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DEPT. COMM. NO. 353

February 20, 2026

VIA EMAIL

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawaiʻi State Capitol, Room 409
Honolulu, Hawaiʻi 96813

VIA EMAIL

The Honorable Nadine K. Nakamura
Speaker, House of Representatives
415 South Beretania Street
Hawaiʻi State Capitol, Room 431
Honolulu, Hawaiʻi 96813

Re: *Audit of the Department of Land and Natural Resources' Division of Boating and Ocean Recreation*, Report No. 26-05

Dear President Kouchi and Speaker Nakamura:

Please find attached Report No. 26-05, *Audit of the Department of Land and Natural Resources' Division of Boating and Ocean Recreation*, along with a copy of the Auditor's Summary.

The report is accessible through our website at:
http://files.hawaii.gov/auditor/Reports/2026/26-05.pdf.

The summary is also accessible through our website at:
http://files.hawaii.gov/auditor/Overviews/2026/26-05AuditorSummary.pdf.

If you or other Legislators have questions about the report or would like a printed version of the report, please let me know.

Very truly yours,

Leslie H. Kondo
State Auditor

Attachments

LHK:lml

cc/attach: Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

Auditor's Summary

Audit of the Department of Land and Natural Resources' Division of Boating and Ocean Recreation

Report No. 26-05



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In 2019, the Department of Land and Natural Resources (DLNR) told the Legislature that it needed help to ensure that vessel owners covered costs the Division of Boating and Ocean Recreation (DOBOR) was incurring to salvage grounded, derelict, and abandoned vessels, testifying that, since 2002, more than $2.2 million had been expended from the Boating Special Fund to address grounded, abandoned, or derelict vessels. House Bill No. 1033 (Regular Session 2019) (HB 1033), which DOBOR's then-Administrator helped author, would have required all vessel owners to have insurance of not less than $500,000 that included coverage to remove and salvage a grounded vessel.

The Legislature enacted an amended version of HB 1033, limiting its application to vessels 26 feet or more in length and smaller vessels whose owner previously grounded a vessel, requiring those owners to obtain at least $100,000 in salvage insurance. Act 94 (Session Laws of Hawaii 2019), codified as Section 200-13.5, Hawaii Revised Statutes (HRS), took effect on December 31, 2019.

However, we couldn't assess whether the insurance that DLNR said was necessary has "greatly reduced," as the department represented it would – or has even reduced – the department's costs to remove and salvage grounded vessels; we could not determine whether the insurance requirement has helped to ensure that vessel owners are held responsible for the costs that DOBOR incurred to remove and salvage their grounded vessels.

DOBOR is responsible for holding boaters accountable for costs associated with their grounded vessels that, by law, are their responsibility.

However, DOBOR's efforts to recover those costs were – and continue to be – cursory and insufficient.

What we found

We found that DOBOR did not know the amount that it had paid to remove and salvage grounded vessels, net of repayments by responsible boaters, even before seeking legislative help through HB 1033, and for that reason, DOBOR could not determine whether the insurance requirement has effectively reduced the net amount that it has paid to address groundings.

Information about amounts that owners repaid DOBOR relating to groundings was not readily accessible. The Administrator said that the division had never been asked to provide that information, telling us that staff would have to manually calculate the amount by reviewing each boater's ledger in its accounting system. However, that is precisely the information – the net amount that DOBOR paid to address vessels aground – DOBOR must know to determine whether its primary funding source, the Boating Special Fund, is being depleted to pay for costs that are vessel owners' responsibility; that is precisely the information DOBOR needed before requesting legislation.

It is also unclear what risk DLNR wanted the Legislature's help to address through an insurance mandate. Certain risks noted in the bill as well as DLNR's testimony were unrelated to groundings; according to both the former and current administrators, Section 200-47.5, HRS, which was enacted well before 2019, already imposed responsibility for costs to address a grounded vessel on its owner. Instead, DOBOR wanted to address problems caused by trailered boats, i.e., those vessels that were not moored in one of the State's small boat harbors, which constituted the majority of vessels registered in the state. The former Administrator described accidents at DOBOR's launch ramp areas and parking lots caused by trailer vessels. "[We were] trying to cover all our bases the best we could," he explained.

We found that, soon after the law's effective date, DOBOR informed vessel owners that they would be required to present proof of the required insurance when registering, renewing, or transferring ownership of a vessel. But, before the end of 2022, DOBOR stopped requiring its registration staff to check for salvage insurance after vessel owners said they could not obtain the coverage. DOBOR also no longer requires salvage insurance as a condition of a mooring permit. DOBOR said that it determined that insurers would not write policies that met the legal requirements.

We also found DOBOR was not holding owners responsible for the costs to remove and salvage their vessels – before and after Act 94. Notably, the division did little to collect from vessel owners amounts that it paid to remove and salvage grounded vessels. DOBOR sent a single form letter to a single boat owner, demanding reimbursement. According to the Administrator, DOBOR did not send another letter or initiate any further collection action. The Administrator told us that the Department of the Attorney General did not have the capacity to help pursue collections and DLNR did not consider a collection

agency a priority. The O‘ahu District Manager, however, said a single letter was “not enough” when each incident that requires DOBOR to remove a vessel aground cost $12,000 to $50,000.

Why do these problems matter?

DOBOR is responsible for holding boaters accountable for costs associated with their grounded vessels that, by law, are their responsibility. However, DOBOR’s efforts to recover those costs were – and continue to be – cursory and insufficient. Instead, DOBOR paid the cost to remove and salvage vessels aground using the Boating Special Fund, its primary funding source, reducing the amount available for harbor improvements and maintenance.

