400	60,600
 C. EQUIPMENT, FURNISHINGS, & BOOKS		
Equipment	2,000	2,000
Furnishings	0	0
Books	<u>600</u>	<u>600</u>
SUBTOTAL EQUIP, FURNISHINGS, BOOKS	2,600	2,600
 <b>TOTAL OPERATING BUDGET</b>	<b><u>1,574,544</u></b>	<b><u>1,527,642</u></b>
 Vacation payout / transfers	84,035	84,035
 <b>TOTAL BUDGET REQUEST</b>	<b><u>1,658,579</u></b>	<b><u>1,611,677</u></b>



## HAWAI'I STATE ETHICS COMMISSION

State of Hawai'i · Bishop Square, 1001 Bishop Street, ASB Tower 970 · Honolulu, Hawai'i

Committee: Senate Committee on Finance  
Bill Number: HB 2520  
Hearing Date/Time: February 22, 2022, 10:00 a.m.  
Re: Testimony of the Hawai'i State Ethics Commission in **SUPPORT** of HB 2520, Making Appropriations to Provide for the Expenses of the Legislature, the Auditor, the Legislative Reference Bureau, the Ombudsman, and the Ethics Commission

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members:

The Hawai'i State Ethics Commission ("Commission") supports HB 2520, which appropriates \$1,584,678 to the Commission for its operating and other expenses for FY 2024-2025. The Commission likewise supports Section 13, which appropriates an additional \$16,553 for vacation payouts/transfers.

The Commission's 2023 Annual Report is attached. Notable highlights include:

- Facilitated ethics training for 35,977 public officials and state employees, constituting over 70% of the total state workforce, without a direct increase in budget or staffing.
- Successfully advocated for 8 new laws aimed at enhancing the ethics code and lobbying regulations, ensuring that Hawai'i state employees adhere to the "highest standards of ethical conduct."
- Successfully renegotiated its office lease, securing a favorable monthly rate reduction, and executed a complete refurbishment of the office premises.
- Implemented office modernization initiatives, including the successful scanning and shredding of approximately 75,000 pages of documents.
- Gained national recognition from the nonpartisan Campaign Legal Center for the Commission's educational efforts, highlighting its commitment to promoting ethical practices.

The Commission notes a request for an additional attorney position was not included in HB 2520. The Commission acknowledges that this Committee must consider requests for many worthy programs. The Commission can perform its core functions based on the budget proposed in HB 2520. Should the State's financial situation change, however, the need for the additional position remains and the capacity to grow and expand programs could make a significant improvement in the Commission's ability to fulfill its constitutional mandate.

The Commission additionally highlights that it exercises prudent fiscal constraint. In FY 2023-24, the Commission was able to reduce expenditures and successfully returned \$70,124.24 of its allocated budget back to the General Fund.

**Budget for FY 2024-2025**

The bulk of the Commission’s budget request is related to staff salaries (\$1,334,003) and office rent (\$131,880). An additional \$104,380 is proposed for a new staff attorney position to assist with proactive education, advice, and enforcement efforts (not included in HB 2520). More details can be found in the Commission’s attached budget table for fiscal year 2024-25.

Thank you for your continuing support of the Commission’s work.

Very truly yours,

/S/ Robert D. Harris  
Robert D. Harris  
Executive Director and General Counsel

Attachments:

