



County of Hawai'i
Office of the County Auditor



**Department of Liquor Control, Liquor Commission,
and Liquor Control Adjudication Board**
Travel Expenses

Report No. 2025-01
March 7, 2025



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Tyler J. Benner

County Auditor
County of Hawai'i
Office of the County Auditor
Ph 808.961.8386

County of Hawai'i
Office of the County Auditor
120 Pauahi St., 309
Hilo, HI 96720
F 808.961.8905



www.hawaiicounty.gov

March 7, 2025

Honorable Holeka Goro Inaba, Council Chair
and Members of the Hawai'i County Council
Hawai'i County Council
25 Aupuni Street
Hilo, Hawai'i 96720

Dear Council Chair Inaba and Council Members,

In accordance with generally accepted government auditing standards and the Hawai'i County Charter Section 3-18(d)(2), the Office of the County Auditor conducts or causes to be conducted performance and/or financial audits of the funds, programs, services, and operations of any county agency, executive agency, or program, as set forth by the county auditor in an annual audit plan that shall be transmitted to the county council and the mayor and file with the county clerk as a public record.

We have completed our audit of the Department of Liquor Control, focusing on travel expenses and practices within the Department, Liquor Commission, and Liquor Adjudication Board. While our review identified areas where improvements in travel-related expenditures could enhance resource allocation and governance, we wish to emphasize that these observations should not detract from the valuable work carried out by the Board and Commission. The services and oversight they provide remain a vital part of county operations.

Objectives sought answers to the following questions:

1. Is the Department of Liquor Control in compliance with **Hawai'i Revised Statutes § 281-17.5**? Specifically, do the fees collected by the Liquor Commission have a direct and proportionate relationship to the costs and expenses incurred by the Department?
2. How effectively are travel funds being allocated and utilized within the Department of Liquor Control, and is the travel budget for the Department, Liquor Commission, and Liquor Adjudication Board justified and appropriate?
3. Are the management practices of the Department of Liquor Control related to travel transparent and accountable? Do the Department's internal controls and financial reporting mechanisms ensure integrity, efficiency, and proper governance?

Our findings highlight the importance of continuously aligning expenditures with departmental objectives for effective public stewardship. Specifically, we made three recommendations to the Department. If implemented, results will formalize the procedure, establish safeguards to limit liability, and require careful reviews to ensure that all proposed travel is necessary and cost-effective.

We also made two recommendations to the Hawai'i County Council. If implemented, these recommendations would enhance governance practices and promote fiscal accountability. The first recommendation establishes a review and justification process during budget hearings, and the second considers an amendment to the Charter by introducing a two-year cooling-off period to restrict consecutive service between the Commission and the Board. This change would safeguard the fairness and impartiality of the regulatory and adjudicative processes while encouraging diverse public participation.

We appreciate the Department of Liquor Control's unrestricted access to information, personnel, and coordination throughout the audit. The cooperation was exceptional.

In response to a draft of this report, management expressed disagreement with our audit results.

To improve government accountability and ensure audit recommendations are implemented or resolved, we continuously monitor the status of recommendations using our remediation tracker. To view the Department's status, visit us at <https://www.hawaiicounty.gov/our-county/legislative/office-of-the-county-auditor>.

If there are any questions or concerns about the status of the recommendations discussed, feel free to contact our office at 808.961.8386.

Respectfully,

Tyler J. Benner

County Auditor

cc: C. Kimo Alameda PHD., Mayor
William V. Brilhante Jr., Managing Director
Diane Nakagawa, Finance Director
Jon Henricks, County Clerk
Laurisa Nishimoto, Chair Liquor Commission
Gerald Takase, Director
Sidney Fuke, Chair Liquor Adjudication Board

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Travel Expenses



Why We Conducted This Audit

We conducted this audit at the request of the Hawai'i County Council via Resolution 548-24, Draft 2. The resolution requested that the Office of the County Auditor conduct an audit to ensure the efficient allocation and utilization of funds in compliance with Section 281-17.5, Hawai'i Revised Statutes.

What We Found

1. The Department follows the County's travel policy in the absence of its own written Department-level travel policy despite unique considerations that affect the Department, Commission, and Board.
2. The Council approves the Department's budget each year despite concerns about excess travel spending.
3. The Department emphasizes travel based on seniority rather than utilizing a need-based or role-specific framework.
4. Safeguards limiting consecutive roles on Commission and Board are absent.
5. Concerns regarding Sunshine Law and other reporting requirements.

We Recommend

1. Establish a department-level travel policy.
2. Implement a review and justification process for travel expenditures during budget approval.
3. Prioritize travel using a need-based and role-specific framework.
4. Amend the Charter to restrict consecutive service on the Board and Commission.
- 5a. Implement attendance limits for Board and Commission members at events, restricting participation, in most cases, to less than a quorum.

When a larger travel party is deemed necessary, the Department should coordinate with the Office of Corporation Counsel to issue an event-specific reminder to Board and Commission members not to discuss board business.

- 5b. Coordinate with the Office of Corporation Counsel to provide regular Sunshine Law and Ethics training to all Board and Commission members to ensure understanding and compliance; preferably annually.

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About Us

Mission

It is our mission to serve the Council and citizens of Hawai'i County by promoting accountability, fiscal integrity, and openness in local government. Through performance and/or financial audits of County agencies and programs, the Office of the County Auditor examines the use of public funds, evaluates operations and activities, and provides findings and recommendations to elected officials and citizens in an objective manner. Our work is intended to assist County government in its management of public resources, delivery of public services, and stewardship of public trust.

Audit Authority

Hawai'i County Charter §3-18 establishes an independent audit function within the Legislative Branch through the Office of the County Auditor.

Purpose

The purpose of this audit was to assess the Department of Liquor Control's compliance with **Hawai'i Revised Statutes (HRS) § 281-17.5** regarding the proportionality of fees collected to department expenses, evaluate the allocation and justification of travel funds for the Department, Liquor Commission, and Liquor Adjudication Board, and determine whether the Department's management practices, internal controls, and financial reporting mechanisms ensure transparency, accountability, and effective governance.

Performance Audit Definition

Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision-making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.

Our objective in performance auditing is to improve public services provided by the county government. We do this by recommending specific actions to address the issues we raised and by providing valuable information to the public, the administration, program leadership, the county council, and the mayor.

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Objectives, Scope, and Methodology

Audit Objectives

1. Is the Department in compliance with **HRS § 281-17.5**? Specifically, do the fees collected by the Commission have a direct and proportionate relationship to the costs and expenses incurred by the Department?
2. How effectively are travel funds being allocated and utilized within the Department, and is the travel budget for the Department, Board, and Commission justified and appropriate?
3. Are the Department's management practices related to travel transparent and accountable? Do the Department's internal controls and financial reporting mechanisms ensure integrity, efficiency, and proper governance?

Scope

The audit was conducted from July 2024 to October 2024. It examined travel expenditures and budget data for fiscal years 2019 - 24 and compliance with relevant governance for board terms from January 2017 to June 30, 2024.

The audit further evaluated the Department's travel procedures, its participation in National and State organizations, and the activities of the Board and Commission.

The audit did not cover areas outside of travel expenses and statutory compliance, administration of grant funds, or other functions of the Department, Board, or Commission.

Throughout this audit, we refer to the Department of Liquor Control as “**Department**,” the Liquor Commission as “**Commission**,” the Liquor Adjudication Board as “**Board**,” and the Hawai'i County Council as “**Council**.”

Additionally, we refer to Hawai'i Revised Statutes as “**HRS**,” The Hawai'i County Charter as “**Charter**” and the Hawai'i County Code as “**Code**.”

Methodology

To accomplish our objective, we:

Data Collection and Analysis:

- Analyzed department expenditure detail reports and requests for in-state and out-of-state travel
- Collected and reviewed data on travel budgets and actual expenditures for fiscal years 2019-24
- Assessed reports on applications fines assessed and collected by the Commission and Board
- Benchmarked travel expenses as a percentage of department budgets

Compliance and Governance Assessment:

- **HRS § 281-17.5** Liquor Laws of Hawai'i
- **Hawai'i County Charter**
- **Hawai'i County Code**
- Reviewed the State's Sunshine law requirements **HRS Chapter 92**
- Assessed internal controls and financial reporting mechanisms within the Department

Travel and Training Review:

- Conducted interviews with department administration and staff
- Requested the Department's travel policies
- Evaluated the Department's participation in national and State organizations
- Reviewed the allocation of travel funds for the Department, Commission, and Board
- Assessed the effectiveness of travel in supporting employee development and organizational goals

Observations:

- Observed compliance with governance and reporting practices at meetings of the Board and Commission

Management Practices Evaluation:

- Reviewed meeting minutes and program highlights
- Analyzed the roles and responsibilities of Board and Commission
- Assessed the current practices for expanding travel opportunities and allocating travel resources

Community and Legal Review:

- Reviewed materials related to the enforcement of liquor control laws, including complaints and fines
- Examined Charter and applicable laws related to the roles of the Commission, Board, and Department

Fraud, Waste, and Abuse Prevention:

- Assessed risks of fraud, waste, and abuse in the Department's management of travel expenses
- Documented potential inefficiencies in resource allocation and recommendations to prevent misuse of funds
- Interviewed department personnel to identify areas vulnerable to waste or inefficiencies in travel practices

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Definitions

- **CAP - Center for Alcohol Policy**

The purpose of the Center is to educate policymakers, regulators, and the public about alcohol, its uniqueness, and its regulation. By conducting sound research and implementing initiatives that will maintain the appropriate state-based regulation of alcohol, the Center promotes safe and responsible consumption of alcohol, fights underage drinking and drunk driving, and informs key entities and the public about the effects of alcohol consumption.



- **NABCA - National Alcohol Beverage Control Association**



The mission of the National Alcohol Beverage Control Association (NABCA) is to support member jurisdictions in their efforts to protect public health and safety and ensure responsible and efficient systems for beverage alcohol distribution and sales.

- **NCSLA - National Conference of State Liquor Administrators**

The purposes of the Association shall be to promote the enactment of the most effective and equitable types of state alcoholic beverage control laws; to devise and promote the use of methods that provide the best enforcement of the particular alcoholic beverage control laws in each State; to work for the adoption of uniform laws insofar as they may be practicable; to promote harmony with the federal government in its administration of the Federal Alcohol Administration Act; and to strive for harmony in the administration of the alcoholic beverage control laws among the several states.



- **NLLEA - National Liquor Law Enforcement Association Chair**



The NLLEA is committed to improving the standards and practices of liquor law enforcement, to the professional development of its members, and to public recognition of the role and achievements of liquor law enforcement in protecting and promoting public safety. The NLLEA actively collaborates with other national law enforcement organizations and with state and local law enforcement organizations to enhance understanding of the overall importance of liquor law enforcement in preventing impaired driving, youth access, crime, and community problems. In addition, the NLLEA fosters a cooperative and mutually beneficial working relationship with alcohol research and public health organizations and with responsible liquor industry members. We consider these groups to be amongst our closest allies in ensuring that alcoholic beverages are promoted, distributed, and consumed in a legal fashion.