It is unclear whether the amount DOBOR represented it had paid since 2002 to remove and salvage vessels that either grounded, sunk, or were abandoned – $2.2 million – is net of repayments by vessel owners. Without an ability to readily track its costs to remove and salvage grounded vessels, including costs repaid by vessel owners, it is unclear whether DOBOR needed the Legislature’s help to ensure that owners could repay DOBOR, and as importantly, it is unclear whether the law that DOBOR represented was needed to “greatly reduce” its costs has effectively reduced those amounts. Without that information, neither DOBOR nor the Legislature can assess whether the law is achieving its purpose, whether it should be amended or even repealed.

DOBOR is accountable for managing public resources, and its cursory efforts to ensure that the public funds are expended appropriately – not used to cover costs that, by law, are the vessel owner’s responsibility – reflect an indifference to that responsibility and a waste of those resources.

Link to the complete report

https://files.hawaii.gov/auditor/Reports/2026/26-05.pdf

The Audible Audit

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Audit of the Department of Land and Natural Resources' Division of Boating and Ocean Recreation

A Report to the Governor and the Legislature of the State of Hawai‘i

Report No. 26-05
February 2026



OFFICE OF THE AUDITOR
STATE OF HAWAI‘I

OFFICE OF THE AUDITOR
STATE OF HAWAIʻI

Constitutional Mandate
Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices, and agencies of the State and its political subdivisions.

The Auditor's position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

Our Mission
To improve government through independent and objective analyses.

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

Our Work
We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

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We report our findings and make recommendations to the Governor and the Legislature to help them make informed decisions.

For more information on the Office of the Auditor, visit our website: https://auditor.hawaii.gov

COVER PHOTO: ISTOCK.COM

Foreword

Our audit of the Department of Land and Natural Resources' Division of Boating and Ocean Recreation (DOBOR) was conducted pursuant to Article VII, Section 10 of the Hawai‘i State Constitution and Section 23-4, Hawai‘i Revised Statutes, which authorizes the Auditor to conduct post-audits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

We express our appreciation to DOBOR's Administrator and staff for their cooperation and courtesy.

Leslie H. Kondo
State Auditor

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PHOTO: ISTOCK.COM

Audit of the Department of Land and Natural Resources' Division of Boating and Ocean Recreation

The Division of Boating and Ocean Recreation (DOBOR) has stopped enforcing its policy of requiring evidence of the insurance that vessel owners are legally required to maintain – enacted at the division's request – as a condition of registration; but the risks covered by the mandated insurance may not be those DOBOR wanted to address

Introduction

In 2019, the Department of Land and Natural Resources (DLNR) told the Legislature that it needed legislation to ensure that it could recover the costs that the department was having to pay to remove and salvage distressed vessels from the owners of those vessels. DLNR said that, since 2002, it had expended more than $2.2 million from the Boating Special Fund to address grounded vessels, derelict vessels, and abandoned vessels. The Boating Special Fund is DOBOR's primary funding source, paying for the administration of the State's vessel registration system; the operation, administration, maintenance of the State's small boat harbors; and personnel, among other things.

We discovered that DOBOR has done little to hold owners responsible for the costs that the department paid to remove and salvage their vessels, both before and after Act 94.

House Bill No. 1033 (Regular Session 2019) (HB 1033), which was part of the Governor's 2019 legislative bill package, proposed to require all vessel owners operating their vessels in state waters to maintain marine insurance coverage of at least $500,000 that covered the removal and salvage of a grounded vessel. According to DLNR, "[t]he bill would greatly reduce the resources that the Department must expend to remove a grounded or sunken vessel." The bill was amended during the legislative session, reducing the insurance coverage to not less than $100,000 and requiring the coverage only for vessels with a length of 26 feet or more and vessels less than 26 feet in length whose owners are the registered owner of a vessel that is or had been grounded in state waters. Act 94 (Session Laws of Hawaii 2019), codified as Section 200-13.5, Hawai'i Revised Statutes (HRS), took effect on December 31, 2019.

Our objective was to assess how effective Section 200-13.5, HRS, has been in reducing the amount the State pays to address vessels that run aground in Hawai'i waters. However, we could not determine whether the insurance requirement has "greatly reduced," as DLNR represented it would – or has even reduced – the department's costs to remove and salvage grounded vessels; we could not determine whether the requirement has helped to ensure that vessel owners are held responsible for the costs that DOBOR incurs to remove and salvage their grounded vessels.

We discovered that DOBOR has done little to hold owners responsible for the costs that the department paid to remove and salvage their vessels, both before and after Act 94. DOBOR's efforts to pursue collection of the costs it incurred were – and continue to be – limited, almost non-existent, including against owners whose vessels may have been insured. And, DOBOR does not maintain information that allows management or others to readily track repayments DOBOR receives. DOBOR simply does not know whether it recovered from vessel owners or their insurers the costs it expended that, by law, are the owners' responsibility; it does not know how much of the costs it paid to address grounded vessels has been – or could have been – recouped from vessel owners, either before or after the insurance became a statutory requirement in 2019.

And, today, DOBOR believes that the removal and salvage coverage (salvage insurance) is not readily obtainable in Hawai'i and no longer requires evidence of the required insurance coverage at vessel registration, a policy that it adopted soon after the law's effective date.

The risks DLNR was trying to address through the insurance requirement are unclear. DOBOR's testimony in support of HB 1033 as well as DOBOR's explanation to us – by both the former and current division administrators – reflect a confusing myriad of concerns, not all of which relate to the risk of vessels grounding in state waters and, more importantly, not all of which are likely addressed by the insurance required under Section 200-13.5, HRS.