1. Budget table, FY 2024-2024
2. Hawai‘i State Ethics Commission, 2023 Annual Report

## Hawai'i State Ethics Commission - Budget Projections for FY 2024-2025

	2023-2024 Base Budget	2024-2025 Estimated Budget	Increases/ Decreases From FY24	% Increase/ Decrease From FY24
<b>TOTAL BUDGET</b> (excluding vacation payouts)	<b>\$ 1,541,514</b>	<b>\$ 1,625,443</b>	<b>\$ 83,929</b>	<b>5.4%</b>
<b>PERSONNEL</b>				
Staff Salaries <sup>1</sup>	1,229,623	1,334,003	104,380	8.5%
Cost Adjustments for staff salaries	-			
Vacation Payouts/Transfer	16,553	16,553		
<b>TOTAL PERSONNEL</b> (excluding vacation payouts)	<b>1,229,623</b>	<b>1,334,003</b>	<b>104,380</b>	<b>8.5%</b>
<b>MATERIALS AND SUPPLIES</b>				
<b>Office Expenses:</b>				
Office Supplies	3,500	3,500	-	0.0%
Postage	1,500	1,500	-	0.0%
Telephone & Internet	11,640	11,640	-	0.0%
Subtotal:	16,640	16,640	-	0.0%
<b>Intrastate Transportation and Travel</b>				
Commissioners / Staff	8,500	8,500	-	0.0%
Car Mileage and Parking	750	750	-	0.0%
Subtotal:	9,250	9,250	-	0.0%
<b>Out-of-State Travel</b>				
Airfare (6 @ \$1,000 ea.)	6,000	6,000	-	0.0%
Lodging and per diem for 5.5 days (6 @ \$145/day x 5.5 days)	4,800	4,800	-	0.0%
Excess Hotel and Increases in per diem/airfare	1,700	1,700	-	0.0%
Taxi/bus fare	160	160	-	0.0%
Subtotal:	12,660	12,660	-	0.0%
<b>Equipment Rental and Maintenance</b>				
Copier	3,600	3,600	-	0.0%
Computer Equipment Maintenance	3,500	3,500	-	0.0%
Misc. (time clock, projector, etc.)	700	700	-	0.0%
Investigation Software	3,100	3,100	-	0.0%
Software License Renewals	22,000	22,000	-	0.0%
Videoconferencing software for training	1,200	1,200	-	0.0%
Subtotal:	34,100	34,100	-	0.0%

	2023-2024 Base Budget	2024-2025 Estimated Budget	Increases/ Decreases From FY24	% Increase/ Decrease From FY24
<b>Dues, Subscriptions, Training</b>				
COGEL Membership	470	470	-	0.0%
COGEL Registration (6 x \$600)	3,600	3,600	-	0.0%
Attorney Registration Fees	3,400	3,400	-	0.0%
Training Expenses	7,500	7,500	-	0.0%
Legal Reference Publications	4,900	4,900	-	0.0%
Newspapers Subscriptions, etc.	240	240	-	0.0%
Disruptive Behavior Training	800	800	-	0.0%
Subtotal:	20,910	20,910	-	0.0%
<b>Newspaper Advertisements</b>				
	1,100	1,100	-	0.0%
	1,100	1,100	-	0.0%
<b>Commission Meetings, Investigations and Hearings</b>				
Subpoena Fees	900	900	-	0.0%
Court Reporter	7,500	7,500	-	0.0%
Witness Fees, Travel, Mileage	1,500	1,500	-	0.0%
Hearings Officer	1,500	1,500	-	0.0%
Commission Meeting Expenses	1,000	1,000	-	0.0%
Subtotal:	12,400	12,400	-	0.0%
<b>Consulting Services</b>				
Computer Consulting	42,000	42,000	-	0.0%
Other Services (Interpreting, shredding)	500	500	-	0.0%
Subtotal:	42,500	42,500	-	0.0%
<b>Office Rent<sup>2</sup></b>	158,331	131,880	(26,451)	-16.7%
<b>TOTAL MATERIALS AND SUPPLIES:</b>	307,891	281,440	(26,451)	-8.6%
<b>CAPITAL OUTLAY</b>				
<b>Office Furniture &amp; Equipment<sup>3</sup></b>	4,000	10,000	6,000	150.0%
<b>TOTAL CAPITAL OUTLAY:</b>	4,000	10,000	6,000	150.0%
<b>GRAND TOTAL:</b>	<b>\$ 1,541,514</b>	<b>\$ 1,625,443</b>	<b>\$ 83,929</b>	<b>5.4%</b>

<sup>1</sup> This includes a required increase for the Executive Director position under the 2019 report from the Commission on Salaries. The Ethics Commission proposes to hire an additional staff attorney to assist with compliance and enforcement with a pay range up to \$100,000.

<sup>2</sup> FY24-28 Lease rent renegotiated in 7th amendment to office lease representing a decrease in cost. Rent generally increases 2.5% each fiscal year, CAM typically increases 2.68% each calendar year.

	2023-2024	2024-2025	Increases/ Decreases	% Increase/ Decrease
	Base	Estimated	From FY24	From FY24
	<u>Budget</u>	<u>Budget</u>	<u>From FY24</u>	<u>From FY24</u>

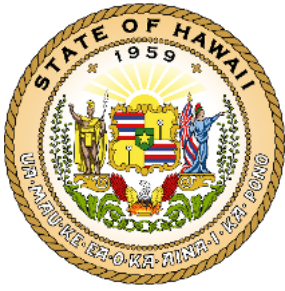
<sup>3</sup> New office furniture and equipment to utilize renovated office space.





