



**ADMINISTRATIVE & AUDIT STANDING COMMITTEE MEETING  
HAWAII TOURISM AUTHORITY  
Wednesday, October 18, 2023, at 12:30 p.m.**

**Virtual Meeting**

**MINUTES OF THE ADMINISTRATIVE & AUDIT STANDING COMMITTEE MEETING**

<b>MEMBERS PRESENT:</b>	Mike White (Chair), Mufi Hannemann (Vice-Chair), David Arakawa, Dylan Ching, James Tokioka (Ex Officio, DBEDT Director)
<b>MEMBERS NOT PRESENT:</b>	Mahina Paishon-Duarte
<b>NON-VOTING MEMBER:</b>	James McCully
<b>HTA STAFF PRESENT:</b>	Daniel Nāho'opi'i, Isaac Choy, Ilihia Gionson, Talon Kishi
<b>LEGAL COUNSEL:</b>	John Cole

**1. Call to Order and Opening Protocol**

Chair White called the meeting to order at 12:34 p.m.

**2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic**

Mr. Gionson did the roll call, and members were confirmed in attendance were by themselves.

**3. Approval of Minutes of the April 25, 2023 Administrative and Audit Standing Committee Meeting**

Mr. Arakawa made a motion to approve the minutes, and Mr. Ching seconded. Mr. Casson-Gionson did the roll call, and the motion passed unanimously.

#### **4. Discussion on Hawai'i Tourism Authority's Emergency Fund Expenditure Policy and Procedures**

The HTA Emergency Fund is administered by the HTA, not DAGS. Mr. Kishi will put the procedures into place and internal controls as they spend the funds. They want to ensure they spend the funds following DAGS rules. He gave the floor to Mr. Kishi.

Mr. Kishi went over the Tourism Emergency Special Fund payment procedures. He highlighted a few points in the document he had prepared.

The use of TESH funds shall be approved by the Board or approved in writing by the President and CEO of the HTA. He asked if it should only be approved by the Board or allow the president or CEO to provide that approval. Chair White said that assuming the specific uses would be approved by the CEO within the guidelines or the total budget approved by the Board would be fine. He said the actual approval of the expenditure could rest with the CEO.

Mr. Arakawa concurred with Chair White; however, if the emergency funding is taking money from other areas approved in the budget, then that changes the budget, so it must be part of the approved budget. He asked what an emergency spend is. Mr. Kishi said an example is using the funds to pay for the bus fares for the Maui fires for the evacuees. Mr. Arakawa said that was not in the original budget. He suggested that if it is an emergency, it could be brought to the Board afterward if there are time constraints.

Mr. Hannemann agreed with the discussion taking place. Mr. Ching was also happy with the discussions. Chair White said there will be times when they have to commit to spending the money for an emergency, but it has to be run by the Board afterward.

Mr. Kishi spoke about the procurement section. All goods and services procured shall follow all HRS 103D requirements, the same rules for current procurements. Chair White asked what is allowed under HRS 103D concerning emergency expenditures. Mr. Kishi said there are emergency procurements that they can use. There are also sole source provisions, but they can use emergency procurement in these types of emergency situations. Mr. Choy said the emergency proclamation suspended 103D, but by the abundance of caution, the finance department followed as many procurement procedures as possible to ensure they would not get criticized for expenditures without the proper procedures. Within 103D there are emergency procurement procedures. Mr. Kishi spoke about contract management. Tourism emergency contracts, agreements, and purchase orders shall be managed as described in the below HTA procedures:

1. Contract Monitoring Procedure 400-20.01
2. Contract Deliverable Procedure 400-20.02
3. Contract Close-Out Procedure 400-20.03
4. Contract Enforcement Procedure 400-20.05

Mr. Kishi said he could provide the members with a copy if anyone wanted to look at it in more detail. Mr. Arakawa said this is important. He asked if the four issues were part of the 2018 audit monitoring contracts. Mr. Choy said it was. The procedures outlined go above and beyond what is required of 103D.

