



**ADMINISTRATIVE & AUDIT STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Wednesday, January 24, 2024, at 1:00 p.m.**

Virtual Meeting

MINUTES OF THE ADMINISTRATIVE & AUDIT STANDING COMMITTEE MEETING

MEMBERS PRESENT:	Mike White (Chair), Mufi Hannemann (Vice-Chair), David Arakawa, Dylan Ching, Mahina Paishon-Duarte
MEMBERS NOT PRESENT:	James Tokioka (Ex Officio, DBEDT Director)
HTA STAFF PRESENT:	Daniel Nāho'opi'i, Maka Casson-Fisher, Talon Kishi
GUESTS:	Kim Miyoshi, Matthew Oda
LEGAL COUNSEL:	John Cole

1. Call to Order and Opening Protocol

Chair White called the meeting to order at 1:13 p.m. Mr. Casson-Fisher did the opening cultural protocol by stating that on January 24, 1985, Lieutenant Colonel Ellison Onizuka, the first Hawai'i-born astronaut, took Discovery and flew into space successfully. Mr. Casson-Fisher thanked the committee's leadership for taking on tasks and challenges into the unknown space, just like Lieutenant Colonel Onizuka did 39 years ago, and wished for a successful outcome.

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. Kishi conducted the roll call, and members were confirmed in attendance by themselves.

3. Approval of Minutes of the November 22, 2023 Administrative and Audit Standing Committee Meeting

Ms. Duarte made a motion to approve the minutes, and Mr. Ching seconded it. Mr. Kishi conducted the roll call, and the motion passed unanimously.

4. Discussion and Action on HTA's Fiscal Year 2023 Annual Financial and Single Audit Reports

Mr. Kishi introduced the independent auditors, Ms. Kim Miyoshi, an Audit Principal, and Mr. Matthew Oda, the Senior Manager in charge of the audit, from Accuity, a local chartered public accountancy firm. They were to present the results of the financial statement audit and single audit of the HTA for the fiscal year ending June 20, 2023.

At the request of Chair White, Ms. Miyoshi explained that a "single audit" was a compliance audit required because, during the period in question, the HTA had received federal funding and had expended more than \$750,000 of these funds. The purpose of the single audit was to ensure that federal money was spent on allowable expenses and had been reported using the required method. A single audit of the HTA was carried out for the first time in 2023, in respect to the fiscal year 2022. The independent auditors would be presenting a report on the financial statement audit and the single audit.

Mr. Oda explained that the purpose of the presentation was to report the audit results to a responsible body, which was a required communication. Since he would present only the report's highlights, committee members could request more detail if necessary.

The report began with an explanation of the extent of the services carried out by the auditors. They had audited the FY2023 financial statements and carried out a single audit over federal expenditures during FY2023. The documents supplied to committee members contained a draft of these materials and a draft of the single audit and the financial statements audit.

During the year in question, noncurrent assets had increased by \$12 million, primarily due to payments made to the HCC Repairs and Maintenance Fund operated by the third-party management firm ASM.

Vouchers payable had decreased by \$14.4 million because these had been accrued during the previous year.

The amount due to the State Department of Budget and Finance increased by \$35.7 million due to federal funds received during FY2022 and FY2023 but not wholly expended, which lapsed at the end of June 2023. The remaining balance, \$35.7 million, was returned to State Budget and Finance during FY2024.

Unearned revenue decreased by \$45.9 million. Mr. Oda explained this was related to receiving \$60 million of federal grant funds during FY2022. These funds were not recognized as revenue until they were expended. Thus, the unearned balance decreased as the funds were expended. The return of unspent Federal funds previously mentioned to State Budget and Finance also contributed to this reduction in unearned revenue.

The net position of the HTA increased by \$25 million in FY2023 compared with a net decrease of \$46.1 million in FY2022. This was mainly due to increased charges for services, Federal grant revenues, transfers from other State departments, and a decrease in contract expenses.

Regarding statements of activities, charges for services had increased by \$10.7 million, mainly due to an increase in the number of events being held at the HCC, rising towards the pre-COVID level. Federal grant revenue increased by \$31.9 million due to the expenditure of Federal grant funds.

The contract expenses for the HCC decreased by \$10.3 million, mainly due to non-recurring payments for the HCC Repairs and Maintenance Fund which had been accrued during the previous fiscal year.

Transfers from other state departments increased by \$15.3 million since the HCC received this amount of general obligation bond funds to help finance the temporary repair of the HCC's roof.

After giving these details, Mr. Oda outlined the draft financial statement and single audit report. Summarizing the result of the financial statements audit, he stated that the auditors were prepared to issue an unmodified opinion on the HTA's financial statements. Mr. Choy and Mr. Kishi were congratulated for their work preparing these financial statements.

In the forthcoming executive session, Mr. Arakawa asked whether questions would be raised about fraud, waste, and abuse. The auditors responded that they had discussed this issue with Chair White and other committee members. Chair White had agreed that the committee meeting would go into executive session to examine these points.