# 2023 ANNUAL REPORT

Hawai'i State Ethics Commission  
1001 Bishop St. #970 Honolulu, HI 96813  
(808) 587-0460  
[ethics.hawaii.gov](http://ethics.hawaii.gov)  
[info.ethics@hawaii.gov](mailto:info.ethics@hawaii.gov)



# HAWAII STATE ETHICS COMMISSION 2023 ANNUAL REPORT

## MISSION & DUTIES:

**E**stablished in 1968, the Hawai'i State Ethics Commission – the first state ethics commission in the United States – represents a commitment by the people of Hawai'i to the principles that “public officers and employees must exhibit the highest standards of ethical conduct[,] and that these standards come from the personal integrity of each individual in government.” Hawai'i Constitution, article XIV. The constitution further requires that the State, and each of its subdivisions, establish a code of ethics for public officers and employees.

Pursuant to this constitutional mandate, the Commission is responsible for the administration and enforcement of the State Ethics Code and the State Lobbyists Law, chapters 84 and 97, Hawai'i Revised Statutes (“HRS”), respectively. The Ethics Code includes laws relating to the acceptance and reporting of gifts, confidential information, fair treatment (the prohibited misuse of official position), conflicts of interests, state contracts, and post-employment restrictions, along with a requirement that state legislators, candidates for state elective office, and certain state employees file financial disclosure statements.

For purposes of the State Ethics Code, the Commission has jurisdiction over approximately 60,000 state officials and employees. This includes state legislators and other elected state officials, employees of the legislative, executive, and judicial branches of government (except for judges and justices), and members of all state boards and commissions. The State Ethics Code's financial disclosure law also applies to all candidates for state elective office.

The Commission also administers the State Lobbyists Law, which applies to lobbying activities at the state level. The Lobbyists Law requires lobbyists to register with the Commission and requires lobbyists and organizations that lobby

to report lobbying expenditures and contributions on forms filed with the Commission. The Commission has jurisdiction over nearly 500 lobbyists representing more than 400 organizations that lobby the state legislature or executive branch.

## **ETHICS ADVICE:**

The Commission issues advisory opinions and other types of guidance (including opinion letters written by the Commission's attorneys) about the application of the State Ethics Code and the State Lobbyists Law. In 2023, the Commission's attorneys received and responded to an impressive 1,179 requests for advice from state legislators, state employees, lobbyists, members of the public, and candidates for state elective office. Many of these requests included written advice and active follow-up. The Commission considers its ability to provide timely and meaningful guidance and advice to be one of its most essential functions.

In 2023, no advisory opinions were issued.

## **ETHICS EDUCATION:**

Ethics education was a significant priority for the Commission in 2023. The Commission is charged with educating state officials and employees about ethics in government, HRS § 84-31(a) (7). Starting on January 1, 2023, a new law required all state employees to take either a live or online ethics training course within ninety days of becoming an employee and at least once every four years thereafter.