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Chapter 1

Introduction

Why did we perform this audit?

On July 24, 2024, The Council unanimously approved Resolution No. 548-24, Draft 2. The resolution requested that the Office of the County Auditor (OCA) "conduct a performance audit of the Department of Liquor Control to ensure the efficient allocation and utilization of funds in compliance with § 281-17.5, Hawai'i Revised Statutes."

Issues identified in the resolution included:

1. **Self-Funded Operation:** The Department operates on a self-funded basis, relying on fees collected by the Commission.
2. **Statutory Compliance with Fees:** **HRS § 281-17.5** requires that fees collected by the Commission must have a direct and proportionate relationship to the costs and expenses of the Liquor Commission.
3. **High Travel Budget:** The travel budget for the Department, Board, and Commission is notably high, with an estimated budget of \$124,000 for fiscal year 2023-24 and the next three fiscal years.

In response, OCA agreed to conduct preliminary fieldwork to determine whether the requested audit warranted an in-depth review. Based on the fieldwork, we identified specific areas that would benefit from a comprehensive review of the subject matter.

What is the purpose of the Department?

To regulate the manufacture, importation, sale, and consumption of intoxicating liquors and to ensure compliance with state and county laws through enforcement.

What is the Department's Mission?

To promote the health, safety, and welfare of the general public by regulating the importation, manufacture, distribution, sale, and service of intoxicating liquors.

Where is the authority of the Department found?

Charter § 7-3.1 states that,

"There shall be a department consisting of a Commission, Board, a Director of the Department, and the necessary staff."

How is the Director selected, and what are their responsibilities?

Charter § 7-3.4(a) states that,

“The Director shall be appointed by the Commission and may be removed by the Commission. Any motion for removal of the Director of the Department must contain a statement of reasons, and the Commission shall not vote to remove the Director of the Department unless the Director of the Department has been given an opportunity to respond to the statement or reasons at a hearing before the Commission.”

Responsibilities

Charter § 7-3.4(b) states that,

“The Director of the Department shall:

- (1) Be the administrative head of the Department.*
- (2) Provide clerical and administrative services for the Commission and the Board, including the submission of a budget for the operation of the Department.*
- (3) Investigate complaints regarding violations of the liquor control laws of the State or complaints regarding violations of rules and regulations established by the Commission and report such violations to the prosecuting attorney of the county.”*

What is the purpose and responsibilities of the Commission?

Charter § 7-3.2(a),(b),(c) states that,

*“There shall be a Commission consisting of nine members who shall be appointed by the mayor and confirmed by the council in a manner prescribed in **Section 13-4**. Each of the nine council districts shall be represented by a resident appointed from that district. The Commission shall:*

- (a) Adopt rules and regulations having the force and effect of law for the administration and liquor control in the county and to carry out provisions of the liquor control laws of the State.*
- (b) Grant, renew or refuse applications for licenses for the manufacture, importation and sale of liquor in the county under applicable laws and regulations.*
- (c) Having such other powers and duties as may be provided by law, not in conflict with the provisions of this section.”*

What is the purpose and responsibilities of the Board?

Charter § 7-3.3 states that,

*“There shall be a Board consisting of five members who shall be appointed by the mayor and confirmed by the council in the manner prescribed in **Section 13-4**.*

The Board shall hear and determine all complaints regarding violations of the liquor control laws of the State, or complaints regarding violations or rules and regulations established by the Commission and impose such fines or punishments as may be provided by law upon the conviction thereof.”

What are the requirements surrounding Board and Commission member selection?

Selections are governed by **Charter § 13-4. Boards and Commissions**. Summarized in part:

- (a) The members shall serve staggered terms of five years.
- (b) Members shall be appointed by the mayor and confirmed by the council and may be removed upon recommendation by the mayor and the approval of the council.
- (c) No member may be reappointed to the same Board or Commission until two years have passed since their previous term. However, members appointed for two years or less may immediately succeed themselves for a full term.
- (d) No member may continue serving after their term expires, except for up to ninety days or until a successor is appointed and confirmed, whichever occurs first.
- (e) Any vacancy in any Board or Commission shall be filled for the unexpired term.
- (f) Members shall receive no compensation but may be reimbursed for necessary expenses incurred while performing their duties. As established by the ordinance, necessary expenses may be paid in advance as a per diem allowance.
- (g) A chairperson shall be elected from its membership annually.
- (h) A majority vote of a Board or Commission membership is required for any action to be valid. However, for boards or commissions with only advisory functions, a majority vote of those present is sufficient to validate an action.
- (i) Each Board and Commission has the authority to establish its own rules of procedure for conducting business. These rules must include the time and place of all regular meetings and specify that a quorum consists of a majority of the members to which the Board or Commission is entitled.
- (j) Notwithstanding any other provision in this chapter, no person shall be barred from serving as a member of any Board or Commission by reason of occupation alone.
- (k) The council must confirm or reject any appointment made by the mayor to a board or Commission within forty-five days of receiving notice. If the council takes no action within that time, the appointment is considered confirmed.
- (l) The redrawing of council district boundaries during a commission member's term shall not affect a member's eligibility to represent the district to which the member was appointed.

What This Means

Each entity plays a distinct role within the broader governance framework of liquor control in Hawai'i County, with their duties purposefully divided to provide checks, balances, and meaningful oversight.

The Commission adopts rules, grants or denies licenses, and oversees regulatory matters.

The Department is responsible for enforcing rules and checking compliance with liquor laws related to the manufacture, importation, sale, and consumption of intoxicating liquors.

The Board adjudicates violations of laws, imposing fines and punishments as required. While they function independently, the interaction between these entities ensures that no single body holds complete control over the regulatory and enforcement processes. Despite structural separations, their activities particularly in terms of expenditures are interconnected.

We examined how the Department, Board, and Commission allocate and utilize financial resources, especially travel funds, revealing how these expenditures impact their respective functions.

Expenditure Analysis

Travel expenses from FY 2019 to 2024 were extracted from EDEN Fresh Detail Reports, compiled into a dashboard, and analyzed.



Travel Trends

Over the five fiscal years, the Department spent \$367,732.98 on travel expenses (See Attachment 1). We noted the additional costs to facilitate local meetings, which include mileage, auto reimbursement, and miscellaneous charges, like meals and light refreshments. These expenses were not evaluated.

Department expenses account for approximately 63.1% of travel costs, while the Commission and the Board represent 21.3% and 15.6%, respectively. This distribution appears appropriate if travel for all three bodies is considered equally important. There were 47 unique events over the 60 months, meaning that the Department is traveling, on average, approximately every 5.5 weeks in addition to regularly scheduled Board and Commission meetings and on-island work assignments. On average, 6.6 travelers are sent to events, with attendance ranging from 1 to 32 (some training sessions were attended virtually).

The top three travelers in the Department constitute 61.5% of their expenses. The top three travelers from the Commission account for 60.5% of their expenses. The top three travelers from the Board make up 42.1% of their expenses.

Larger departments have higher total travel expenditures in absolute terms; however, an analysis of travel expenses as a percentage of each Department's overall budget reveals a different perspective. The following graph represents each Department's travel expenses as a percentage of its total budget. For example, in FY 2023-24, the Liquor Department had a total budget of \$2,367,123, with actual travel expenditures of \$100,210.08 representing 4.2% of its overall budget. This comparison shows that while not necessarily inappropriate, there is a disproportionate emphasis placed on travel compared to other county departments.

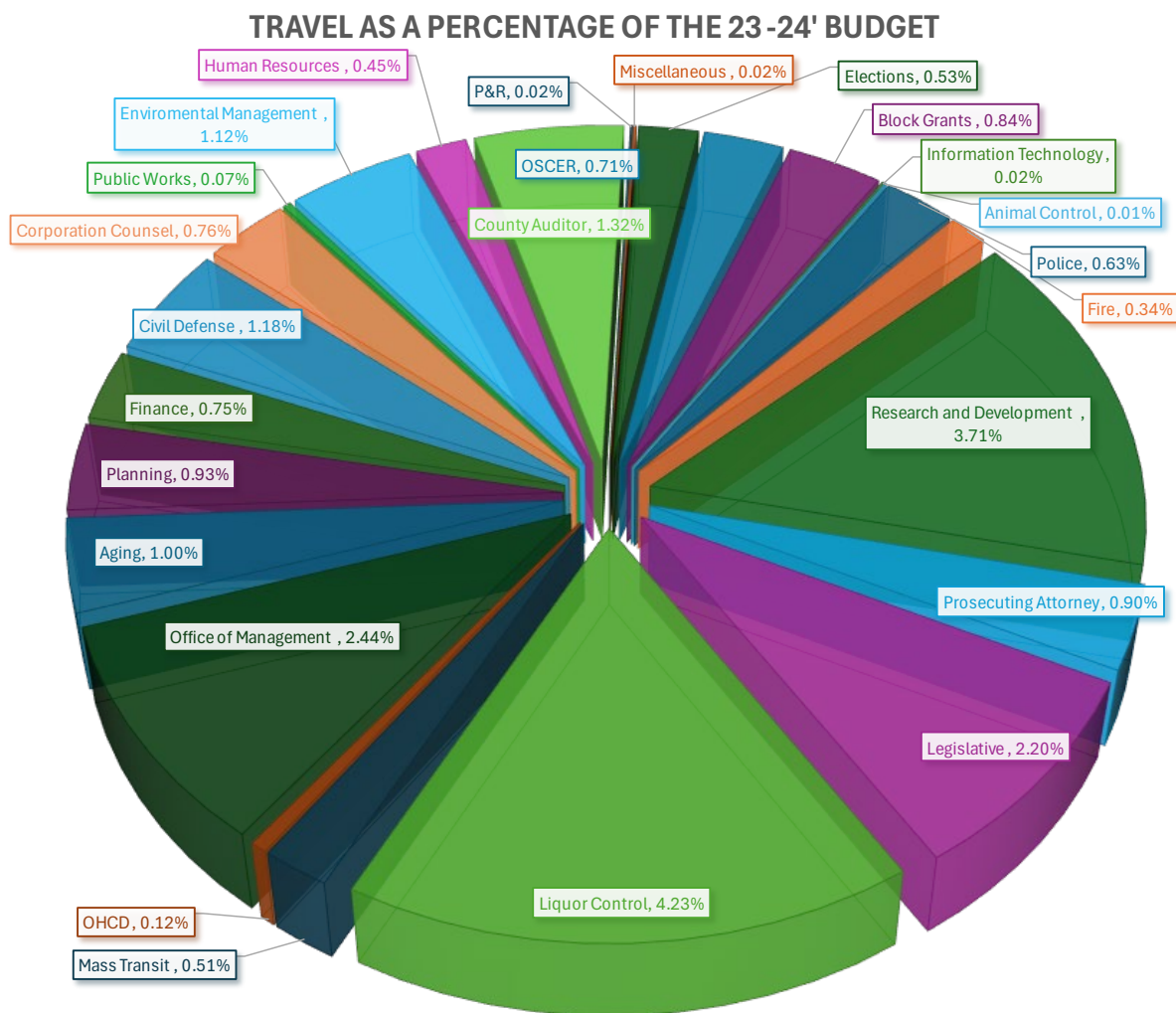


Figure 1: Travel As A Percentage of the 23-24' Budget. Source: Expenses - Eden Expenditure Detail Reports, Budget - Actuals FY 2023-24 Budget Figures, The Proposed Operating Budget FY 2024-25, FY 2023-24 Actuals column. Compiled Office of the County Auditor