During this audit exercise, governmental accounting standard GASB Statement No. 96 had been effective. This was similar to the leasing standard, which had been effective in last year's audit and required recognition of assets and liabilities related to subscription-based information technology (IT) arrangements. This had no significant impact on the HTA financial statements since the authority was only involved in very small arrangements of this type.

At the end of the footnotes related to funding, there was a disclosure of risk due to the uncertainty associated with the absence of a budget for FY2024 with general funds coming in, and this reflected some uncertainty about the funding of the HTA's operations in 2024 and beyond.

The second part of the report comprised the results of the single audit. Focusing on the schedule of questions that had been considered, Mr. Oda gave the good news that there were no compliance findings this year and the last year. The audits for both FY2023 and FY2024 had come back clean.

Chair White intervened to clarify that the statement "no compliance findings" meant that "there were no findings of non-compliance." He commented that this was very satisfactory because the HTA staff had faced challenging questions on how to comply with the various requirements of the COVID-19 federal funding that the HTA had received. Chair White congratulated Mr. Choy, Mr. Kishi, and their team on this good result. The staff faced many challenges in dealing with a new source of funding, which came with strict requirements about the timing and method of expenditure.

Ms. Miyoshi presented the remainder of the required communications and stated that the auditors intended to issue an unmodified opinion on the HTA financial statements. The audit had been conducted in accordance with accepted auditing standards and government standards. The audit scope was communicated in the engagement letter and in the contract with the auditor's office.

The auditors identified the following significant risks of material misstatement:

Improper revenue recognition due to fraud;

Management override of controls;

Proper implementation of GASB Statement No. 96 regarding IT subscription service.

Ms. Miyoshi pointed out that identifying these issues was necessary for any audit, not specifically the HTA. Based on their procedures, the auditors had not identified any such

issues in the present audit. The significant accounting procedures used by the authority had been disclosed in Note 1 to the Financial statement, and one new accounting standard had been implemented in FY2023 but had no material impact.

The auditors had evaluated management estimates, including the useful life of capital assets and accrued vacation liability, as well as pension and other post-employment liabilities, and had concluded that the estimates appeared reasonable. No significant unusual transactions had been noted. Some journal entries had been adjusted or reclassified, and these would be attached to the management representation letter, but there were no uncorrected misstatements. The auditors did not observe any difficult or contentious issues requiring outside consultation.

The footnote disclosure of subsequent events was related to the authority's FY2024 funding status.

The auditors informed the committee that because a single audit had been conducted, the audited financial statements would be included with the single audit online submission to be submitted to the Federal Audit Clearing House.

The auditors had no disagreements with management and were not aware of any consultations conducted by management with other accountants. The auditors had not discussed any significant issues with management before their retention and encountered no difficulties during the audit. The auditors did not encounter any material differences or substantial deficiencies and were not aware of any fraud or illegal acts based on their inquiries of management. The auditors confirmed that they were independent of the HTA.

The final item required before the issue of the audit report was a representation letter from management, which was to be provided to Mr. Choy and Mr. Kishi for their signatures before being sent back to the auditors, after which the audit report would be finalized.

Chair White asked for questions from committee members, and Mr. Arakawa stated that he had issues to be discussed in the executive session.

Chair White thanked the auditors and recognized the contribution of Mr. Togashi, the former Finance Director, who was instrumental in managing COVID funding during his tenure. Chair White congratulated the entire team for their effort and recalled that when single audits

were conducted by the County of Maui, a completely clean report was a rare event. The HTA deserved kudos for their clean audit report. In response to a question from Mr. Arakawa, Chair White confirmed that the auditors would be included in the executive session.

Chair White proposed a motion to go into executive session to consider whether there were issues that Board members on the committee believed should be shared and requested Mr. Cole's assistance in framing this motion.

Mr. Cole outlined the reasons for entering the executive session. He stated that the motion would specify that the committee should enter the executive session to conclude Agenda Item 4. Agenda Item 5 should also be discussed in executive session so the Board can consult with their attorneys and professionals on questions pertaining to the Board's duties and liabilities. Mr. Cole also stated that Agenda Items 6 and 7 should be discussed during the executive session under the exemption of §92-5 (a) (2), pertaining to discussions regarding hiring employees or officers where personal privacy matters might be concerned.

Mr. Arakawa proposed a motion that the committee should enter an executive session for the conclusion of Agenda Items 4, 5, 6, and 7. The motion was seconded by Ms. Duarte and carried unanimously.

The committee entered an executive session.

5. Presentation and Discussion on a Request for Audit from the Legislative Auditor ***

6. Discussion and Action Relating to Filling the Position of HTA Chief Brand Officer***

7. Presentation and Discussion of the Process, Time and Details Involved in the Initiation of the Search for HTA President and CEO***

8. Adjournment

Chair White reported that the committee had various discussions regarding confidential matters and personnel issues. The committee would bring these matters to the regular Board meeting on the following day for discussion.

The adjournment was moved by Mr. Arakawa, seconded by Mr. Hannemann, and carried unanimously. The meeting was adjourned at 2:58 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheillane Reyes".

Sheillane Reyes
Recorder