Mr. Kishi spoke about payment preparation and processing. Expenditures paid with TESF funds shall be processed as described below:

1. Pursuant to chapter 201B-10 HRS, funds for the TESF shall be held outside the State Treasury. Funds are currently held in a Trust Fund account and a Business Checking account with the Bank of Hawai'i. Payments using TESF funds shall be made from the BOH Checking Account. Because they are using this account, the payment request will not go through some of the review and approval procedures that most HTA payments go through because when they submit their payment request to the state, DBEDT staff and DAG staff also review and approve the payment requests, which is one of the main missing internal controls that will not be included in the TESF payment processing. The HTA's internal contract management and approval procedures are very robust.

2. Accounts Payable Documentation Procedure 300-03.01. Key controls include but are not limited to:

- a. Program managers or designated staff are responsible for substantiating expenditures and invoices. The staff shall approve expenditures described in "Expenditure Approval Procedures 300-04.01." Staff shall maintain a contract file that includes items such as but not limited to contract checklists, contract evaluation forms for final payments, CVCs, and a list of expenditures sampled and reviewed for cost-reimbursement contracts as described in "Payment of Cost Reimbursable Contracts Procedure 300-03.08."

- b. All payment requests must be processed and approved in Microix before check signing. Approvers include the program manager, program supervisor (Senior Brand Manager, Chief Branding Officer, Director of Planning, Chief Administrative Officer, etc.), Budget Fiscal Officer, Chief Executive Officer (if applicable), and Board Chair (if applicable).

3. Check signing procedures 300-03.04. Key controls include but are not limited to:
  - a. Two signatures are required for check payments.
  - b. The below authorizations have been applied in the Microix approval process described in step 2b above:
    - i. Checks above \$25,000 require the President and CEO's signature.
    - ii. Checks above \$50,000 require the HTA Board of Directors Chair's signature.

Mr. Arakawa mentioned an interest amount the HTA had to pay previously because they had not paid HVCB. He asked if there was a deadline for the program managers to process payments. He said when they return to the regular procedures, they need to talk about timing for getting payments out on time, as \$4 million in arrears is too much. Mr. Choy said he had already put the procedures in place. The vendors will simultaneously invoice Mr. Choy as they invoice the front office, so he will know when the invoice comes in. Mr. Kishi will then wait for approvals to come from the back office.

4. Once approvals are completed in Microix, the Account Specialist will prepare the payment packet, including the invoice, CVC, and approval audit sheet printed from Microix.

5. ACH payments - Must be completed through the Bank of Hawai'i's electronic payment portal. An ACH request is a two-step process:

- a. Initiate payment – Must be completed by a designated staff member.
- b. Approve payment – Must be completed by a second designated staff member. He added that each staff member who will be assigned the ACH request will have their unique login information.

- i. The HTA's bylaws appoint the CEO, CAO, Chief Brand Office, Vice President of Finance, and Budget Fiscal Officer, are cumulatively called "fiscal accounts officers," to have the charge and custody to manage all bank accounts opened or maintained on behalf of the HTA, as a public entity of the State of Hawai'i. These responsibilities include issuing checks and other payment orders.

6. For check payments - The Account Specialist will obtain two signatures for each check.

7. The Account Specialist will file the payment packet and a copy of the check. Payments processed through FAMIS and paid out of the State Treasury are usually reviewed and

approved by DBEDT and DAGS staff. As TESH payments will be made from a BOH Checking Account, DBEDT and DAGS staff will not review and approve payment requests. Bank of Hawai'i policies only require one check signature, regardless of the dollar amount. The two-signature requirement is solely an HTA policy.

Mr. Nāho'opi'i thanked Mr. Kishi for his work on the document. He mentioned that Mr. Cole pointed out that to authorize the use of the emergency fund, the HTA needs to have policies on how to spend the money, but they do not have policies to spend the TESH, only policies on how to spend normal fund money. That is why he asked Mr. Kishi to work on the procedures.

Chair White asked if there were any objections for the Audit Administrative Standing Committee to recommend adding this item to the Board agenda. There were no objectives.

