

# OVERVIEW

THE AUDITOR  
STATE OF HAWAII

## Management and Financial Audit of the Hawaii Visitors Bureau

### Summary

The Hawaii Visitors Bureau (HVB), a private nonprofit corporation, is Hawaii's official tourism marketing organization. The contracts between the state Department of Business Economic Development and Tourism (DBEDT) and HVB now amount to more than \$20 million. We found that both the HVB and DBEDT have fallen short in fulfilling their respective responsibilities for the State's tourism program.

The State contracts with HVB because of the expertise of its general membership in the tourism industry. We found that this expertise is not being realized. HVB needs to strengthen itself as an organization. Since our last audit in 1987, the bureau's board of directors has remained weak, exercising little oversight over bureau management. The new chairman of the HVB Board of Directors recently proposed a number of changes that could strengthen the commitment of the general membership and the board's authority. These changes need to be discussed with the general membership and institutionalized.

Problems have also continued in internal management. The bureau has yet to clarify the functions of the mainland regional offices and the authority of neighbor island chapters. Furthermore, the bureau has not made adequate use of the resources of its own market research department for internal management and to generate information useful for strategic planning and evaluation.

HVB has not been submitting the report information required under its contract with the State. In turn, DBEDT does not supply the Legislature with the information it needs. HVB's many reports give little information about what the State got for its money. They do not identify what HVB hoped to achieve by the activities or their costs or effectiveness.

For its part, DBEDT has demonstrated a serious lack of clarity about its role in the State's tourism program. It has imposed additional projects on HVB, thereby creating the perception that it is using HVB as a vehicle for its own initiatives. By doing so, it subverts its responsibility for monitoring HVB programs.

DBEDT has not effectively administered and monitored the HVB contract. The department lacks adequate written policies and procedures to carry out

these responsibilities. Finally, a provision in the contract intended to improve coordination has had the effect of inhibiting HVB management from testifying at legislative hearings.

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## Recommendations and Response

We recommend that the Board of Directors strengthen its internal organization to enhance its ability to lead and maintain oversight over the HVB. To do so, the board should maintain its reduced size, develop clear functions for each of its committees, provide written guidelines for committee members, and create opportunities for its general membership to participate more actively. To ensure continuity for its initiatives, the board in conjunction with HVB membership should develop a strategic plan for improving the bureau.

We recommend that the HVB president clarify the functions of HVB's out-of-state regional offices and the authority of its neighbor island chapters, and make better use of the resources of its market research department including developing measures of program effectiveness.

We recommend that DBEDT refrain from using HVB resources and those of other promotional offices for its own initiatives. We also recommended that DBEDT improve its contract management by 1) developing written guidelines for monitoring and managing contracts with the bureau; 2) enforcing contract reporting requirements to include measures of effectiveness on how public funds are being used; 3) removing the restriction from the contract that effectively prohibits HVB employees from testifying before the Legislature; and 4) ensuring that contracts are signed on time at the beginning of the fiscal year for the biennium covered by the contract.

The bureau's president responded by citing initiatives underway to address the concerns raised in our report. The president agreed that the operations of regional offices, the role of the market research department, and the neighbor island chapter relationships need to be reviewed.

The director of the Department of Business, Economic Development, and Tourism did not comment on our recommendations but defended the activities it has taken for the State's tourism program. We recognize DBEDT's responsibilities and authority for tourism initiatives. Our point is that these initiatives should be clearly identified as those of DBEDT and not interjected as HVB programs.

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