We conclude that the insurance coverage requirement that DOBOR said was needed has done little, if anything, to protect the Boating Special Fund and ensure that it is available to support DOBOR's operations, including harbor maintenance and improvements; Section 200-13.5, HRS, most likely has not resulted in more vessel owners paying costs that are their responsibility – and if it has, DOBOR does not know.

Chapter 1

Background

The Board of Land and Natural Resources (BLNR) is responsible for managing and administering the State's ocean-based recreation and coastal programs.[1] That responsibility has been delegated to DOBOR,[2] whose operations are primarily funded through the Boating Special Fund, which is comprised of vessel registration and permit fees and other revenues generated at small boat harbors. Amongst its many provisions creating and defining the State's ocean recreation and coastal areas program, including the private use of the state ocean waters, the vessel registration system, and the small boat harbors, Chapter 200, HRS, defines the program's functions, powers, and duties. It also imposes certain requirements and responsibilities on those operating vessels on the ocean waters controlled by the State, which extend three nautical miles from Hawai'i's shorelines. Regarding vessels that run aground, since 2006, Hawai'i law has unambiguously placed the responsibility to immediately remove the vessel on its owner: "All vessels grounded on state submerged lands, shorelines, or coral reefs shall be removed immediately by the owner or operator at the owner's or operator's expense." If not removed by the owner within 24 hours, DLNR is empowered to assume control of a grounded vessel, and costs that it incurs to remove the vessel are the owner's sole responsibility. The vessel owner also is solely responsible for damage to state or private property.

However, in 2019, DLNR told the Legislature that it needed to require vessels operating in state ocean waters to have insurance coverage so the State did not continue to be responsible for the costs to remove and salvage vessels aground. According to DLNR, since 2002, it had recorded 373 vessels that either grounded, sunk, or were abandoned in state ocean waters. Of those vessels, DOBOR removed 91– all of which DOBOR says were uninsured – expending $2,263,440.45 from the Boating Special Fund. Concerned about the grounded vessels straining its primary funding source, DLNR proposed requiring all vessel owners operating their vessels in state waters to maintain salvage insurance that covered the removal and salvage of a grounded vessel. DLNR testified that requiring vessels operating in state ocean waters to obtain insurance "would greatly reduce the resources that the Department must expend to remove a grounded or sunken vessel."

1. In 1991, the Legislature transferred the State's boating and coastal areas program from the Department of Transportation to BLNR, leading to the creation of DOBOR.

2. DOBOR is one of 10 divisions under the Department of Land and Natural Resources. DOBOR states that its purpose is to "preserve Hawai'i's natural and cultural resources while ensuring public access to State waters and enhancing the ocean experience."

Small Boat Harbors 2025

DOBOR operates 16 small boat harbors across the islands. These boating facilities provide wet and dry storage for boats, such as mooring slips, and areas for vessel operators and passengers to board and disembark. Most also offer trailer boat launching facilities, boat wash down stations, comfort stations, and passenger and trailer boat parking.

Kauaʻi

1. Kikiaola Small Boat Harbor
2. Port Allen Small Boat Harbor
3. Nāwiliwili Small Boat Harbor



Oʻahu

4. Haleiwa Small Boat Harbor
5. Waiʻanae Small Boat Harbor
6. Keʻehi Small Boat Harbor
7. Ala Wai Small Boat Harbor
8. Heʻeia Kea Small Boat Harbor



Molokaʻi

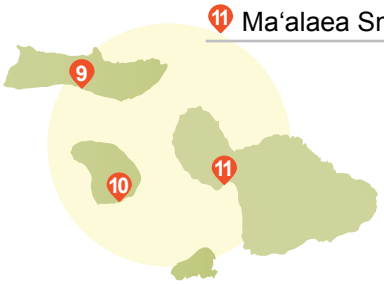
9. Kaunakakai Small Boat Harbor

Lanaʻi

10. Manele Small Boat Harbor

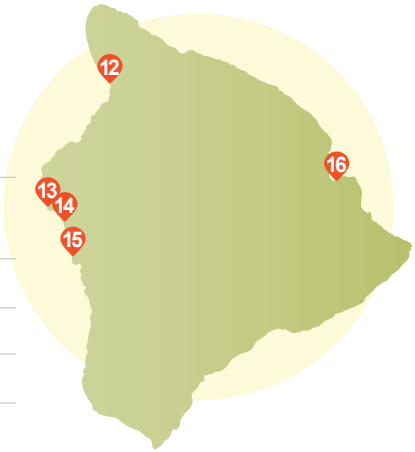
Maui

11. Maʻalaea Small Boat Harbor



Hawaiʻi Island

12. Kawaihae North & South Small Boat Harbor
13. Honokohau Small Boat Harbor
14. Kailua-Kona Small Boat Harbor
15. Keauhou Small Boat Harbor
16. Wailoa Sampan Basin Small Boat Harbor



The bill that DOBOR helped author was amended during the 2019 legislative session, reducing the insurance coverage to not less than $100,000 (down from $500,000) and requiring insurance only for vessels 26 feet or more in length and those less than 26 feet in length owned by the registered owner of a vessel that is or had been grounded in state waters. Act 94, codified as Section 200-13.5, HRS, took effect on December 31, 2019.

Impetus

We initiated this audit to assess DLNR's boating program, initially intending to assess DOBOR's management of the State's small boat harbors. Following our audit planning, however, we developed an objective focusing on DOBOR's vessel registration process, specifically, its policy to enforce compliance by boaters of the required insurance to cover salvage of grounded vessels. That objective was selected based on DOBOR's concern that its primary funding source was being depleted because boaters were not paying the costs to remove their grounded vessels and the legislation that was enacted, at DLNR's request, to address that concern. We conducted this audit pursuant to Article VII, Section 10 of the Hawai'i State Constitution and Section 23-4, HRS.