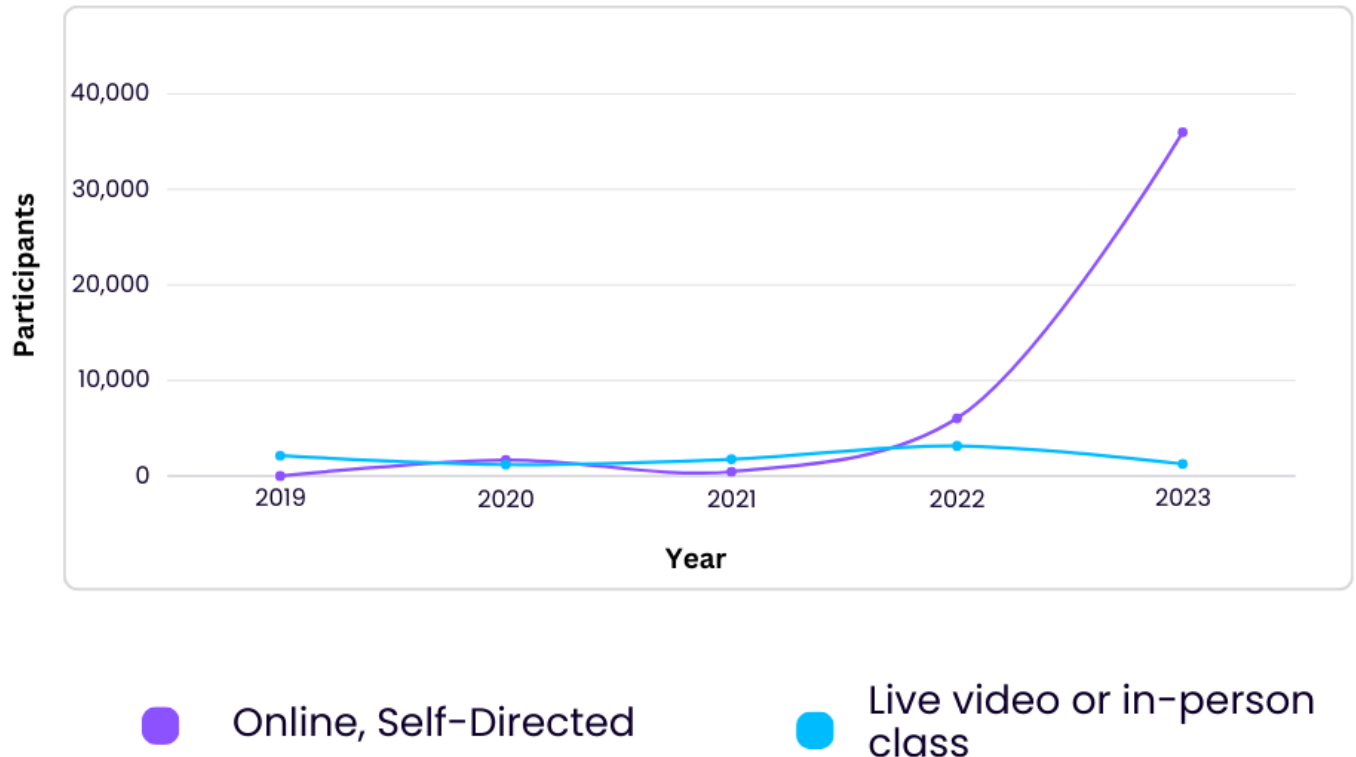
### **NATIONAL LEADERSHIP AWARD**

The Commission's education efforts received recognition from the Campaign Legal Center's 2023 "Top 10 Training Upgrades for Ethics Commissions" report. Available at <https://campaignlegal.org/>

Fulfilling this new mandate was a key focus of the Commission. Implementation steps included conducting in-person and videoconference trainings. In addition to

# Ethics Training Participation

Participation in ethics training from 2019–2023, broken out by live classes (video or in-person) or online, self-directed training module



offering general ethics trainings, the Commission scheduled specialized trainings for lobbyists, board & commission members, and legislators. The Commission also offered sessions with Continuing Legal Education credits for government attorneys. The Commission’s videoconference training calendar can be found at <https://ethics.hawaii.gov/training/#signup>.

Key to meeting the mandatory ethics training requirement was a shift towards a self-directed online training modules. These training modules empower state employees to engage in ethics education anytime, anywhere, provided they have a computer and internet access. Three modules were offered in 2023:

- State employees;
- Board and commission members; and
- Charter schools.

Designed for convenience, these on-demand training sessions require approximately 35 minutes to complete. They offer a user-friendly and adaptable method for state employees to fulfill their ethics training requirements. For direct access, individuals can visit the Commission's dedicated webpage: <https://ethics.hawaii.gov/training/>.

# 806%

Average participation increase in ethics training in 2023 over past four years

With assistance from a variety of government agencies, a monumental total of 35,977 participants undertook the self-directed training module in 2023. It should be noted this represents approximately 500% increase in the number of participants over 2022, and a dramatic 7,724% increase over 2021. While difficult to track with specificity, it appears approximately 70% of all state employees met the mandatory ethics training requirement by the end of 2023. These incredible numbers were achieved without any direct increase in budget or staffing of the Commission.

