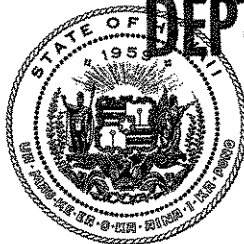


STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawai'i 96813-2917



DEPT. COMM. NO. 41

MARION M. HIGA
State Auditor

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April 16, 2008

The Honorable Colleen Hanabusa
President of the Senate
State Capitol, Room 409
Honolulu, Hawai'i 96813

Dear Madam President:

I transmit to you a copy of our report, *Performance Audit on the State Administration's Actions Exempting Certain Harbor Improvements To Facilitate Large Capacity Ferry Vessels From the Requirements of the Hawai'i Environmental Impact Statements Law: Phase I.*

We found in this first phase of the audit that, faced with too little time and opposition from Hawaii Superferry, Inc., the Department of Transportation abandoned efforts to prepare an environmental review for harbor improvements needed to accommodate the ferry service. Flawed EIS law and rules enabled the department to invoke its exemption determination list and ignore calls for and bypass the environmental review. In the end, the State may have compromised its environmental policy in favor of a private company's internal deadline that drove the entire process. It remains to be seen whether these decisions will cost the State more than its environmental policy. These are issues we intend to discuss in Phase II of our audit.

We hope that the report will assist you in reviewing the issues examined. We will place the report on our website, www.state.hi.us/auditor, and release it to the public and press, on Thursday, April 17, 2008.

Sincerely,

Marion M. Higa
State Auditor

Enclosure

c: Carol Taniguchi, Senate Clerk