Audit Objectives

1. Assess whether the Division of Boating and Ocean Recreation processes vessel registrations and annual renewals in accordance with its policies and procedures and related laws; and

2. Make recommendations as appropriate.

Audit Scope and Methodology

We reviewed DOBOR's vessel registration and annual renewal processes relating to the insurance required under Section 200-13.5, HRS, and also reviewed DOBOR's process to obtain a mooring permit, specifically, the insurance requirement. Our review included the period from December 31, 2019, which is the effective date of Section 200-13.5, HRS, through July 2025, and when appropriate, included prior years and/or the current fiscal year. We conducted our audit work from February through August 2025.

We reviewed DOBOR's applicable statutes and administrative rules, specifically, Chapter 171, HRS, Public Lands; Chapter 26-15, HRS, Department of Land and Natural Resources; Chapter 200, HRS, Ocean Recreation and Coastal Areas Programs; Chapter 200-13.5, HRS, Vessel Insurance; Chapter 200-47.5, HRS, Vessels Aground; Title 13, Chapter 231,

Hawai‘i Administrative Rules (HAR), Operation of Boats, Small Boat Harbors, and Use Permits for All Navigable Waters; and Title 13, Chapter 241, HAR, Numbering and Titling of Vessels. We also reviewed the legislative history of vessel registration and titling.

We reviewed documents maintained by DOBOR relevant to the division's vessel registration and renewal processes; policies; procedures; manuals; emails; an inventory and appraisal of DOBOR's small boat harbors; vessel registration files; mooring permits and the documents associated with those permits; various boating reports related to vessel registrations, inspections, groundings, and delinquencies; and harbor tenant manuals. We also reviewed DOBOR's 2024 strategic plan and its 2019 strategic action plan.

We performed a walkthrough of DOBOR's information technology systems (i.e., Yardi, Vessel Registration and Titling) and observed how vessel registration was performed on O‘ahu; visited the O‘ahu small boat harbors at Ala Wai, Ke‘ehi, Haleiwa, He‘eia Kea, and Wai‘anae; and interviewed DOBOR management and staff, including the Administrator, Former Administrator, Acting Assistant Administrator, Harbor District Managers, Harbor Agents, Auditor, Vessel Registrar, and vessel registration staff. We also interviewed insurance industry representatives, a representative from the Insurance Division of the State of Hawai‘i Department of Commerce and Consumer Affairs, and the Department of Accounting and General Services' Risk Management Officer.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit 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.

Summary of Findings

DOBOR is not holding owners responsible for the costs to remove and salvage their grounded vessels.

Chapter 2

DOBOR is not holding owners responsible for the costs to remove and salvage their grounded vessels

We learned DOBOR has concluded that it cannot require boaters to obtain insurance coverage that insurers do not offer or is cost prohibitive, and the division has stopped enforcing the insurance requirement.

In its original form, HB 1033, introduced as part of the Governor's legislative package, required owners to obtain marine insurance coverage "of not less than $500,000 per occurrence, *in such a form and content as to ensure that removal and salvage of a grounded vessel are covered"* for *all* vessels operating on state ocean waters. The bill, itself, as well as DLNR's testimony in support of HB 1033, refer to the department paying over $2.2 million since 2002 to address grounded vessels that were uninsured and represent that the insurance requirement will "greatly reduce" the resources that DLNR must expend to remove grounded vessels.

The Legislature amended the department's proposed bill, maintaining the requirement that the coverage ensure the removal and salvage of a grounded vessel, but reducing the required insurance coverage to not less than $100,000 and requiring it only for vessels with a length of 26 feet or more and vessels less than 26 feet in length whose owners are the registered owner of a vessel that is or had been grounded in state waters, effective December 31, 2019.