## LEGISLATION:

In 2023, the Commission, through its Executive Director, actively participated in the Commission to Improve Standards of Conduct, an entity created by the State House of Representatives. Approximately 10 ethics-related policy proposals were drafted, considered, and recommended by the Standards Commissions for consideration by the 2023 Legislature. The Ethics Commission successfully advocated for many of these bills to pass or to be included in Legislative rules. Ethics bills that passed in 2023 included:

- Act 8 (HB 137 HD1 of 2022): **Lobbyist Disclosures.** Beginning 1/1/2025, requires lobbyists to specifically describe the legislative or administrative action worked on during a reporting period.
- Act 9 (HB 140 of 2022): **Record Maintenance.** Gives greater discretion to the Commission to maintain or destroy financial disclosure records beyond the current 6-year statutory requirement.
- Act 10 (HB 142 of 2022): **Lobbyist Gift Giving.** Prohibits lobbyists from giving gifts to state employees or legislators that are otherwise prohibited under state ethics law.
- Act 20 (HB 138 of 2022): **Mandatory Lobbyist Training.** Establishes mandatory lobbyist training as a condition for registration.
- Act 123 (HB 141 of 2022): **Legislator Disclosures.** Beginning 1/1/2025, requires state legislators to report the names of lobbyists that he or she received income from (even if through another entity, such as a LLC).
- Act 128 (SB 1493 SD1 HD1 CD1): **Lobbyist Donations During the Legislative Session.** Prohibits lobbyist contributions and expenditures (including promises of contributions or expenditures) to any elected official or candidate during and around the legislative session.
- Act 129 (SB 182 SD1 HD1 CD1): **Administrative Fine Procedure.** Amends the filing deadline for disclosures of financial interests for candidates to statewide office, and substantively amends the procedure for imposing administrative fines related to disclosures of financial interests.
- Act 261 (HB 717 HD1 SD2 CD1): **Nepotism Prohibition.** Prohibits most state employees from appointing, hiring, promoting, or retaining relatives and household members and from making or participating in certain other employment-related decisions and from awarding a contract to or otherwise taking official action on a contract with a business if the employee's relative or household member is an executive officer of or holds a substantial

# 2023 ENFORCEMENT SUMMARY

## ETHICS COMPLAINTS RECEIVED

### 329

Total number of complaints received from sourced or anonymous sources

## TOTAL CASES CLOSED

### 360

Matters resolved due to lack of jurisdiction, guidance or advice given, or settlements/enforcement successfully pursued

## INVESTIGATIONS LAUNCHED:

### 17

Where the Commission found that allegations of an ethical violation had merit and initiated a formal investigation.

## CHARGES ISSUED:

### 3

Times when the Ethics Commission initiated a formal charge into an alleged ethics code violation



## FRAUD, WASTE, AND ABUSE COMPLAINTS RECEIVED:

### 48

Complaints received in conjunction with the Office of the Attorney General

## PENALTIES ASSESSED:

### \$9,500

Fines assessed and directed to the general fund.



ownership interest in that business. Imposes administrative fines for violations.

The Ethics Commission is committed to implementing these new laws. Recognizing the complexity of these initiatives, the Commission has prioritized the establishment of a robust rollout of guidance, back office support, and online filing changes to ensure a seamless rollout.

## ENFORCEMENT:

The Commission enforces the State Ethics Code, HRS chapter 84, and the State Lobbyists Law, HRS chapter 97. The Commission receives and reviews complaints and conducts investigations on a confidential basis concerning alleged violations of the law. When appropriate, the Commission initiates formal charges against individuals who appear to have violated the law. If there is probable cause to believe that a violation of the law has occurred, the Commission may hold a contested case hearing in accordance with HRS chapter 91, Hawaii's Administrative Procedure Act.

**HAWAII STATE ETHICS COMMISSION**

ethics.hawaii.gov

In 2023, the Commission received 329 new complaints of violations of the Ethics Code and Lobbyists Law. The Commission issued 17 Resolutions to Investigate, authorizing staff to conduct comprehensive investigations, issued three Charges, and closed 360 cases. The Commission publicly resolved four Charges and investigations by issuing a Resolution of Investigation/Charge document. The Commission resolved another 8 matters by issuing ethics guidance and closed 349 other matters for lack of jurisdiction, lack of supporting evidence, or another reason. Many of those cases were referred to other government agencies for action. The Commission assessed a total of \$9,500 in administrative penalties, payable to the General Fund.

Notable enforcement actions include:

**Department of Taxation, Ted Shiraishi:** Resolution of Investigation 2023-2

The Commission resolved an Investigation of Ted Shiraishi, former Administrative Rules Officer of the State of Hawai'i Department of Taxation. Mr. Shiraishi was subject to the post-employment provisions of the State Ethics Code, HRS § 84-18. As such, he was prohibited from representing another person or business for one year on any matter involving action by his former state agency. During this restriction period, Mr. Shiraishi called and sent a letter to the DOTAX rules office on behalf of his new private employer to discuss a tax matter. Mr. Shiraishi had not previously been the subject of a Commission charge or investigation. He cooperated with the Commission's investigation. He admitted to violating the Post-Employment law and expressed contriteness. He agreed to pay an administrative penalty of \$2,000 to the State of Hawai'i.

