

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Management Audit of the Aquaculture Development Program in the Department of Land and Natural Resources

Summary

Aquaculture, or the farming of aquatic life, has long been seen as an opportunity for economic diversification in Hawaii. The Legislature officially established an Aquaculture Development Program (ADP) within the Department of Land and Natural Resources in 1985. Initially established as a planning program, ADP now engages in a wide variety of activities to support commercial aquaculture.

This audit examined whether ADP operations appropriately reflect its mission and effectively meet ADP goals and objectives. We found that the overall effectiveness of the program cannot be determined. ADP is a small program with a budget of about \$900,000. ADP diffuses its impact through numerous activities that lack focus and purposeful direction. An underlying rationale or management strategy for aquaculture development is not readily apparent. ADP has little information on its impact on aquaculture development or the extent to which it has been successful in meeting its objectives. Consequently, it cannot be determined if ADP's current activities represent the best use of its limited resources.

ADP says that the marketing needs of Hawaii's aquafarmers are a priority. However, ADP spends only a small portion of its resources for marketing—about \$28,000 or 2.8 percent of its budget of \$982,000. We found ADP's marketing efforts also lack focus or direction. Marketing efforts could be better targeted to achieve stronger results and to allow for an assessment of their impact.

ADP channels most of its resources into contracts for services. From FY1991-92 to FY1992-93, it spent \$1.8 million or about 63 percent of its total appropriations on contracts. The contracts are supposed to result in commercial benefits. But in reviewing a sample of contracts, we found little evidence of commercial benefits. Several contracts are long term with questionable benefits. Almost all are with staff at the University of Hawaii and awarded on a non-bid basis. For example, one contract on feeds research has so far cost almost \$400,000. The contract resulted in a commercial feed formulation that cannot be used in Hawaii because of questions about hormones added to the feed.

ADP also has contracts for extension services that do appear to benefit directly those in the industry. Under these contracts, extension agents give aquafarmers on-site problem-solving assistance, technical information on increasing production levels, advice about equipment, harvesting, obtaining permits, and rearing opportunities. Aquafarmers report satisfaction with the services they receive.

We found ADP's contracting procedures to be generally sound, but without sufficient follow up on completed contracts. It is not always clear how the moneys spent on contracts have advanced program objectives or benefited the public.

Recommendations and Response

To ensure better oversight and accountability of ADP, we recommended that the chair of the Department of Land and Natural Resources should require ADP to develop a management strategy for accomplishing its mission. ADP should report annually to the chair on the extent to which it is achieving specific program objectives. The objectives should be clearly linked to program activities and ADP's overall mission. We also recommended that the chair should require ADP to report on the potential commercial or economic benefits of the contracts it awards.

The chair of the Department of Land and Natural Resources responded that the department disagrees with the finding in the report that ADP lacked a clear management strategy. However, the department does concur with the importance of general management principles that it is essential for ADP to: (1) focus its activities to obtain the maximum benefits for the expenditures and (2) to measure activities to the extent possible to make the best decisions on allocating of limited resources.

The department also responded that the report contains innuendos, incomplete statements, and misstatements of facts. We carefully reviewed the department's comments and found no misstatements in our report. What the department calls misstatements are its disagreement with our conclusions. For example, the department says that it does have a management strategy. It points to a seven-year old 1987 formula that states the rationale for the program. The formula calls generally for improving the business climate by optimizing the mix of aquaculture production and service activities that can create economic, social, and environmental benefits. We believe that the department's response clearly illustrates the need for management to be more up-to-date, focused, clear, and specific in demonstrating how ADP will foster aquaculture and better allocate its resources.

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