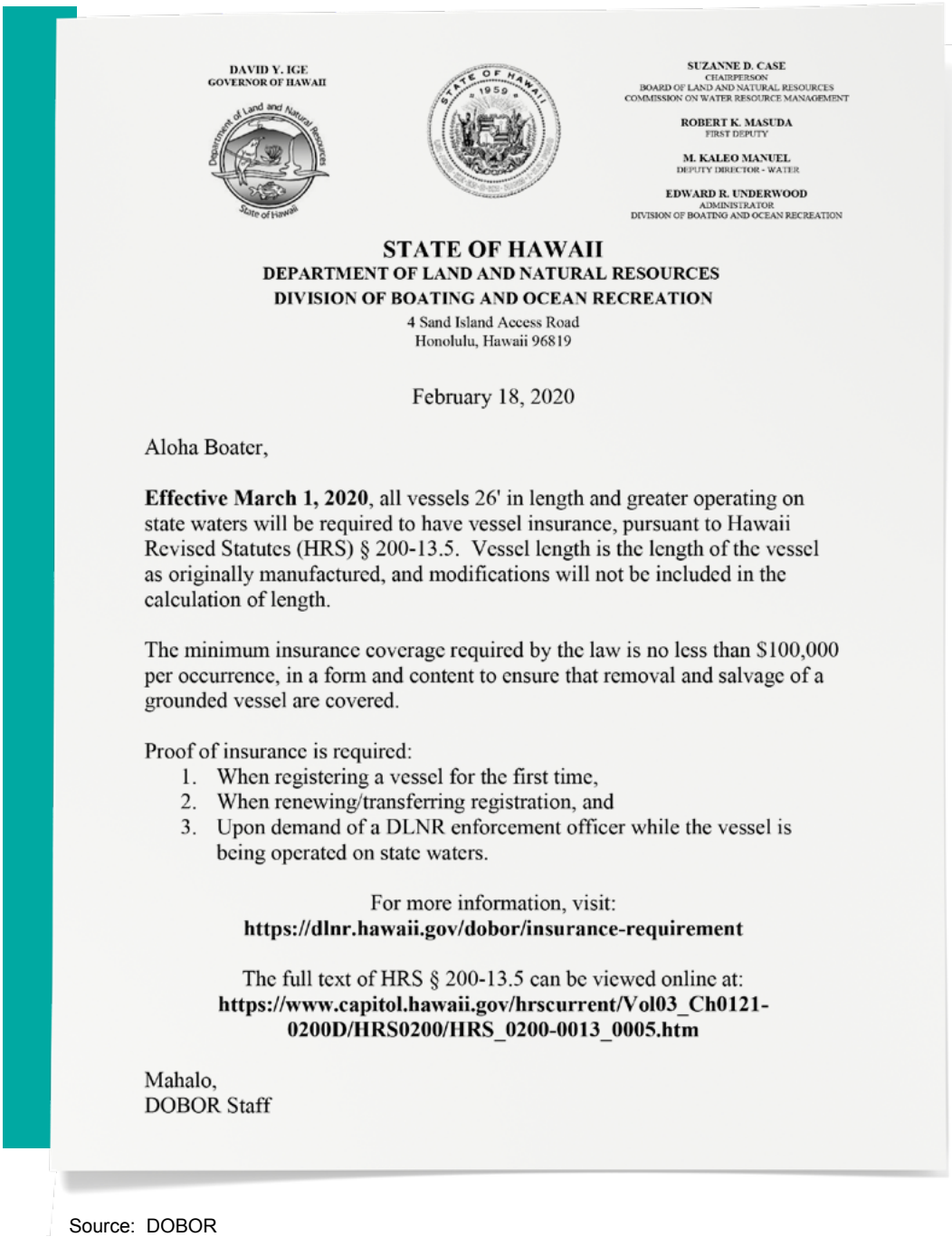
We found, however, that DOBOR now believes that the majority of boaters cannot obtain the salvage insurance required by Section 200-13.5, HRS. We learned DOBOR has concluded that it cannot require boaters to obtain insurance coverage that insurers do not offer or is cost prohibitive, and the division has stopped enforcing the insurance requirement. Accordingly, the coverage that DLNR sought to ensure that owners paid the costs DOBOR incurred to remove their grounded vessels – costs for which they were already legally responsible – and to protect its special fund is effectively irrelevant; the law has not "greatly reduced," as DLNR represented it would – or has even reduced – the department's costs to remove and salvage grounded vessels.

DOBOR, now, doesn't think vessel owners can even obtain the insurance required by Section 200-13.5, HRS

Shortly after Act 94 took effect, DOBOR informed boaters of the new insurance requirement and that DOBOR would require proof of insurance as part of the initial vessel registration process as well as when renewing or transferring registration. DOBOR subsequently sent a different letter to owners of registered vessels that were 26 feet or more in length or who had

A Requirement -- For a Time

Shortly after the salvage insurance requirement went into effect, DOBOR informed applicable vessel owners that they would need to present proof of insurance when registering a vessel for the first time. DOBOR's policy went into effect on March 1, 2020, but is no longer being enforced because boaters said they could not obtain insurance that complied with Section 200-13.5, HRS.



DAVID Y. IGE
GOVERNOR OF HAWAII

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
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M. KALEO MANUEL
DEPUTY DIRECTOR - WATER

EDWARD R. UNDERWOOD
ADMINISTRATOR
DIVISION OF BOATING AND OCEAN RECREATION

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
DIVISION OF BOATING AND OCEAN RECREATION
4 Sand Island Access Road
Honolulu, Hawaii 96819

February 18, 2020

Aloha Boater,

Effective March 1, 2020, all vessels 26' in length and greater operating on state waters will be required to have vessel insurance, pursuant to Hawaii Revised Statutes (HRS) § 200-13.5. Vessel length is the length of the vessel as originally manufactured, and modifications will not be included in the calculation of length.

The minimum insurance coverage required by the law is no less than $100,000 per occurrence, in a form and content to ensure that removal and salvage of a grounded vessel are covered.

Proof of insurance is required:

1. When registering a vessel for the first time,
2. When renewing/transferring registration, and
3. Upon demand of a DLNR enforcement officer while the vessel is being operated on state waters.

For more information, visit:
https://dlnr.hawaii.gov/dobor/insurance-requirement

The full text of HRS § 200-13.5 can be viewed online at:
https://www.capitol.hawaii.gov/hrscurrent/Vol03_Ch0121-0200D/HRS0200/HRS_0200-0013_0005.htm

Mahalo,
DOBOR Staff

Source: DOBOR

owned a vessel that had grounded in the past, instructing them to provide to DOBOR proof of insurance that covered "removal and salvage of a grounded vessel." That instruction did not include a deadline for providing the requested proof of the required insurance, and it is unclear whether boaters complied with DOBOR's instruction.

At the time of our audit, DOBOR's website also included information about the mandatory salvage insurance. According to the posted information, the insurance is intended to address vessels that are trailered and those moored in private marinas that were not required to obtain insurance as a condition of a permit to moor in a state small boat harbor. It also advises that boaters are required to provide proof of salvage insurance when registering a vessel for the first time and when renewing or transferring the registration.

However, we learned that DOBOR had stopped requiring proof of insurance as part of the vessel registration process sometime in 2021 or 2022. According to the Administrator and Acting Assistant Administrator, the Former Administrator, who served in that position for 17 years before retiring in June 2024, rescinded the policy of requiring proof of salvage insurance after boaters told DOBOR that they couldn't get the required coverage. They said that insurers would not write a policy to meet the statutorily required coverage. The Acting Assistant Administrator told us that DOBOR had spoken with insurers and agents, and essentially, all of them confirmed that they would not provide the insurance required by Section 200-13.5, HRS.