**State Public Charter School Commission, Sione Thompson:** Resolution of Charge 2023-2

The Commission resolved a Charge against Sione Thompson, the former Executive Director of the State Public Charter School Commission. While serving as the Executive Director, Mr. Thompson sat on the Board of three nonprofit organizations: RiseHI; Hawai'i Children's Action Network; and Male Hawala. These Board positions were not reported on Mr. Thompson's financial disclosure



statement. Further, while Executive Director, he awarded approximately \$500,000 in contracts to these three nonprofits. Mr. Thompson admitted he violated the Conflicts of Interest law (HRS § 84-14(a)) and the Financial Disclosure law (HRS § 84-17(f)). He agreed to pay an administrative penalty of \$5,000 to the State of Hawai'i.

**Hālau Lōkahi Public Charter School, Laara Allbrett;** Resolution of Charge 2023-1

The Commission resolved a charge against Laara Allbrett, the former Director of Hālau Lōkahi Public Charter School, Department of Education. Ms. Allbrett was the Director of Hālau Lōkahi from 2011 to July 2014. Ms. Allbrett used state funds to pay for herself and other family members to attend the graduation of her son and related expenses (total of \$2,048.43). Ms. Allbrett admitted she violated the Fair Treatment law, HRS § 84-13(a). She agreed to pay an administrative penalty of \$2,500 to the State of Hawai'i.

**Department of the Attorney General, Brandon D. Zakahi;** Resolution of Investigation 2023-1

The Commission resolved an investigation of Brandon Zakahi, a former legal clerk with the Department of the Attorney General, for violations of the confidentiality section of the State Ethics Code. Mr. Zakahi provided clerical support for deputy attorney generals. As a part of his duties and responsibilities, Mr. Zakahi sent an electronic message to Plaintiff's counsel in a particular matter that referenced confidential information that Mr. Zakahi had reviewed as a legal clerk. The information was potentially adverse to the State's defense. Mr. Zakahi admitted he violated the Confidentiality law, HRS § 84-12. He agreed to pay an administrative penalty of \$1,000 to the State of Hawai'i.

## NEPOTISM EXCEPTIONS

As of July 12, 2023 no state employee (except for employees of the legislative or judicial branches) shall "[a]ppoint, hire, promote, or retain a relative or household member to, or demote, discharge, or terminate a relative or household member from . . . a paid position in the employee's employing agency . . . ." The Commission

“may grant an exception to an employee or agency that is unable to comply with this section for good cause, including a demonstrated lack of qualified personnel or applicants.” Act 261 at (g). On May 17, 2023, the Commission delegated “the initial decision on any good cause exception application to the Executive Director.”

A total of five nepotism good cause exception applications were considered in 2023. These decisions are public and can be found on the Commission’s website at [https://hawaiiethics.my.site.com/public/s/ethics-advice/Ethics\\_Advice\\_c/OOB6R00000AwpxUAB](https://hawaiiethics.my.site.com/public/s/ethics-advice/Ethics_Advice_c/OOB6R00000AwpxUAB) or <https://ethics.hawaii.gov/opinionpubs/>.

## **FINANCIAL & GIFTS DISCLOSURES**

The Commission administers the filing requirements of the financial disclosure law and the gifts disclosure law, which help provide accountability and transparency in government. In 2023, the Commission received 1,805 financial disclosure statements. Public disclosure statements (for elected officials, department directors, and other designated state officials) are available on the Commission’s “public data” portion of its website. The Commission received and published 236 gifts disclosure statements, all of which are available on the “public data” portion of the Commission’s website.

## **LOBBYISTS REGISTRATION & EXPENDITURE REPORTS**

The Commission administers HRS chapter 97, the Lobbyists Law, which requires lobbyists to register with the Commission and file periodic expenditure reports. In 2019, the Commission launched its new electronic filing system for lobbying registration and reporting, allowing lobbyists to register and file their periodic expenditure reports electronically. The Commission is continually upgrading and improving the e-filing system for lobbying, financial disclosures, and gifts disclosures; the Commission launched a series of enhancements in 2023 to make it easier for filers to complete their forms.