EDEN Fresh Detail Reports. Additional data analysis available at:
<https://app.powerbi.com/view?r=eyJrIjojZDNIOWRjZDctNmQ3NC00OGFiLTJhM2YtMzA0NTgZG15NDliiwidCI6ImZiNjltYW11LTNmYWltNDhkZC1iYTQ4LTg5YzAzNjcyODdINCj9>

Notes about the data : While efforts were made to attribute charges to actual travelers, a few entries reflect miscellaneous corrections or billing errors and may represent the individual responsible for keying in the transaction or the holder of the purchasing card (P-Card) rather than the actual traveler. Compiled Office of the County Auditor

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Chapter 2 Audit Results

Travel Policy

Audit Activity

To assess travel practices against travel policy, we:

- Reviewed Code Article 16, Travel and Other Expenses
- Requested the Department's Travel Policy
- Reviewed Travel Authorization, Expenditures, Reconciliation, and Travel Reports
- Reviewed Department Explanation of Travel Expenses
- Obtained an informal opinion from the Board of Ethics (BOE)
- Considered Sunshine Law, HRS § 92

Overview

Travel policies play a critical role in managing and controlling expenses by establishing clear guidelines to ensure that the appropriate personnel travel and the number of trips taken align with the individuals' roles and responsibilities. Additionally, these policies help ensure compliance with relevant laws and regulations, such as **HRS § 92** (Sunshine Law) and **Code Article 16 § 2-98** (reporting requirements), promoting transparency and mitigating legal risks. Standardized travel policies provide a framework for documenting and justifying expenses, ensuring accountability, and preventing the misuse of funds. Effective policies streamline travel planning, reducing administrative burdens by aligning travel with an organization's objectives.

We found

In response to a request for a travel policy, it was noted that the Department did not have a written policy at the department level and instead followed the county's travel policy. However, the Department outlined its informal travel priorities, emphasizing participation in events offered by three organizations:

1. National Alcohol Beverage Control Association
 - a. Annual Conference
 - b. Legal Symposium
 - c. Administrators Conference
2. National Conference of State Liquor Administrators
 - a. Annual Conference
 - b. Central/Western Regional
 - c. North/South Regional
3. National Liquor Law Enforcement Association
 - a. Annual Conference

Each calendar year, Chairs and Vice Chairs of the Board and Commission are given the opportunity to attend a conference of their choice. Additional opportunities are offered to Board

and Commission members and senior staff based on seniority. (See Attachment 2). Subsequently, during the audit, the Department stated:

"Other factors considered in determining travel include the schedules of members and staff, the timing of conferences within the fiscal year relative to when members are appointed and confirmed, and the relevance of conference content. Whenever possible, the Department aims to send new members to conferences once they have a general understanding of their responsibilities, while experienced (senior) members attend to stay current with industry changes and to help train newer members."

One or two staff members are responsible for assisting with travel arrangements and coordinating between the Department and the respective organizations.

In addition to these conferences, the Department also participates in the following:

4. Annual State Liquor Conference
5. State Liquor Investigators Workshop - All Board members, Commissioners, senior staff, investigators, and support staff are invited to this workshop.

After assuming the role, the current Director expanded travel opportunities to include the Board, a practice previously limited to the Commission, with not all Commission members participating. This decision, presented as a management initiative, was intended to provide equitable travel opportunities to the Board and Commission. While the intent of this change appears to be focused on promoting equal participation, the prior practice of limiting travel may have been established for operational or compliance-related reasons.

The Department also proactively and voluntarily sought guidance from the BOE through an informal opinion (See Attachment 3) to determine if a potential conflict of interest exists between the Commission appointing the Director and the Director determining travel priorities for the Commission. The BOE concluded that,

"No conflict as long as the Department creates in writing their current policy and follows their written policy. Should any alterations or changes to the policy be created it is suggested to bring them to the Liquor Commission Board and the Liquor Adjudication Board before enacting said changes."

Conclusion

The absence of a formal written travel policy tailored to the Department's unique needs presents challenges. Unlike other departments, this Department facilitates travel for its Board and Commission, creating complexities beyond typical travel arrangements. As the Department's considerations encompass more than standard travel, a tailored policy would provide the necessary structure to address these differences. Without such a policy, there is an increased risk of non-compliance with statutory requirements, including the Sunshine Law. This report addresses Sunshine Law compliance issues in a later section.

Finding 1: The Department follows the County’s travel policy in the absence of its own written Department-level travel policy despite unique considerations that affect the Department, Commission, and Board

Cause of the Condition

The Department has relied on the county’s travel policy and informal priorities and practices without formalizing a department-level policy.

Effect of the Condition

The absence of a department-level travel policy and changes in practice raises concerns about the consistency and oversight of travel expenditures.

Recommendation 1: Establish a Department-Level Travel Policy

We recommend that the Department develop and implement a department-level travel policy that establishes clear guidelines for approving, justifying, and reconciling travel expenses.

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Council Authority and Responsibility: Addressing Questionable Travel Expenditures

Audit Activity

To determine if travel budget line-item reviews are sufficiently vetted for a clear public purpose, are necessary, and are responsible, we:

- Reviewed Resolution 548-24 Draft 2 to Conduct Performance Audit of Department of Liquor
- Reviewed and analyzed Charter 7-3.4(b)(2) Director of the Liquor Control
- Reviewed and analyzed Charter Article X, § 10-5 Operating Budget: Council Action
- Reviewed and analyzed expenditures with HRS § 281-17.5 Liquor Laws of Hawai'i
- Reviewed past budget proposal meetings
- Inquired from Department of Finance personnel about preliminary budget processes

Overview

The Department of Liquor Control does not use general fund money. Instead, the Department's budget is supported by licensing fees, which must maintain a direct and proportional relationship to the Department's actual operating expenses to comply with statutory requirements. Specifically, **HRS § 281-17.5** governs the Commission's authority to collect and adjust fees, ensuring they align with the costs incurred from the Department's regulatory activities, such as liquor license management.

We Found

Resolution 548-24 Draft 2 focused on two applicable concerns:

1. **Self-Funding of the Department:** The Department relies on fees collected by the Commission, which must have a direct and proportionate relationship to the Department's expenses.
2. **Travel Expenses:** Recent budget hearings reported a high travel budget of \$124,000 for the Department for Fiscal Year 2023-24 and predicted for the next three fiscal years.

There are five primary takeaways from **HRS § 281-17.5** Summarized in part:

1. **Direct Relationship Between Fees and Costs:** Any fees the Commission collects, including liquor license fees, must directly relate to the Commission's actual costs for overseeing liquor activities (like the production, sale, and regulation of liquor). Liquor can't charge more than what it costs to operate.
2. **Usage of Collected Fees:** The fees collected by the Commission can only be used for the Commission's operating and administrative costs. They cannot be used for anything outside of what's necessary to run the Commission except as law permits.
3. **Increasing Fees:** If the Commission wants to raise fees, they must first get approval from the Council and Mayor.

4. **Notification to Licensees:** If the Commission plans to change the fee structure, notification must be provided to everyone who holds a liquor license that would be affected. After the change, they must inform the licensees of the result.
5. **Fee Surpluses:** If the Commission collects more money than it needs (anything more than 20% above its budget), it must adjust the fees to comply with the rules and return or credit any excess funds to the licensees.

Each year, the Director of the Department should determine what they consider to be an appropriate relationship between fees and costs, then compile and submit a proposed operating budget to the Council in accordance with **Charter § 7-3.4(b)(2)**, which states,

*“The Director of the Department of liquor control shall:
Provide clerical and administrative services for the Commission and the Board, including the submission of a budget for the operation of the Department.”*

Self-funded status does not inhibit or limit the Council's authority over the Department's budget proposal. As outlined in **Charter, Article X, § 10-5**:

“after a public hearing and any necessary amendments, the County Council may adopt the operating budget, with or without further changes. The council may add new items, increase amounts, or reduce or remove items, except for legally required appropriations and debt service. However, the estimated revenues for the upcoming year must always be at least equal to the total proposed expenditures.”

Conclusion

When approving the budget, the council affirms that the proposed expenditure is reasonable. The Director is responsible for submitting the proposed budget, while the Commission ensures that fees align with actual costs. If the council reduces a line item in the Department's budget, it does not have the authority to alter the fee structure directly. However, its adjustments may impact the Commission's operations.

The Commission, therefore, must still review and adjust fees as necessary to maintain a direct relationship between fees and actual costs in compliance with **HRS § 281-17.5**. Surpluses that exceed allowed limits must be returned or credited to licensees. The Director supports this process by ensuring the budget reflects appropriate fee collections based on the Commission's structure.

Finding 2: The Council Approves the Department's Budget Each Year Despite Concerns About Excessive Travel Spending

Cause of the Condition

The council approves proposed travel during the budget review process despite persistent concerns that fail to instill confidence that activities are necessary and appropriate.

Effect of the Condition

The lack of sufficient scrutiny and justification for travel expenditures increases the risk of disproportionate travel spending, which may result in a misalignment between collected fees and actual operational costs, potentially conflicting with the principles outlined in **HRS § 281-17.5**.

Recommendation 2: Implement a Comprehensive Review and Justification Process for Travel Expenditures During Budget Approval

We recommend the Council work with the Department to obtain a more precise outline of proposed travel events and attendance numbers, supported by justifications that instill confidence and enable the Council to make more informed decisions. In the event of unresolved concerns, the Council may consider exercising its authority to adjust travel allocations as permitted under **Charter § 10-5**.

