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**"It's a diamond in
the rough."**

— State legislator's
description of NELHA

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Management Audit of the Natural Energy Laboratory of Hawai'i Authority

Report No. 12-03, May 2012

*Achievement of NELHA's purpose is clouded by transparency and
accountability issues*

Ability to prove its worth undermined by transparency and accountability issues

After nearly 40 years, NELHA has yet to achieve its potential as an ocean-related research, education, and commercial center. In the absence of clearly reported progress and while continuing to struggle with the basics of open government, NELHA has had difficulty convincing legislators, taxpayers, and potential tenants of its worth and successes.

The authority has improved its transparency and accountability since new administration took over in June 2011, but there is still work to be done. The authority was sorely lacking in mission-critical plans and policies such as a master plan, financial plan, and administrative rules; and its policies and procedures manual is seriously out of date. The authority plans to address all of these areas. However, its board suffers from high turnover and a lack of training. Although there is a policy for a formal training program for new board members, none exists in practice. In addition, the Legislature may wish to reconsider the unusual structure of the board, which includes no public members but has six ex-officio members. Tenant representatives' voting on items related to rate setting is questionable and may violate both NELHA statute and the State Ethics Code.

The authority continues to struggle with Sunshine Law requirements. Timely access to minutes is not consistent, and there are problems with both the use and documentation of executive sessions. The statutorily required Research Advisory Committee is inappropriately operating as a "permitted interaction group" in violation of the Sunshine Law, and assignment of a staff member to a board task force was questionable.

Operational issues also exist. The authority's performance reporting is woefully inadequate; its website is outdated and incomplete; lease rent rates are not uniform; the transparency of seawater pumping rates has improved but controls on calculations are lacking; and fiscal information provided to the board is unreliable.

Making progress under new management

Despite the many issues it faces, the authority is making progress under new management. Marketing, tenant relations, and alternative revenue streams are all being addressed. Self-sufficiency has been reached on an operating level, although the authority is still reliant on state funding for capital improvement projects and will be for the foreseeable future, deferrals in rent increases impact the authority's progress towards self-sufficiency, and critical issues such as a new frontage road and its freshwater allocation must be addressed in order for the authority to move forward.

Agency response

The authority did not take issue with our findings. The board chair assured us there is a strong desire to implement our recommendations and that doing so will be made a top priority. The chair was pleased we acknowledged the authority's recent efforts and reported that the authority has already made progress in taking action on some of our recommendations, including a training session for board members on Sunshine laws, approving a new strategic plan, completing an economic impact analysis, updating the website, and reviewing the leasing policy. The authority also plans to adopt administrative rules.