DOBOR was told that insurers would not provide salvage coverage of $100,000 if a vessel is worth less than that amount; more specifically, according to DOBOR, the amount of salvage coverage is limited to 10 percent of the hull value, meaning a vessel must be valued at $1 million or more to obtain the required salvage coverage of $100,000. Only a very small percentage of nearly 14,000 vessels registered in Hawai‘i are worth $1 million or more. The Former Administrator estimated that about 80 percent of the registered vessels, including those moored in the small boat harbors, are "borderline." "I mean they're junk," he explained.

By the time of our audit, DOBOR understood that insurers were never going to be able to issue a policy that met the insurance requirements in Section 200-13.5, HRS. A State Farm representative we spoke with remarked, "If we were made aware of a bill, we would have provided our input and guidance for consideration."

Yet, in 2019, DLNR told the Legislature in its testimony supporting the bill that it had consulted with insurance providers and that the average annual cost of the insurance coverage proposed in HB 1033 was about $1,000.

What are neighbor island boaters providing?

On O‘ahu, owners process their vessel registration at DOBOR’s main office at Ke‘ehi Small Boat Harbor; on the other islands, vessel registrations are processed at DOBOR’s district offices on Kaua‘i, Hawai‘i Island, and Maui, which services Moloka‘i and Lāna‘i, as well as at certain small boat harbors.

DOBOR, however, does not have procedures or other controls to ensure vessel registration is performed uniformly across all islands. When we informed the Administrator and Acting Assistant Administrator that DOBOR’s vessel registration process on O‘ahu seems very different from that of the neighbor islands, the Administrator told us, “That’s nothing new.” She explained, “Right now, it’s pretty much we’re just dealing with it the best that we possibly can. We are extremely short-staffed and we have managers that don’t follow through on things. And we’re literally just trying to put out fires. And that’s just being 100 percent honest.” According to the Administrator, there is no process that is in place to ensure uniform application of vessel registration requirements across small boat harbors, statewide, or for management to ensure a uniform process.

The Acting Assistant Administrator, who oversees vessel registration, told us that, since 2021 or 2022, DOBOR had stopped requiring evidence that an owner had the insurance required by Section 200-13.5, HRS, as a condition of registering a vessel. According to the Acting Assistant Administrator, insurers were not willing to provide the coverage: “[t]here’s nothing out there in the insurance market that people can go to in order to comply with the law.”

However, the vessel registration staff on the neighbor islands said they continued to ask for proof of the required insurance as a condition of registration – and apparently owners are providing them with something that is acceptable evidence of that insurance. Until we told them during the audit, the Administrator and Acting Assistant Administrator were unaware that the neighbor islands were still requiring – and receiving – proof of the insurance that includes coverage to remove and salvage a grounded vessel.[1] “They shouldn’t [require proof] until we have this dealt with,” the Administrator said.

For instance, the Office Assistant on Maui stated that she checks for salvage insurance for vessels 26 feet or longer upon initial registration and recalled a specific instance where a boat was too old and could not obtain insurance, so it could not get registered. On Kaua‘i, the District Manager and registration staff reported that they check for the $100,000 salvage insurance for vessels over 26 feet in length. Although proof of salvage insurance is checked on Kaua‘i, staff immediately discards the document as soon as it is reviewed. On Hawai‘i Island, registration staff said they previously required proof of $100,000 in salvage insurance; they believe that effective sometime in the spring or summer of 2024, DOBOR’s Former Administrator was no longer enforcing the $100,000 salvage insurance requirement. Following that guidance, the Hawai‘i Island staff only required proof of $500,000 in general liability insurance for vessels 26 feet or longer upon initial registration.[2]

The Administrator confirmed that her predecessor sent a policy memo to district managers directing them to stop requiring vessel owners to present proof of salvage insurance at registration.[3] “I don’t think the controls are in place for insurance. I think there’s been so much confusion over whether or not people are still required to get the insurance and whether they can get the insurance,” the Administrator said. “I don’t think there’s clear oversight when it comes to insurance with our staff.”

1. We reviewed boater files provided by DOBOR which included evidence of insurance that appeared to cover salvage and removal in the event of a grounding.

2. It is unclear whether Hawai‘i Island staff confused the insurance that DOBOR was requiring to register a vessel with that required as a condition of a mooring permit. We are unaware of any requirement – either statutory or policy – that required $500,000 of insurance coverage to register a vessel.

3. DOBOR administration was unable to locate a copy of this policy. The guidance is not reflected in DOBOR’s current *Vessel Titling and Registration Staff Manual*, dated September 2023, which states, “An owner cannot renew their registration if they are required to obtain grounding insurance but do not show proof of coverage that complies with the law (Section 200-13.5, HRS).”

It is unclear what risk DOBOR wanted to address through legislation which became Section 200-13.5, HRS

HB 1033 originally required the mandated insurance to be "in such a form and content as to ensure that removal and salvage of a grounded vessel are covered." While the Legislature amended the bill during the session, the description of the insurance that boaters are required to obtain did not substantively change. And, to support the need for the insurance requirement, HB 1033 and DLNR's testimony in support of the bill refer to the department paying over $2.2 million since 2002 to address grounded vessels that were uninsured and the need to ensure that boat owners pay for the removal of their vessels that ground.