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Training and Resource Allocation Efficiency

Audit Activity

To assess if training and travel resources are allocated efficiently, we:

- Reviewed Charter Chapter 3 regarding roles and responsibilities
- Reviewed Finance Memorandum 08-12 Spending Guidelines
- Reviewed Travel Reports
- Reviewed Board and Commission Meeting Minutes
- Reviewed program highlights from the proposed operating budget on March 1, 2024
- Reviewed training methods and development principles for tailoring training to experience levels
- Compared Six-Month Progress Reports on Program Objectives and Final Status Report on Program Status Objectives FY 2019-24 to Travel Reports

Overview

It is important to clarify that travel and training are not interchangeable terms. While travel may provide access to specific training opportunities, it is not the only means of reinforcing learning or skill development. Training can take many forms, such as in-person instruction, remote learning, on-site workshops, self-paced online courses, reading industry-related materials, and participating in mentorship programs. Travel should be utilized only when it best serves a specific learning objective that cannot be effectively achieved through alternative methods.

Research on learning and development indicates that the most significant gains in proficiency occur during the initial stages of training as individuals move from novice to foundational understanding and early practical application. As individuals gain experience, the benefits of general training diminish. This underscores the importance of prioritizing training opportunities for those with less experience, as they are at a stage where they benefit most from foundational knowledge. Experienced individuals benefit more from specialized, role-specific training designed to enhance their advanced competencies.

Considering their charter functions, Department personnel need training to enhance clerical, administrative, and investigative skills relevant to their roles. Commission members should focus on rule-making and improving their ability to make informed license award decisions. The Board should prioritize training in legal frameworks, evidence evaluation, and the application of regulations in liquor law cases.

We Found

The current practice prioritizes travel opportunities based on seniority rather than conducting a gap analysis of skillsets and assigning training based on needs or roles. This prioritization overlooks less experienced members who may require foundational training and disproportionately assign resources to senior members who may not benefit from general training as much.

The current system does not base travel around ensuring competency for the distinct roles and responsibilities of department personnel, the Commission, and the Board. As a result, the training provided may not always align with each group's specific functions and needs, reducing the effectiveness of the training investments.

Alternative Training Methods

The Department prioritizes travel for in-person training; however, there are cost-effective alternatives to achieve similar outcomes. These include limiting the number of travelers, sharing and discussing travel reports, and utilizing virtual learning platforms, self-paced courses, and written materials.

Resource Allocations

When evaluating the allocation of resources for training, it is essential to evaluate the inputs or costs. It is equally important to evaluate the output or immediate results and outcomes or long-term impacts of the investments in personnel. Our review looked at inputs of monies spent on airfare, lodging, meals, registration, and similar expenses and outputs and outcomes as described in meeting minutes, travel reports, and program objective statements. The input investment into personnel resulted in the following outputs and outcomes:

Department Travel Breakdown					
Fiscal Year	Travel Expenses	Members Sent	Average cost per Traveler	Events Attended	Average cost per event
2019-20	\$46,050.05	20	\$2,302.50	14	\$3,289.29
2020-21	\$421.20	2	\$210.60	2	\$210.60
2021-22	\$45,990.21	11	\$4,180.93	10	\$4,599.02
2022-23	\$55,307.75	22	\$2,513.99	15	\$3,687.18
2023-24	\$63,286.84	20	\$3,164.34	10	\$6,328.68

Figure 2: Department Travel Breakdown

Source: Work Assignments, Corrections, Meeting with Licensee/Commission/Board Meetings filtered from totals
Represents all travelers except Board and Commission members. Compiled Office of the County Auditor

Outputs:

From Program Objective Statements

Licensing Activities

- 391 Interviews with new liquor license applicants, surpassing targets in most years
- 199 new license applications were processed, although targets fell short in some years
- 239 site visits to premises, supporting regulatory compliance

Operations

- Conducted 471 liquor card classes and manager examinations:
 - Included sessions in multiple locations: Hilo, Kona, Waimea, and special sessions.
 - A total of 6,480 licensed employees were trained over the period, reflecting efforts to manage high turnover and maintain compliance.
- Conducted an average of 1,745 compliance checks per month:
 - Despite challenges like the COVID-19 pandemic, compliance checks were regularly conducted to monitor and enforce regulations.
 - In later years, compliance checks averaged below the target due to resource limitations, but the Department maintained adequate oversight.

Public Programs

- Processed 267 contingency fund grant requests:
 - Activities supported alcohol-free and drug-free programs for youth and community organizations, including educational and wellness events.
 - Programs were implemented in alignment with department objectives to promote responsible alcohol consumption.
- Distributed over 700 doses of Narcan nasal spray to licensees to address narcotic overdose risks and promote public safety.

Training and Development

- Extensive participation in national and regional conferences, covering liquor law enforcement, digital ID verification, regulatory compliance, and public safety initiatives.

Outcomes

Despite high travel costs, the Department achieved several positive outcomes in terms of its operations. In licensing and compliance, the Department consistently exceeded targets for interviews, manager examinations, and licensee checks, although some shortfalls occurred in new application processing and site visits. Increased classes and licensee checks were held to address turnover and public health restrictions, demonstrating adaptability. In public health, the Department succeeded in youth outreach programs and alcohol-free events, with compliance audits for underage drinking showing improved rates after targeted interventions.

Conclusion

The Department's training programs appear highly correlated with its successful outcomes, particularly in maintaining up-to-date knowledge of regulatory developments and enhancing enforcement procedures. The training agendas outlined in travel reports closely align with the duties expected of department personnel. These programs have helped staff stay informed about national and regional best practices, leading to improved performance in regulatory compliance, public safety, and youth outreach initiatives. However, the significant travel costs associated with these programs should be regularly assessed to ensure they contribute effectively to performance improvements.

Liquor Commission Travel Breakdown						
Fiscal Year	Travel Expenses	Members Sent	Average cost per member	Events Attended	Average cost per event	Commission meetings conducted
2019-20	\$18,801.46	9	\$2,089.05	5	\$3,760.29	11
2020-21	-	-	-	-	-	12
2021-22	\$12,868.41	7	\$1,838.34	4	\$3,217.10	12
2022-23	\$21,352.91	8	\$2,669.11	6	\$3,558.82	12
2023-24	\$25,396.32	9	\$2,821.81	4	\$6,349.08	12

Figure 2.1: Liquor Commission Travel Breakdown

Source: Work Assignments, Corrections, Meeting with Licensee/Commission/Board Meetings filtered from totals
Compiled Office of the County Auditor

Outputs:

From Meeting Minutes

Licensing Activity

A total of 239 applications were reviewed over the five years. These included new liquor licenses, license transfers, and alterations.

Application Processing

The Commission efficiently explored elements related to review and approval, including descriptions of the business, identifying locations, discussing and exploring impacts of the applicants' proposed activities, ensuring public notice and public sentiment were considered, and contributing to efficient and consistent processing of approvals, with only a few applications being continued or withdrawn.

Operational Focus

During this period, the Commission did not enact any new legislation. Instead, it focused on adapting its operations to accommodate external challenges, such as those presented by COVID-19, including managing license extensions, regulatory adjustments, and ratifications related to liquor control.

Outcomes

The Commission consistently achieved approval rates of over 97% for liquor license applications, with some years reaching 100%. The Commission seamlessly processed applications during the COVID-19 pandemic. Each year, state legislation is proposed, and one of the major changes to state liquor laws after COVID-19 was the provision of "to-go" liquor service. This change in State liquor law was based on the input and leadership of the Commission that had enacted emergency rules during COVID-19 to help the businesses from closing completely or going bankrupt. Until 2024, no new local legislation was introduced. Still, the Commission maintained a steady approval process, upholding regulatory standards and assisting local businesses in obtaining the necessary permits. In 2024, the Commission gathered input from businesses and communities and conducted public hearings to update its Rules and Regulations, with updates planned in early 2025.

Conclusion

The observable correlation between travel, training, and performance is moderate. The Commission has consistently processed, investigated, and managed applications efficiently. Stability within the existing regulatory framework has eliminated the need for new local legislation since at least 2015. Without new legislative initiatives, skills acquired from conference attendance have been applied primarily to fact-finding questions during application reviews. Most applications follow a uniform and prescriptive methodology; however, when applicable, commissioners exhibit competencies by exploring concepts such as parking capacity, accommodations for serving in public spaces, noise considerations, and others. While travel may be necessary for the orientation of new members, the value and necessity of sustained investment in existing members should be reviewed periodically for its influence on performance.

Liquor Adjudication Board Travel Breakdown						
Fiscal Year	Travel Expenses	Members Sent	Average cost per member	Events Attended	Average cost per event	Meetings conducted
2019-20	\$7,354.94	5	\$1,470.99	3	\$2,451.65	3
2020-21	-	-	-	-	-	2
2021-22	\$21,084.76	7	\$3,012.11	5	\$4,216.80	6
2022-23	\$22,078.61	6	\$3,679.77	5	\$4,415.72	3
2023-24	\$6,742.58	5	\$1,348.52	3	\$2,247.53	2

Figure 2.2: Liquor Adjudication Board Travel Breakdown
Source: Work Assignments, Corrections, Meeting with Licensee/Commission/Board Meetings filtered from totals
Compiled Office of the County Auditor

Outputs: (2019-24)

From Meeting Minutes

- **Number of Meetings:** 16 Board meetings were held during these five years.
- **Number of Cases Heard:** The Board addressed 81 cases, covering a range of violations, including:

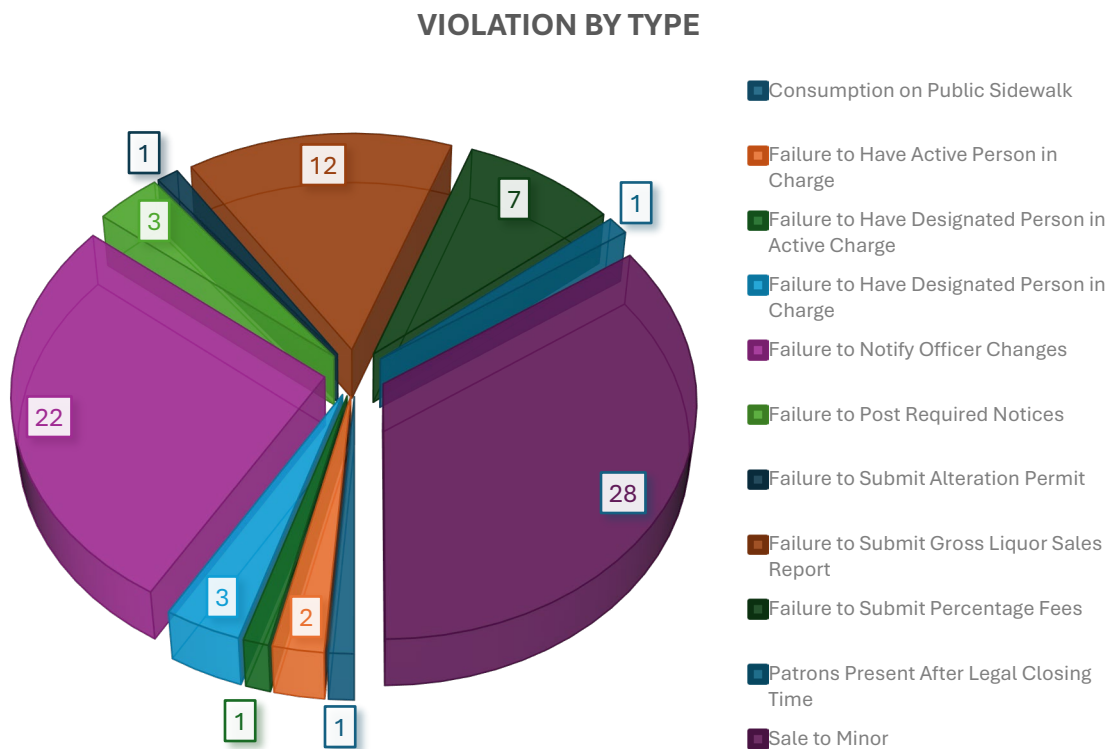


Figure 2.3: Violation by Type
Source: Liquor Control Adjudication Board Meeting Minutes
Compiled Office of the County Auditor

Outcomes

Over the fiscal years 2019-24, the Board heard cases for fines totaling \$73,700.