**5. Hawai'i Tourism Authority's Mission Statement to Include:**

**a. To Appropriately Address All Issues Brought Forth by Whistleblowers**

Mr. Choy corrected the titling and said it is the HTA Board's Administrative and Audit Standing Committee's purpose statement. He added two points to the purpose statement. The first is to address all issues brought forth by the whistleblowers appropriately. Mr. Hannemann asked if Mr. Choy could elaborate on the process. Mr. Choy said the provision is to give the HTA Board or people who want to report any waste, fraud, and abuse to the Board. The Board has the authority to decide on the next step if somebody should report an event. Mr. Arakawa said that every year, when the auditors go to the HTA, the Board is asked if there is any information from whistleblowers or anyone about wrongdoing, which is followed up on. Chair White asked if Mr. Choy said he was adding item four and five to the purpose statement.

Chair White welcomed Dir. Tokioka joined the meeting.

**b. To Review Internal Inspection Reports Prepared by the Audit and Compliance Division of the Hawai'i Tourism Authority's Finance Department**

Mr. Choy said the finance department is training hard to make the processes of the HTA more accountable. This point was a finding in a legislative auditor's report that they were not inspecting the work going out. He explained what an inspection is: it is a historical look at the work they have done to be able to point out deficiencies, and they use that information for training or updating internal control procedures. He added another bullet

point for the Audit Committee: that when they do the inspections, the Committee would have access to the inspection reports. He said they have started the inspection process and found some deficiencies, but they will be doing the inspections on a remedial and educational basis.

Chair White asked if there were any objections to adding the items to the policies. There were none.

**6. Discussion on the Hawai'i Tourism Authority's Response to the State of Hawai'i Office of the Auditor's Request for Information on Status of Implementation of Audit Recommendations (Report No. 18-04 (Follow-Up Report No. 22-09))**

Mr. Choy said this item is to record that they did submit the response on time, as requested by the legislative auditor. He submitted a copy of the report to everyone (180 pages).

Chair White said he can see in the report that Mr. Choy had checked off some items that were not implemented or partially implemented. With the remaining items, they have fourteen that are fully implemented and six that remain partially implemented. He asked if all of the fully implemented were working well. Mr. Choy confirmed that as correct. He said the problem he had with the legislative auditor's report is that it was done in 2018 when the HTA had a procurement exemption, and under that, there were a lot of policies and procedures not in alignment with HRS 103D. He said they are fully aligned with HRS 103D now.

Mr. Arakawa asked what the next step is. Mr. Choy said the auditor would give his editorial comments. Chair White asked if they had been told when the next audit would be undertaken. Mr. Choy said the statute calls for an audit every five years of any contract over \$15 million. In the last five-year term, there were no contracts over \$15 million, but with the CNHA contract and the USA contract, they will be going over this amount, so that audit will probably be in the next two years.

**7. Discussion on the Role and Compensation of the Hawai'i Tourism Authority's Interim President and CEO, Chief Brand Officer, and Others**

Chair White requested that item 8 follow item 6 as he anticipated an Executive Session for item 7.

**8. Presentation, Discussion, and Action on the Hawai'i Tourism Authority's Procurement Policy #400-01**

Mr. Choy said that because they moved to fully implement HRS 103D, he changed the procurement policy in the policy statement. It is only one sentence that he needs Board approval for.

He read the sentence. "The purpose of this policy is to comply with the Hawaii state procurement code HRS103D, its administrative rules, policies, procedures, circulars, and forms. We will fully comply with the Hawaii State Procurement Code." He needed the committee's recommendation to the Board to approve the amendment. There were no questions or comments. Chair White said the committee will recommend the acceptance of the policy change to the Board.

Chair White asked Mr. Cole request to move item 7 to Executive Session. Mr. Cole said they would go into Executive Session pursuant to HRS section 92-5(A)(2) to consider the evaluation of employees/officers where consideration of matters affecting their privacy may be involved.

Chair White asked for a motion. Mr. Hannemann made a motion, and Mr. Arakawa seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

Chair White moved to recess and enter the Executive Session.

## **9. Adjournment**

The adjournment was moved, seconded, and carried unanimously.  
The meeting was adjourned at 2:42 p.m.

Respectfully submitted,



---

Sheillane Reyes  
Recorder