In 2023, the Commission received and published 523 lobbyist registration statements, representing 448 organizations, along with 1,252 lobbyist expenditure reports.

## **FRAUD, WASTE, AND ABUSE:**

The Commission partnered with the Department of the Attorney General to launch an anti-fraud hotline aimed at identifying fraud, waste, and abuse of government funds. The agencies developed a website and online complaint form ([antifraud.hawaii.gov](http://antifraud.hawaii.gov)), dedicated phone hotline (808.587.0000), and dedicated email address ([antifraud@hawaii.gov](mailto:antifraud@hawaii.gov)) where individuals can confidentially report suspected violations. These anti-fraud resources were created to empower the public with confidential, easy-to-use methods to report potential violations.

## **OFFICE MODERNIZATION**

In 2023, the Commission adeptly negotiated a restructuring of its office lease terms, securing a favorable monthly rate reduction. Additionally, an agreement was reached to refurbish the office premises, bearing no supplementary costs for the State of Hawai'i. Having occupied the same office for approximately three decades with minimal updates, this renovation initiative was both timely and necessary. The modernization encompassed enhancements such as upgraded carpeting, installation of energy-efficient lighting, refreshed paintwork, and a reimaged office layout, all designed to optimize both operational efficiency and visual appeal.

## **SCANNING DOCUMENTS**

In 2023, the Commission successfully completed the digitization of most essential office documents, a critical step towards a paperless initiative. Approximately 75,000 pages were scanned into digital format and then safely shredded. The scanning process not only increased document accessibility and security but also paved the way for streamlined data management. By leveraging advanced optical character recognition (OCR) technology, the Commission can now more efficiently retrieve and share information, contributing to a more productive and eco-friendly work environment.

## INVENTORY OPTIMIZATION

In conjunction with reducing overall paper documentation in the office, the Commission worked to remove obsolete and unnecessary furniture items. With the approval of the Speaker of the House and Senate President, 12 filing cabinets, 9 desks, and 4 chairs were offered to other state agencies, donated to charity, or appropriately discarded. This optimization created more open and functional areas, leading to a more modern and decluttered office space.

## 2023 ETHICS IN HAWAI'I CONFERENCE

The Commission coordinated with the Honolulu Ethics Commission to organize a day-long state-wide Ethics in Hawai'i Conference, drawing participation from each county, totaling 38 attendees. Esteemed speakers, renowned in the fields of ethics and criminal justice, offered an overview of pertinent topics and emerging trends. A key focus was on contemporary ethics scandals in the news, with a discussion on how to better prevent and address corruption at the state and county level.

The conference's agenda encompassed training sessions and fostering skill development among participants. The interactive nature of the discussions facilitated robust engagement, encouraging collaborative learning, and the exchange of best practices.

A notable outcome of the event was the strengthened network of relationships between county representatives and state agencies. The collaborative spirit exhibited throughout the conference underscores a collective commitment to advancing ethical standards across Hawai'i. The Ethics in Hawai'i Conference served as a pivotal platform for professional development, knowledge dissemination, and the cultivation of collaborative partnerships, setting a constructive tone for ongoing endeavors to advance ethics on a statewide basis.

## COMMISSIONERS AND STAFF:

The Commission is comprised of five members nominated by the State Judicial Council and appointed by the Governor for four-year terms. The Commission

welcomed one new member in 2023. The current members of the Commission are Wesley Fong (Chair), Harry McCarthy (Vice Chair), Beverley Tobias, Robert Hong, and Cynthia Thielen.

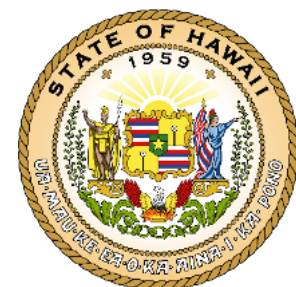
As of December 2023, the Commission employs a staff of eleven: Executive Director Robert D. Harris; Compliance Director Bonita Chang; Enforcement Director Kee Campbell; three staff attorneys (Nancy Neuffer, Jennifer Yamanuha, and Jodi Yi); Investigator Jared Elster; Computer Specialist Patrick Lui; Office Manager Caroline Choi; Secretary Lynnette Santiago; and Administrative Assistant Myles Yamamoto. The Commission is in the process of hiring a full-time analyst.

The Commission prioritizes fiscal prudence and efficiency. In 2023, the Commission was able to return \$70,124.24 of its allocated budget back to the General Fund.