Liquor Adjudication Board Fines			
Fiscal Year	Fines	Suspended	Net Fines
2019-20	\$17,600	\$8,850	\$8,750
2020-21	\$3,100	\$1,750	\$1,350
2021-22	\$45,200	\$19,500	\$25,700
2022-23	\$3,300	\$750	\$2,550
2023-24	\$4,500	\$2,000	\$2,500
Total	\$73,700	\$32,850	\$40,850

Figure 2.4: Liquor Adjudication Board Fines
Source: Board meeting minutes. Compiled Office of the County Auditor

The Board's efforts during these meetings resulted in \$40,850 in net fines over the five years.

Conclusion

The Board plays an important role in the oversight and division of duties in the enforcement actions carried out by the Department and Commission. There appears to be no apparent connection between travel input costs and outputs or outcomes, such as the number of cases heard, fines collected, or any long-term organizational changes resulting from its travel activities. The Board was most active when travel was restricted mainly due to COVID-19. A review of meeting minutes indicates that discussions are typically straightforward, with no changes to the Board's rules or regulations since 2006. As with the Commission, travel and training may be beneficial to orient new members, but the value and necessity of sustained investment in existing members should be reviewed periodically for its influence on performance and tailored accordingly.

Finding 3: The Department Emphasizes Travel Based on Seniority Rather Than Utilizing a Need-Based or Role-Specific Framework

Cause of the Condition

Offering travel opportunities to the most senior staff members, the Board, and the Commission is not inherently inappropriate and based on professional judgment. However, this approach does not prioritize training opportunities for individuals with less foundational knowledge.

Effect of the Condition

Senior members, having already developed a high level of proficiency, are likely to experience diminishing returns, while junior members who would benefit from training to gain proficiency may be underserved.

Recommendation 3: Prioritize Travel Using a Need-Based and Role-Specific Framework

We recommend that the Department implement a needs-based and role-specific travel allocation framework that prioritizes training for individuals with less foundational knowledge and tailors training content to the specific duties of department personnel, the Board, and the Commission. This approach will ensure that training resources are used effectively to enhance foundational skills and role-specific expertise across all groups.

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Board and Commission Membership

Audit Activity

To determine if there are potential conflicts of interest serving on both boards and commissions, we:

- Reviewed Charter §§ 13-4(a), (c) Boards and Commissions
- Reviewed Resolution 548-24 Draft 2 Conduct Performance Audit of Department of Liquor
- Analyzed patterns of service related to Board and Commission membership
- Interviewed Board and Commission Liaison

In addition to the audit objectives previously discussed, Resolution 548-24 Draft 2 requested that the audit focus on “Any other pertinent issues affecting the transparency and accountability of the Department of Liquor Control.”

Overview

Citizen-led boards and commissions are designed to enhance public participation in government, promote diverse representation, and provide independent oversight. **Charter § 13-4(a)** creates five-year staggered term limits of service for Board and Commission members to encourage continuous rotation and fresh perspectives. The members are appointed by the mayor and confirmed by the council according to **Charter § 13-4(b)**. Furthermore, **§ 13-4(c)** stipulates that,

"No member shall be eligible for a second appointment to the same board or commission prior to the expiration of two years..."

We Found

Hawai'i County and Maui County have a similar liquor governance structure, each with both a Liquor Commission and a separate Adjudication Board. In contrast, the City and County of Honolulu and Kaua'i County operate under a single Liquor Commission responsible for both licensing and adjudication.

This structural separation provides governance and oversight benefits but also raises policy considerations regarding continuity, appointments, and long-term service. In counties with a single commission, members must complete their term and observe a cooling-off period before being reappointed. However, in counties with both a Commission and an Adjudication Board, members can transition between roles immediately without a cooling-off period.

Conclusion

Allowing individuals to serve on both the Board and Commission consecutively may limit inclusivity, reduce broader participation, and restrict the introduction of new perspectives. However, the impacts should be weighed against the practical challenge of securing volunteers to fill vacancies.

Finding 4: Safeguards Limiting Consecutive Roles on Commission and Board are Absent

Cause of the Condition

The Charter does not address individuals moving between the Board and Commission by requiring a cooling-off period between roles.

Effect of the Condition

The ability to serve on the Board and Commission back-to-back limits the opportunity for diverse public participation.

Recommendation 4: Amend Charter to Restrict Consecutive Service

We recommend the Council consider a charter amendment establishing restrictions on consecutive service between any Board that performs a quasi-judicial function for a department and its related Commission. An amendment should include a two-year cooling-off period.

Quorum and Sunshine Law

Audit Activity

To determine if there was a quorum during travel, we:

- Gained an understanding of Sunshine Law (HRS 92)
- Examined travel reports and documented traveler attendance
- Reviewed Ethics and Sunshine Law training records
- Interviewed Office of Information Practices, staff attorney

Overview

The Sunshine Law exists in various forms across all states and mandates that government meetings and decision-making processes be open to the public, promoting transparency and accountability. This law requires advance notice of meetings, public access to those meetings, and records of proceedings. Although closed sessions are permitted under specific circumstances, such as for legal matters, such sessions are limited and must be justified. Sunshine Law ensures that citizens can access the workings of government, and in some cases, it allows public participation in these meetings, fostering openness in governmental actions.

In Hawai'i, the Sunshine Law is established under **HRS Chapter 92** and is administered by the Office of Information Practices. This law permits specific interactions among governing body members under defined conditions. These "permitted interactions" are carefully crafted exceptions to the general rule that public bodies' discussions, deliberations, and decision-making must occur in open, publicly accessible meetings. These exceptions aim to balance practical governance with the principles of transparency and accountability.

HRS §92-1(1),(2) provides that:

"It is the intent of this part to protect the people's right to know," and "The provisions requiring open meetings shall be liberally construed."

A critical concept in understanding permitted interactions is the definition of "board business." **HRS §92-2** defines board business as:

"specific matters over which a board has supervision, control, jurisdiction, or advisory power, that are actually pending before the board, or that can be reasonably anticipated to arise before the board in the foreseeable future."

Permitted interaction supports discussions of board business to enable board members to fulfill their duties faithfully, recognizing the increasing risks when more members participate. Criteria manage increasing risk. For example, if board business is discussed, permitted interactions related to training include:

0 – 1 Members (No Risk)

Sunshine Law is not applicable.

2 Members (Minimal Risk)

92.5(a) *“Two members of a board may discuss between themselves matters relating to board business to enable them to perform their duties faithfully, as long as no commitment to vote is made or sought and the two members do not constitute a quorum of their board.”*

2 or More Members, But Less than a Quorum (More Risk)

92.5(e) *“Two or more members of a board, but less than the number of members that would constitute a quorum for the Board, may attend an informational meeting or presentation on matters relating to board business, including a meeting of another entity, legislative hearing, convention, seminar, or community meeting; provided that the meeting or presentation is not specifically and exclusively organized for or directed toward members of the Board. The board members in attendance may participate in discussions, including discussions among themselves; provided that the discussions occur during and as part of the informational meeting or presentation; provided further that no commitment relating to a vote on the matter is made or sought.*

At the next duly noticed meeting of the Board, the board members shall report their attendance, and the matters presented and discussed that related to board business at the informational meeting or presentation.”

When a Quorum is Present (Greatest Risk)

While traveling with a quorum is not a violation of law in and of itself, there are no permitted interaction provisions for travel when a quorum is present. Inherent conditions exist, and discussions can trigger the Sunshine Law **if** members discuss “board business” during the event. This makes it imperative to reduce risk to an acceptable level.

The Adjudication Board is especially vulnerable because of its small five-member makeup.

What We Found

Our review found 13 instances where quorum was reached during travel:

Quorum Reach During Travel					
No.	Event	No. Attendees Quorum Reached?			
		LC	LC	LAB	LAB
1	2019-20 Annual Meeting	8	Yes	4	Yes
2	2019-20 Annual State Liquor Conference	6	Yes	3	Yes
3	2021-22 Annual Meeting	3	No	5	Yes
4	2021-22 NCSLA Annual Conference	2	No	3	Yes
5	2021-22 NABCA Annual Conference	2	No	4	Yes
6	2022-23 NCSLA Annual Conference	3	No	3	Yes
7	2022-23 Annual State Liquor Conference	6	Yes	5	Yes
8	2023-24 NABCA Annual Conference	3	No	3	Yes
9	2023-24 Annual State Liquor Conference	7	Yes	5	Yes

Figure 2.5: Quorum Reach During Travel

Source: Department of Liquor Travel Reports and travel expenses
Compiled Office of the County Auditor

Because the Board and Commission are subject to the Sunshine Law, they need solid foundational training explaining when the law becomes applicable to avoid inadvertent violations.

Foundational Training

The Office of Corporation Counsel administers Sunshine Law and Ethics training. To understand if Sunshine Law and Ethics training was being provided, auditors disseminated a spreadsheet to Board and Commission members, asking them to determine if training was received. We noted the following exceptions:

- **12 instances**, no Sunshine Law training
- **13 instances**, no Ethics training
- **12 instances**, no Sunshine Law and Ethics training

This gap in training represents a significant compliance risk, as untrained members of the Board or Commission may inadvertently violate Sunshine Law or Ethics guidelines, leading to unauthorized disclosures or questionable decision-making.

We reviewed department agendas and meeting minutes to determine if reports were being added to the agendas. There were 47 travel events over the five years. No debriefings were placed on agendas. This oversight represents a missed opportunity for knowledge sharing in the "train-the-trainer" model, where travelers disseminate key lessons from conferences or workshops to their peers, thereby extending the value gained from attending events.