However, the Former Administrator, who was involved in drafting HB 1033, told us that the concern the bill was trying to address was *not* about recovering the costs that DOBOR paid to remove grounded vessels. The Former Administrator acknowledged that Hawai'i law was already clear that costs incurred by DOBOR to remove a grounded vessel were "the sole responsibility of the vessel's owner," regardless of vessel length. He said, "[t]hat's the statute (Section 200-47.5, HRS) we use" to recover costs DOBOR incurs to address grounded vessels.

According to the Former Administrator, DOBOR intended the legislation to address "a gap in insurance" by requiring "trailered" boats, i.e., vessels that use state launch ramps, to obtain insurance. The coverage was to address issues around the launch ramps: "[t]hings happen in the launch ramp areas, people banging into each other's cars, they knock the light poles down, things like that. So, we're trying just to cover all our bases the best we could," he explained. The current Administrator agreed, telling us that Section 200-13.5, HRS, "was really kind of tailored towards ramp users" because those boats don't have any insurance. There are almost 14,000 registered vessels in Hawai'i, less than 1,700 (about 12 percent) of which are moored in a small boat harbor. The remaining vessels – over 12,000 – are trailered.

The former and current administrators' recollections of what DOBOR intended the insurance requirement to address are consistent with certain portions of the bill and DLNR's testimony, both of which describe risks other than grounding. While the bill's plain language requires insurance to include salvage coverage, it seemed to also address other types of risks, stating that the insurance coverage would help "to ensure that in the event of *injury to another person, damage to property*, a grounding, or a sinking, the registered boat owner's insurance policy will be able to remedy any related costs." (Emphasis added.) Similarly, the bill's justification notes that, while the number of uninsured vessels had decreased since DOBOR began mandating insurance coverage as a condition of a mooring permit in 2009, there were a significant number of vessels that were not required to maintain

vessel insurance coverage because they do not have a mooring permit. That section concluded, "*the vessel insurance required by this bill would cover all incidents that may occur when utilizing a launch ramp or other state facility*." (Emphasis added.)[3]

The information posted on DOBOR's website about the mandatory vessel salvage insurance is similarly confusing. That posted information says that *the coverage is intended to address vessels that are trailered and those moored in private marinas* that were not required to obtain insurance as a condition of a permit to moor in a state small boat harbor. It then explains that the salvage insurance requirement is also designed to relieve stress on the Boating Special Fund caused by the grounded vessels that DOBOR has had to remove.

Whether DOBOR was uncertain about the risks that it intended the insurance to address – vessels aground or damages to launch ramps and other boating facilities – or about the different types of insurance needed for different types of risks, the result is that the insurance required under Section 200-13.5, HRS, and the risks that the insurance is intended to cover are unclear.

DOBOR's limited understanding of marine insurance and the extent of the coverage afforded thereunder led DOBOR to believe – mistakenly – that the salvage insurance required under Section 200-13.5, HRS, would cover damages to its launch ramps and other boating facilities

Beginning in 2009, DOBOR required vessels moored in a small boat harbor to have $300,000 of liability insurance. That requirement was increased to $500,000 in 2014, based on a Comptroller's directive that private organizations must obtain $500,000 of liability insurance coverage to use a state facility. But, according to the State's Risk Management Officer, that directive was "definitely not for marine operations." He told us that salvage coverage would not be within the scope of the liability insurance. The Risk Management Officer said that general liability is a separate policy from marine insurance, and for a boater to obtain coverage for salvage of a grounded vessel, the boater would have to first have a marine policy.

3. The amendment to HB 1033 required insurance only for vessels that are 26 feet or more in length, which according to the Administrator, was because a then-legislator's family members owned boats under 26 feet in length. According to the Former Administrator, the 26-foot length restriction significantly diluted DOBOR's intent. The vast majority of trailered vessels are less than 26 feet in length; larger vessels, i.e., those 26 feet or more are mostly moored in a small boat harbor. Moreover, the Former Administrator told us that, in reality, DOBOR rarely got involved in groundings of trailered vessels because those boats are small, "[t]hey go around Kāneʻohe Bay, end up on the reef flats, and they just get a tow back to the harbor and they put it back on the trailer."

However, the Former Administrator recalled being told that the general liability insurance would cover "sudden and catastrophic events, such as a grounding." The current Administrator also recalled that insurers had covered groundings under their general liability policies.

The insurance required by the plain language of Section 200-13.5, HRS, is not general liability coverage, i.e., coverage to, for example, address damages to launch ramps and other boating facilities; rather, the required $100,000 coverage must be in such a form to ensure the removal and salvage of the owner's grounded vessel. The Former Administrator said that he had thought that the insurance required under HB 1033 would address the risks he wanted to cover involving trailered vessels. However, Section 200-13.5, HRS, refers only to grounded vessels, not damages or injuries trailered vessels might cause on land. As we reported above, DOBOR eventually determined that most boaters could not obtain the required salvage coverage that included removal and salvage of a grounded vessel, leading DOBOR to suspend its policy to require evidence of the insurance as part of the vessel registration process. The Former Administrator also subsequently suspended DOBOR's requirement that mooring permittees have insurance coverage of no less than $100,000 that covers removal and salvage of a grounded vessel, telling his staff to continue requiring $500,000 in liability insurance coverage but that insurers would not include $100,000 of salvage coverage under the liability policy.

We discovered that DOBOR did not know then – and still does not know today – the net amount that it incurred to remove and salvage vessels grounded in state ocean waters.

When it asked the Legislature to require boaters to obtain salvage insurance coverage, DOBOR did not know whether responsible owners were refusing to repay – or were repaying – the amounts that DOBOR spent to remove their grounded vessels; and DOBOR still does not know

Costs that the division incurs to remove a vessel are, by law, the responsibility of the vessel's owner. In 2019, DOBOR testified in support of HB 1033 that it had spent over $2.2 million since 2002 to remove and salvage 91 vessels, all of which it said were uninsured. However, that testimony was silent about whether the sum accounted for amounts reimbursed by vessel owners and was after DOBOR had exhausted efforts to hold the vessel owners responsible for those costs.