## INTERNATIONAL LEADERSHIP

As a part of a national professional leadership program, Executive Director Robert Harris was selected to travel to Moldova to advise key stakeholders on necessary efforts to build an ethical democracy. There, he met with dozens of government leaders; U.S. Embassy staff; members of the media; and NGO leaders. Comparisons to Hawai'i were made based on Hawaii's leadership in being the first state to establish a constitutionally mandated ethics commission and its role in helping found the Conference on Governmental Ethics Laws (COGEL) organization.

*For quick, confidential ethics advice, or to lodge a confidential complaint, please contact the Commission at [info.ethics@hawaii.gov](mailto:info.ethics@hawaii.gov) or 587-0460.*



**HB-2520**

Submitted on: 2/16/2024 1:31:30 PM

Testimony for WAM on 2/22/2024 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
DJ	Individual	Support	Written Testimony Only

Comments:

**DJ Piho**

**Student of Castle Hishchool**

**02/16/24**

**House Bill, Kaneohe, Hawaii, 96744**

**Dear Legislative,**

**I am writing to express the regards of my support for HB2520 and the impacts it has on our community. As a student and a child of 2 hardworking parents and a member of the kaneohe community I have seen the overall need to pass this bill.**

**HB2520 represents a significant step forward in addressing the overuse of money and the raising of money that needs to happen to repay the debt. Raising money to repay debt and going from a different source would help because if you keep relying on a source you don't have then that debt would build up.**

**Furthermore, HB2520 aligns with our community's values because if Hawaii is out of debt then it helps the community by creating more projects to clean up the neighborhoods, like fixing the roads, helping out in homelessness, and etc. Ensuring that we raise the money and ensure that we are out of debt helps in lowering things for the local community and is already a step towards the right direction.**

**I urge you to support HB2520 for the following reasons:**

1. **We are growing in debt right now and we are over \$28 million in debt and if we raise money to help overcome this debt we can move forward with different things.**
2. **If we don't do anything about this debt then we are gonna go in a deep rabbit hole and we won't be able to come back from this debt going from \$28 million to \$32 million to \$50 million to so on and so forth.**
3. **Moving Forward with projects can help the community like fixing homelessness, fixing problems like refurbishing houses, fixing roads, or trying to provide a better education. But this can only happen if we decide to overcome the debt and create a better future for us and the kids.**

**In conclusion, HB2520 represents a crucial opportunity to help the State come out of debt to help create a better future for all the community and making a great big step into helping the community. Its passage will greatly benefit our community and help create a much better environment and can create more projects to help more people.**

**Thank you for considering my testimony in support of HB2520. I urge you to prioritize the well-being of our community by voting in favor of this vital legislation.**

**Sincerely,**

**DJ Piho**

**(808) 783-8713**

**they are asking if they can grab money from another source to repay their debt**

**it is saying is how we are in debt and they are asking to raise money to cover these bills**

**asking for a total 28 million raised money**

TO: Members of the Committee on Ways and Means

FROM: Natalie Iwasa, CPA, CFE  
808-395-3233

HEARING: 10 a.m. Thursday, February 23, 2024

SUBJECT: HB2520, Appropriations for Legislature, Auditor, Reference Bureau,  
Ombudsman and Ethics Commission - **COMMENTS**

Aloha Chair Dela Cruz and Committee Members,

Thank you for allowing the opportunity to provide testimony on HB2520, which makes appropriations for the legislature, state auditor, reference bureau, ombudsman and Ethics Commission. *Testifying in my individual capacity.*

Good governance agencies such as the office of the auditor and ethics commission should be adequately funded, in order to help build public trust and integrity in government. This is especially important given the bribery and corruption cases that have come to light in the last few years.

It is not clear whether the appropriation for the state auditor includes funding for the annual audit required under Act 1 of 2017. The state auditor has not done an audit of HART since the initial audit was completed in 2019. HART recently cancelled a solicitation it put out last year for an internal audit function. It is my understanding that HART will discuss a similar procurement at an upcoming meeting. If it is approved, it will take months to get the function up and running. Therefore, please consider whether it would be beneficial for the state auditor to perform an audit this year, and if so, adequately fund it.

The appropriation for the state ethics commission is approximately \$1.6 million. It is my understanding a requested additional position was not included in this appropriation. While I understand there are many financial pressures the legislature must balance, please include this position in their funding next year.