Conclusion

Our audit found that Board and Commission members reached a quorum during travel on multiple occasions, increasing the risk of inadvertent Sunshine Law violations. Additionally, foundational Sunshine Law and Ethics training gaps were identified, which may contribute to non-compliance. Furthermore, the absence of debriefing reports on meeting agendas limits knowledge sharing. Establishing safeguards mitigates compliance risks.

Finding 5: Concerns Regarding Sunshine Law and Other Reporting Requirements

Cause of the Condition

Board and Commission members attended some events with a quorum.

Effect of the Condition

Traveling with a quorum increases the risk to board and commission members.

Recommendation 5: Ensure Transparency and Compliance with Reporting Requirements

- 5a. We recommend the Department implement attendance limits for Board and Commission members at events, restricting participation, in most cases, to less than a quorum.

When a larger travel party is deemed necessary, the Department should coordinate with the Office of Corporation Counsel to issue an event-specific reminder to Board and Commission members not to discuss board business.

- 5b. We recommend that the Department coordinate with the Office of Corporation Counsel to provide regular Sunshine Law and Ethics training to all Board and Commission members to ensure understanding and compliance; preferably annually.

Chapter 3

Fraud, Waste, and Abuse

As a practice, we remain mindful and document instances of fraud, waste, and abuse specifically within the scope of the audit objectives.

Management reported no fraud, waste, abuse, ongoing investigations, or pending litigation that would impact this audit.

What is Waste?

“Waste” involves needless and careless expenditures of county funds or the misuse or mismanagement of county resources and property. Waste can be both intentional and unintentional.

The Department of Liquor Control, Board and Commission travel audit has identified inefficiencies in managing travel expenses primarily related to board, commission, and senior staff travel. While the expenditures are not indicative of willful misuse to needlessly spend public funds, the tendency to send more than a required minimum and the prioritization of sending senior members who are well versed in their role has resulted in expenditures that are not sufficiently evaluating the value they provide to the Department's operational goals or the broader public interest.

Although the Department does not use general fund money for its travel expenses, it is important to consider and reaffirm that public funds provided by liquor licensees finance these activities. As such, there is an expectation that all expenditures are necessary and provide a demonstrable benefit to taxpayers. The current approach to travel does not adequately balance the need to support individuals with a thorough assessment of the cost-effectiveness of such expenditures. A more structured evaluation of the necessity and benefit of travel expenditures could lead to more efficient use of public resources, ensuring that funds are allocated to areas that directly benefit the public and the Department's objectives.

In closing, the improper use of government resources or positions is commonly uncovered by employees and the public. We strongly encourage reporting of any concerns through our fraud, waste and abuse hotlines:

To access the complaints directory:

<https://www.hawaiicounty.gov/our-county/legislative/office-of-the-county-auditor/inquiry-and-complaint>

Submit a claim:

<https://www.hawaiicounty.gov/our-county/legislative/office-of-the-county-auditor/inquiry-and-complaint/intake-form>

Fraud & Waste Hotline: (808) 480-8213

Whistleblower Hotline: (808) 480-8279

Email: concern@hawaiicounty.gov

Fax Number: (808) 961-8905

Mail: Office of the County Auditor

120 Pauahi St. Ste. 309

Hilo, HI 96720

Chapter 4

Conclusion

The audit identified areas where the Department could improve its compliance, resource allocation and governance practices. The recommendations provided in this report are intended to strengthen operational efficiency, ensure statutory compliance, and enhance the transparency and accountability of travel-related decisions.

Compliance with HRS § 281-17.5

The responsibility for ensuring that fees collected by the Commission maintain a direct and proportionate relationship to the Department's actual operating costs, as required by **HRS § 281-17.5**, ultimately lies with the Department. The Director of the Department is responsible for proposing an operating budget that appropriately aligns fee collections with planned activities. The Council is tasked with approving this budget. The Council's approval of the Department's budget signifies a general affirmation of the appropriateness. It is incumbent upon the Department to regularly reassess and realign its priorities, including travel expenditures, to ensure compliance with statutory requirements and avoid any misalignment between fees and costs.

Effectiveness of Travel Fund Allocation and Utilization

Travel fund allocations, while significant, were not consistently justified or aligned with the Department's goals. The current allocation process prioritizes seniority, with less regard to role alignment cost-effective alternatives, and a more targeted approach to travel planning is recommended.

Management Practices Related to Travel

The Department follows county protocols, including authorization and approval to travel, and provides travel reports upon their return. The Department lacks a formal department-level travel policy, including safeguards preventing inconsistencies in oversight. A formal travel policy incorporating internal controls would help ensure travel practices align with organizational objectives and promote responsible governance.

Chapter 5

Management Response

The audit statement is a question of whether we spent too much money. But the question should really be are we spending it wisely.

To examine the question properly, we really must look at the reality of what we have as a self-funded department. You must look at the effect on the bottom line, which is what is collected from the licensees.

WE HAVE LOWERED THE PERCENTAGE FEES ASSESSED UPON OUR LICENSEES

The percentage fees that we collect for the Department have steadily dropped over the time in question. Specifically, the percentage fees have been as follows:

FY20-21	0.007
FY21-22	0.00787404
FY22-23	0.005875102
FY23-24	0.0061025
FY24-25	0.005104746

It is hard to look at our expenditure in isolation and say there is a problem while you say our travel budget is large, from what it nets the Department and the licensees it may be a bargain. We look at our travel budget as an investment in our Board and Commission members, as well as our staff. Things are learned in formal training but just as much is learned from the after-hour visitation of different venues and meeting with people to see what exists out there at the various locations. This is something you can't get unless you are there.

For example, some of our members never realized until they were able to attend a training in other jurisdictions that liquor sales in some jurisdictions are banned on Sunday, or markets/chain stores may not be allowed to sell liquor like in Hawai'i. Some of the jurisdictions we have visited are equally intrigued that in Hawai'i you can go to a grocery store and buy eggs, toilet paper, and liquor since that is not allowed in their State or County.

WHAT WE DO IS DIRECTLY RELATED TO OUR MISSION

Our mission statement is "[t]o promote the health, safety, and welfare of the general public by regulating the importation, manufacture, distribution, sale, and service of intoxicating liquors." To that end, some factors to consider are that we are the only Department regulating three sets of laws, the Federal, State and County laws regarding liquor. We are policing an industry that spends billions of dollars in a year to promote their products. We regulate an industry on this island which brings in hundreds of millions of dollars and promotes liquor to the community, not just to bars but hotels, restaurants, supermarkets, big box stores down to convenience stores. We regulate liquor, but also help to promote healthy use of the products to sustain harmony and keep the industry and the community operating. The restaurants, bars, and hotels are the backbones of our visitor industry, even if they come for the scenery and nature, it's these other activities which make our island a good place to visit. It provides life for tomorrow, not to mention the jobs that are sustained by this industry.

The restaurants and stores provide for the community – they sustain the community and give it life.

Even when going through rough times like COVID, we were able to hold the fees and costs down for the licensees. We were also at the forefront in the State of Hawai'i in finding ways to keep our licensees open and operating during COVID and immediately after COVID. We were proponents of allowing "to-go alcohol" when dining-in was not allowed due to social distancing and COVID-19 requirements. We helped draft the changes to the State liquor laws to make those COVID-19 emergency changes permanent. We provided cleaning/disinfecting/sanitizing supplies, masks, gloves, sprayers to licensees so they could continue to operate safely during COVID-19. Licensees struggled to stay in business, but we did our best to help them and the workers they employed and the suppliers they relied upon.

After COVID-19 there were additional challenges that we helped address, such as the increase of opioid overdoses in Hawai'i. In 2023, we partnered with the State Department of Health, Department of the Attorney General, the Office of the Mayor, the Hawai'i County Council, and Kumukahi Health and Wellness Center to address this concern. By July 2023, our Department provided over 700 free NARCAN doses to various bars, restaurants, hotels, clubs, and other establishments to have on premises in the event someone at their business suffered from an opioid overdose. Unlike other islands, making NARCAN mandatory wasn't necessary on Hawai'i Island because everyone agreed to prioritize public safety and ensure the well-being of patrons and communities.

OUR TRAINING APPROACH BENEFITS OUR COMMUNITIES

In Hawai'i, if a business wants to make, sell, serve, or furnish liquor they need a liquor license. The Commission's role in the process is to determine if a business should be given a liquor license. We are able to issue liquor licenses within three to six months, while in other jurisdictions it could take one year or more. We equip our members to make informed, knowledgeable decisions by giving them the opportunity to learn and experience from other jurisdictions. They are better prepared to balance the interests of the community and the business asking for the liquor license.

If a liquor licensed business should violate our liquor rules or laws, the Board's role is to determine if a business should be allowed to keep a liquor license or receive some other type of disciplinary action. We have seen less liquor law violations with our licensees thanks to the training, experience, and knowledge we are able to gather, observe, and share. We are able to educate licensees and our community due to our inclusive training approach. We are proud of our proactive, educational approach with our licensees and communities instead of a traditional reactive approach to compliance and enforcement.

We consider many factors when determining travel and training. For example, the schedules of the members and staff, the timing of conferences during the fiscal year, when members get appointed and confirmed, content, experience. The Department strives to provide training to its members and staff consistent with current human resource practices of diversity and inclusion. Experienced (senior) members are trained in trends and changes to assist with adapting and productivity and also to train newer members. Less experienced members learn the overall framework and big picture at a steady pace so as not to overwhelm. Less experienced members learn from experienced members and by attending trainings.

We have utilized other methods of training, including webcasts, bringing trainers to us, and online training modules. We have also been fortunate to have the Office of the Corporation Counsel provide training to our members and staff (i.e. new commissioner/board member training, sunshine law training, ethics training, liquor law orientation, investigative training). We will continue to use that resource.

OUR CHARTER ALLOWS OUR MEMBERS TO SERVE ON THE BOARD OR COMMISSION

The Charter allows our members to serve on either the Commission or Board and that is a good thing. We have members that are experienced and knowledgeable continue to serve. They are able to participate in the entire process: becoming familiar with the issues businesses face to obtain a license; concerns (i.e. noise, traffic) and desires (i.e. convenience, services, or jobs closer to them) of communities; becoming familiar with the issues businesses face after they have a liquor license and what they have to do to keep the license. This flexibility is something that other jurisdictions have used as a model.

The liquor industry is highly regulated, given its history (prohibition in the United States from 1920 until prohibition was repealed in 1933). Many of its regulations exist to address specific issues and to make sure those issues do not happen again. Safeguards exist to address concerns regarding rule-making and conflict/bias. Before regulations are changed or adopted, input is gathered and public hearings are conducted. We have enacted rule changes that businesses and communities have requested as well. Additionally, our Commission and Board are provided legal guidance on statutory interpretation.

CONCLUSION

In conclusion, I ask you is that too much money. The adage goes, if it's not broken then don't fix it. The Liquor Department has not broken down, but in my estimation is a fine running department on how we handle our budget. Instead of dragging us back down, learn from our example on how things could be for all.

Respectfully,

Gerald Takase
Director
County of Hawai'i, Department of Liquor Control

Chapter 6

Attachment 1 – Travel Expenditures

Department of Liquor Control - Travel Expenditures - County of Hawai'i

69

Distinct Count of Events

FY Event	FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures
2019 Annual Meeting	26	5,188.61									26	5,188.61
2019 Annual State Liquor Conference	23	24,113.99									23	24,113.99
2019 Corrections	1	-581.05									1	-581.05
2019 Court Hearings	1	261.01									1	261.01
2019 Error Free Writing	1	103.21									1	103.21
2019 Investigators/Licensee/Commission/Board Meetings	2	1,150.91									2	1,150.91
2019 Liquor Department Directors Meeting	2	363.13									2	363.13
2019 NABCA Administrators Conference	3	4,487.15									3	4,487.15
2019 NABCA Annual Conference	1	12.74									1	12.74
2019 NCSLA Annual Conference	1	1,293.98									1	1,293.98
2019 NCSLA Central/Western Regional Conference	2	4,234.15									2	4,234.15
2019 NCSLA North/South Regional Conference	4	13,716.60									4	13,716.60
2019 NLLEA Annual Conference	4	9,436.12									4	9,436.12
2019 Orientation Training	1	242.95									1	242.95
2019 State Liquor Investigator Workshop	9	8,023.72									9	8,023.72
2019 Work Assignment	1	512.64									1	512.64
2020 CAP Center for Alcohol Policy			2	198.00							2	198.00
2020 Investigators/Licensee/Commission/Board Meetings	1	439.63	1	1,068.03							1	1,507.66
2020 Sound Meter Training	5	729.09									5	729.09
2020 Work Assignment	2	305.00	2	1,067.93							2	1,372.93
2021 (34th) NLLEA Annual Conference					6	11,797.62					6	11,797.62
2021 Annual Meeting					17	3,457.29					17	3,457.29
2021 CAP Center for Alcohol Policy					2	1,093.23					2	1,093.23
2021 Corrections			1	-9.28	1	-550.00					1	-559.28
2021 Credits					1	-37.16					1	-37.16
2021 Investigators/Licensee/Commission/Board Meetings			4	1,575.39	2	799.87					4	2,375.26
2021 Meeting with Maui Co Liquor Control Director					2	568.52					2	568.52
2021 NCSLA Annual Conference					9	18,098.12					9	18,098.12
2021 Supervisor and Licensee Training			1	223.20							1	223.20
2021 Work Assignment			3	1,604.33	2	1,356.63					4	2,960.96



Attachment A: Travel Expenditures. Source: EDEN Fresh Detail Reports. Compiled Office of the County Auditor. Additional data analysis available at:
<https://app.powerbi.com/view?r=eyJrIjoizNDIOWWRjZDctNmQ3NC00OGFjLTJhM2YtMzA0NTgzZGI5NDliiwidCI6ImZlNjIwYWI1LTNmYWItNDhkZC1iYTQ4LTg5YzAzNjcyODdINCj9>

Notes about the data : While efforts were made to attribute charges to actual travelers, a few entries reflect miscellaneous corrections or billing errors may represent the individual responsible for keying in the transaction or the holder of the purchasing card (P-Card) rather than the actual travel.

Department of Liquor Control - Travel Expenditures - County of Hawai'i

69

Distinct Count of Events

FY Event	FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures
2022 (29th) NABCA Symposium					4	9,638.17					4	9,638.17
2022 (35th) NLLEA Annual Conference							7	13,194.32			7	13,194.32
2022 Annual Meeting							10	4,843.55			10	4,843.55
2022 Annual State Liquor Conference							27	22,650.85			27	22,650.85
2022 Billing Error							2	250.90			2	250.90
2022 Corrections							1	-558.52			1	-558.52
2022 Credits							1	-9.95			1	-9.95
2022 Investigators/Licensee/Commission/Board Meetings					3	1,482.92	2	1,557.65			3	3,040.57
2022 Liquor Department Directors Meeting					3	613.33					3	613.33
2022 Meeting with Kauai Co Liquor Control Director					1	595.12	1	165.61			1	760.73
2022 Meeting with Maui Co Liquor Control Director							1	208.10			1	208.10
2022 NABCA Annual Conference					10	26,144.80	1	1,350.85			10	27,495.65
2022 NCSLA Annual Conference					6	7,937.18	1	74.22			6	8,011.40
2022 NCSLA Central/Western Regional Conference							2	3,676.67			2	3,676.67
2022 NCSLA Regional North/South Conference							3	6,834.37			3	6,834.37
2022 State Liquor Investigator Workshop							12	2,076.69			12	2,076.69
2022 Work Assignment							1	261.84			1	261.84
2023 (36th) NLLEA Annual Conference									6	13,153.43	6	13,153.43
2023 Annual State Liquor Conference									24	12,989.56	24	12,989.56
2023 Billing Error									1	178.01	1	178.01
2023 Corrections							1	-5.00			1	-5.00
2023 EBCI Meeting									1	351.01	1	351.01
2023 Investigators/Licensee/Commission/Board Meetings							4	1,700.12	1	922.65	4	2,622.77
2023 Luncheon with the Mayor							2	142.40			2	142.40
2023 Mayors Town Hall							2	776.20			2	776.20
2023 Meeting with Kauai Co Liquor Control Director							1	240.80			1	240.80
2023 NABCA Annual Conference							6	23,794.62	1	1,145.02	6	24,939.64
2023 NCSLA Annual Conference							7	18,710.02			7	18,710.02
2023 NCSLA North/South Regional Conference									6	21,341.49	6	21,341.49
2023 State Liquor Investigator Workshop									8	9,795.14	8	9,795.14
FY	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total						
Event	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures	Travelers	Expenditures
2023 Work Assignment							6	2,829.77	5	2,708.80	7	5,538.57
2024 Credits									1	-178.01	1	-178.01
2024 Investigators/Licensee/Commission/Board Meetings									1	524.65	1	524.65
2024 Joint Labor Management Seminar									1	35.00	1	35.00
2024 Liquor Department Directors Meeting									3	387.98	3	387.98
2024 NABCA Annual Conference									6	17,275.63	6	17,275.63
2024 NCSLA Annual Conference									7	18,951.48	7	18,951.48
2024 Work Assignment									2	628.24	2	628.24
Total	34	74,033.58	6	5,727.60	25	82,995.64	36	104,766.08	33	100,210.08	55	367,732.98

Attachment 2 – Director’s Explanation of Travel Priorities

Tyler,

We don't have a written policy, but I'll tell you how we operate our travel. Of course, this is all dependent on funding, but most years, we are OK. We typically have 5 main conferences that we participate in.

1. NABCA ANNUAL National Alcohol Beverage Control Assn
2. NCSLA ANNUAL National Conference of State Liquor Administrators
3. NCSLA CENTRAL/WESTERN
4. NCSLA NORTH/SOUTH
5. NLLEA ANNUAL National Liquor Law Enforcement Assn Chair

At the start of the Calendar Year, we start by offering both our Commission and Board Chairs and Vice chairs their choice of conferences, Chairmen first, then Vice-chairs, after that we go down the list and go by seniority. Typically, we try to vary the conferences among the attendees, so that everyone has a chance to go to each of the association's conferences. After that I do the same with the senior staff, I try to send at least one or two staff members with the group to assist them in their travel and to be liaisons between them and the organizations. We have had no problems with this procedure.

We have an annual state conference and investigators workshop, we will send all commissioners and board members to the state conference along with the senior staff. We send all of the investigators and other support staff to the investigators workshop.

When I took over this department, only the Commission was scheduled to travel and it didn't always include all of them. Early on in my tenure, I expanded this to the Board members as well as I felt it was unfair to not include them. Although I never encountered any complaints or problems, I felt that both sides were volunteers, we valued their service and we would try to take care of all of them. In fact, some of the members have served on both Commission and Board, which has also helped and given us a bigger return on our investment in them. I hope this helps, if you have more questions, please let me know.

Gerald

Attachment 2: Department of Liquor Control Director's Explanation of Travel Priorities
Source: Electronic mail dated August 25, 2024, 5:57 p.m.

Attachment 3 – Board of Ethics Minutes¹

Excerpt from Board of Ethics October 9, 2024, Minutes:

HAWAI‘I COUNTY BOARD OF ETHICS

MINUTES – REGULAR SESSION

Wednesday, October 09, 2024

10:02 a.m. – 11:55 a.m.

Hawai‘i County Building

25 Aupuni Street

County Council Chambers

Hilo, Hawai‘i 96720

Members and Staff Present:

Rachel Short, Chair

Christopher Ho, Vice Chair

Lisa Fukumitsu, Member

Denise Nakanishi, Member

Scotty Paiva, Member

Kelly Valenzuela, Member

Sylvia Wan, Deputy Corporation Counsel

Khayla-Lei Peiler, Secretary

¹ County of Hawaii Board of Ethics October 9, 2024 Minutes. Agenda Item #5 New Business:

<https://records.hawaiicounty.gov/WebLink/1/edoc/140783/10-09-24%20Regular%20Session%20Minutes.pdf> Date accessed: 2/28/2025.

5. NEW BUSINESS (10:12 A.M.)

- a. Petition 2024-14: Review of a Petition from a County officer seeking clearance and guidance regarding a potential conflict of interest.

Ms. Short: Number 5 New Business. Do we have any public testimony on this agenda item?

Ms. Wan: Um Chair, you should probably um just go...

Ms. Short: Petitions.

Ms. Wan: Yeah. But I will note I don't have any presently.

Ms. Short: Ok, awesome. Calling Petition...

Mr. Paiva: Can I interrupt. Member Paiva. I'd like to recuse myself from Petition 2024-14 because I have been lifelong friends with Gerald.

Ms. Short: We'll give Scotty a second to step down and recuse himself from this petition before we call it.

Ms. Wan: Um, okay. I mean, technically, I think you should call it first, and then he recuses. But I understand that's what's happening.

Ms. Short: Okay, so calling petition 2024-14, the review of a petition requesting an informal advisory opinion, Scotty, for the record, is recusing himself, and we invite the petitioner to come up at this time.

Ms. Nakanishi: Chair. I...I also like to note that I do have...hold a liquor license, well actually I think it's, they just cancelled it a couple of days ago. Just for the record.

Ms. Wan: And...And just to clarify with those statements, do you feel that um you have any reason to recuse at this time?

Ms. Nakanishi: I do not.

Ms. Wan: Okay. Thank you. So noted.

Ms. Short: Good morning. Would you please state your name, be sure you push you button for the record.

Mr. Takase: Good morning my name is Gerald Takase I'm the director of Liquor Control for the County of Hawaii. And uh I guess I submitted the petition as a um request by um myself and the um County Auditor. Um, maybe a little background as to why we're here. Um our department is currently undergoing an audit by the auditor. Um one of the questions that was raised was um our travel. And um how our commissioners um I guess are awarded travel um. The question that came up was um I'm a Commission appointee. So the commissioners um I guess direct me to or assign me and um select me. The question came up with whether there's *inaudible* influence by them, by virtue of their position on selection for travel. And um I never thought it was a problem, um but the auditor thought it might be best to come to get kind of a declaratory ruling on the case. Um so that's why we're here. Um we um we have a procedure that we use when we award travel. Um usually I go um first to the... I have two boards, a liquor commission and a liquor adjudication board, nine members on the commission, five members on the Adjudication Board. Usually when we um put out their requests for travel during the year, I first go to the two Chairman, and I allow them to select if they would like to attend or not, then I go down to the Vice Chairman, and then after that, I go by seniority, you know whose been in the longest. So um and that's been our unwritten um I guess procedure. I did talk to the auditor, and I think one of his recommendations

was we write it up. And um we're in the process of writing that up. So that's the uh where we stand. I will say, from my um position, that uh I've never had what I would perceive, any questions or undue influence by any members of the commission or the board as to you know "I want to travel her or there. And you know you should, you better let me do that." So I...that's why I say I don't know why we really had to come because it's not a because it's not a current question, and I don't foresee it based on uh members that are on the commission or the board for now but I...I see maybe you know I think the auditor talked about, well, it could become a problem at some point in time, but um... I don't really see it from the people that sit on the board, you know, similar to you folks, they're all volunteers, but um you know, they're not... I don't see that they're in it for personal gain or anything like that. And I... I have a lot of respect for them, so I felt kind of bad coming here like they're doing something wrong and I... I want to say it clearly that you know they have done nothing wrong, and there's never been any question in my mind about it. So I guess that would be my *inaudible* so I think what we needed from you folks is just that either the um procedure is fine and there's no finding that there's any conflict um by the commissioners towards myself.

- Ms. Short: Thank you very much for your testimony. Does anyone have the board have questions at this time?
- Ms. Nakanishi: Gerald I have a question. Are you talking about just interisland or I mean um you know from here to Kona or interisland, mainland?
- Mr. Takase: No. We also have um mainland trips that we send them to. You know um Department of Liquor Control is kind of controlled by three sets of rules, Federal rules, State rules, and the County rules so most of the state and federal rules well federal rules I guess I should say, come from training that we receive off of island and um, it's kind of a unique circumstance that we're required to enforce those rules as well, even though there's really no um local um interaction with them so um that's kind of our only chance to um receive that type of training.
- Ms. Nakanishi: And...And so if it's a mainland trip how do you select whose going at this time? If it's not in writing?
- Mr. Takase: So I offer it to the Chair people first, then Vice Chairs, and then I work my way down through seniority.

Ms. Short: Is that like written somewhere? That... that procedure you take or is that just your way of doing it? Just for clarification.

Mr. Takase: It was not written prior to that. I actually wrote it up since then, so I have copies available.

Ms. Short: Okay, yeah that would be great. How long have you been doing this procedure that you're presenting.

Mr. Takase: So I've been the Director for 13 years now and um probably I think about 12 of those years I've done that. Um, I... I kind of wanted to provide a fair system to all of them to travel. So that's... that's how I kind of came up with this procedure.

Ms. Short: I missed that at the beginning. How long have you been had this procedure in place you'd say?

Mr. Takase: I said I've been in for about 13 years so at least 12. I don't know specifically when I started.

Ms. Short: Okay so about 12 years this has been the procedure.

Mr. Takase: Yes.

Ms. Short: Okay. Does anyone else on the Board have questions?

Mr. Ho: Chris Ho. I have a few questions. Thank you Mr. Takase for being here. Um question, the first one, so you said that there's two separate components um within that so there's Liquor Commission and then there's the Adjudication Board. When you're determining what type of trainings to attend are there ones that are specific? Let me back up my apologies, what's the difference between the two Boards?

Mr. Takase: So the commission will hear um licensee's cases, they award applications and they grant the license to the um licensees. Um if there's complaints or anything uh concerns they will hear those and if necessary condition the license upon it. Um I'd say you know by and large, we're able to address any of the concerns that come from the public. A lot of times we'll get um you know licensees come up and uh say in Kona particularly down on Alii Drive there's concerns that they're going to make noise and things like that so

um rather than waiting for the actual hearing to come up we will help assist uh meeting with the potential licensees and the public and try to fashion a um solution for both sides. And usually it's just a matter of setting some parameters in terms of how long entertainment is going to run. Those things making them aware that they have um... um some obligation to make sure that their patrons leave you know in an orderly fashion and um I'd say that we've been very effective at doing that and we haven't had a problem, and that's primarily the Commission's role. The adjudication board will hear violations. Um so once somebody violates our rules or state law, citations are issued, and those case come before the liquor adjudication board. So it's a five-member board that will hear the case, decide whether there's a violation or not, and then um administer punishment.

Mr. Ho: Okay. Thank you very much for that. I was personally trying to figure out what was happening. So which of those two boards determines if your position will be filled by you?

Mr. Takase: The Commissioners.

Mr. Ho: So the Commission side not the Adjudication side.

Mr. Takase: Yes. So, I'm a commission appointed um Director. There's I think 4 in the County um. Myself, the Human Resources director by the Department of Civil Service, the Water manager um by the Water Commission and the Fire Commission and Police Commission appoint the Chief's of those respective departments.

Mr. Ho: Okay so when you're in your position and you're looking at what type of training um you would want to send individuals to um are they training that are open and available and would serve the benefit of both groups? Or is it looking for one that benefits one versus the other?

Mr. Takase: I would say by and large they, they are probably more commission related, but you know the adjudication board kind of gets into the mix too cause they need to understand what's happening in the licensees. So it... it's I think it serves a purpose for both of them.

Mr. Ho: Okay.

Ms. Nakanishi: So Gerald. Just to clarify. Cause they probably *inaudible* the liquor commission is or liquor board is self-supporting right?

Mr. Takase: Yes so...

Ms. Nakanishi: You don't use federal... uh you don't use County funds.

Mr. Takase: Yeah the Liquor Department is totally self-funded. Our funding comes from the uh licensees fund so there, there are no County funds um spent by the... in fact we reimburse the County for a lot of the other expenses um our um you know like we have Corp Counsel assigned to us so we pay what's it called fringes back to reimburse the County for those types of expenses.

Ms. Short: Does anyone have more questions at this time? Um, do we have any motions at this time based on the information presented before us?

Mr. Ho: Chris Ho. Move to find no conflict with...

Ms. Wan: Do you need a moment to draft?

Mr. Ho: Yeah. I kinda do. Sorry I just looked at it and it just left my head.

Ms. Wan: Okay, um do you want to do a recess in place or do you want to do a timed recess Chair?

Ms. Short: Let's call for a five-minute recess. It's 10:25 we'll reconvene at 10:30. Thank you everyone.

Ms. Wan: Thank you.

Board calls for a five-minute Recess (10:25 a.m.)

Board returns from Recess (10:31 a.m.)

Ms. Short: Hawaii County Board of Ethics reconvening at 10:31 a.m. We are on Petition 2024-14. I believe we were entertaining a motion at this time?

Mr. Ho: Madam Chair with your permission I'd like to ask one more question.

Ms. Short: Absolutely.

Mr. Ho: Before we begin. Thank you um Mr. Takase I have a quick question with what you provided to us, would you say that this is the um just uh like a introductory to the policy? Is it a little bit more than this? Or is it just this?

Mr. Takase: Uh well I just jotted down what I've been following so it's, I think that's about it really. There's not, it's not that complicated I guess a procedure.

Mr. Ho: Okay. Thank you. I'm ready to move forward.

Ms. Short: Please, Vice Chair.

Mr. Ho: Chris Ho. Move to find no conflict as long as the Department creates, in writing, their current policy and follows the written policy, should any alteration or change to the policy be created it is suggested to bring them to this board for comment before enacting said.

Ms. Wan: So, Deputy Corporation Counsel Sylvia Wan. Just to clarification on the motion, when you say before the board, are you saying the board of ethics? Or are you saying the the liquor commission and liquor adjudication? Since that's the policy in which it would be affecting.

Mr. Ho: I would say both.

Ms. Wan: What? What is both? Can you articulate?

Mr. Ho: Yes. Um bring them to both Liquor Commission and Adjudication Board but also to the Ethics Board.

Ms. Short: So all three Boards.

Ms. Wan: Okay. Is there... Is there a particular reason that you would see that there's a conflict to come back before this board again?

Mr. Ho: The only way I see it is it's already here now, one time, because there were questions that arose from uh someone else looking at it. So if something were to change, with what's already there what's to stop there from being more questions. But that's kind of going

down a rabbit hole, so I'll leave us out of it until such time as it may be deemed necessary that we have to go to that extreme. So just the Adjudication and the Liquor Commission Boards.

Ms. Wan: Okay and since there was this back and forth regarding your motion can you please restate your motion?

Ms. Short: And maybe mention the two liquor boards where it said before the board.

Mr. Ho: Alright Chris Ho. Move...sorry since I had already made the motion...

Ms. Wan: It's not completed. It wasn't seconded yet.

Mr. Ho: Okay I just wanted to make sure for the record that particular section died so I get to start over?

Ms. Wan: Yes.

Mr. Ho: Awesome. Um Chris Ho. Move to find no conflict as long as the Department creates in writing their current policy and follows their written policy, should be any alterations or changes to the policy be created it is suggested to bring them to the Liquor Commission Board and the Liquor Adjudication Board before enacting said changes.

Ms. Short: Do I have a second to that motion?

Ms. Fukumitsu: Board member Fukumitsu. Second.

Ms. Short: Any discussion to be had? Hearing and seeing none, I will call for the vote. All in favor. Please say Aye.

All members say aye in unison

Ms. Short: Any opposition, please say nay. Hearing and seeing none the motion so passes.

Mr. Takase: Thank you very much.

Ms. Short: Thank you so much for your time. And you'll be getting something formally in writing in response to this.

Ms. Wan: So the draft of the Opinion will be on next month's agenda.

Ms. Short: Thank you.

Ms. Wan: Deputy Corporation Counsel Sylvia Wan. I'll note the return of member Scotty Paiva.

Motion and Vote: Vice Chair Ho moved to find Petition 2024-14 in no conflict; Board member Fukumitsu seconded; Five members voted aye. One member recused. Motion passed. (10:35 a.m.)

Tyler J. Benner
County Auditor

County of Hawai'i
Office of the County Auditor

120 Pauahi St., 309
Hilo, HI 96720
808.961.8386

www.HawaiiCounty.gov



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