We discovered that DOBOR did not know then – and still does not know today – the net amount that it incurred to remove and salvage vessels grounded in state ocean waters. Using the data that we obtained from DOBOR during the audit, we also could not determine how much DOBOR ultimately had incurred, net of payments by vessel owners or their insurers. That information is not easily accessible by management and would have to be "manually" calculated looking at, among other things, each boater's accounting ledger. DOBOR does not have a database or other record that

includes both DOBOR's expenses relating to groundings and vessel owners' accounts, including both amounts owed as well as payments received. We also found that, despite its concerns about the strain on the Boating Special Fund, DOBOR has not made recovering its costs from vessel owners and their insurers a priority, not even a low priority.

DOBOR does not track its net costs relating to the grounded vessels that DOBOR pays to remove and salvage

To track the vessels that DOBOR may become responsible for removing from state waters, DOBOR's district managers and harbor masters are instructed to report grounded or sunken vessels to DOBOR administration through a Grounded/Sunken Vessel Checklist. The checklist includes sections to report the location and time of the grounding incident as well as vessel and owner/operator information. The checklist is supposed to be periodically updated until the vessel is removed. It also indicates whether the vessel was removed by DOBOR and the cost of disposal, if paid by DOBOR. The checklist is transmitted by district managers to DOBOR administration, and the information on the checklist is transferred to a spreadsheet, which DOBOR refers to as its Statewide Grounding Report.

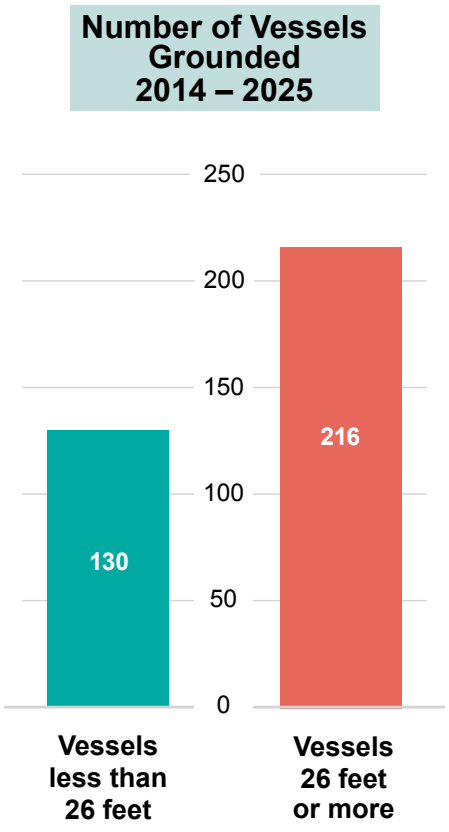
According to the Administrator, the amount that DOBOR reported expending since 2002 – $2.2 million – referred to in both HB 1033 and DOBOR's testimony supporting the bill, was from the Grounding Report. But, she did not know if that figure represented the net amount paid by DOBOR, i.e., net of amounts repaid or reimbursed by the owners of the vessels that DOBOR had paid to remove: "It was from the Grounding Report. Whatever is on the Grounding Report is where it came from. I don't know [whether that amount was gross or net]."

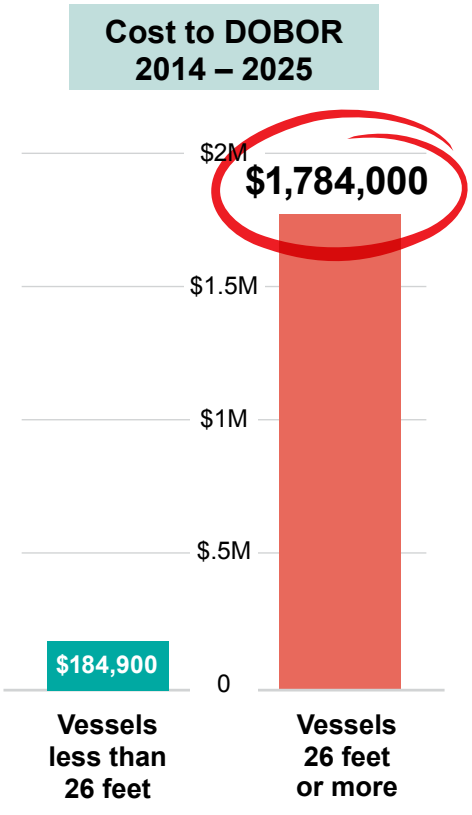
However, the Administrator also told us that the Grounding Report, which is part of DOBOR's Boating Safety Program, was created "to track groundings and nothing else." It was not intended to correlate to whether boaters repaid DOBOR for amounts spent to remove their grounded vessels. Both the Administrator and the Acting Assistant Administrator said that information about payments from owners relating to their vessels that DOBOR had removed is not maintained in the Grounding Report; that information as well as amounts that a boater owes is maintained in the division's electronic accounting and management system, called Yardi. The Grounding Report is not tied to Yardi: "[i]t's completely separate," the Administrator explained.

We asked the Administrator and Acting Assistant Administrator whether they knew the net amounts that DOBOR paid relating to a vessel aground. The Administrator told us that the division had

Statewide Grounding

According to DOBOR's Statewide Grounding Report, most of the state's groundings and the division's removal costs involve vessels longer than 26 feet, boats that must carry salvage insurance under Section 200-13.5, HRS.





Source: DOBOR

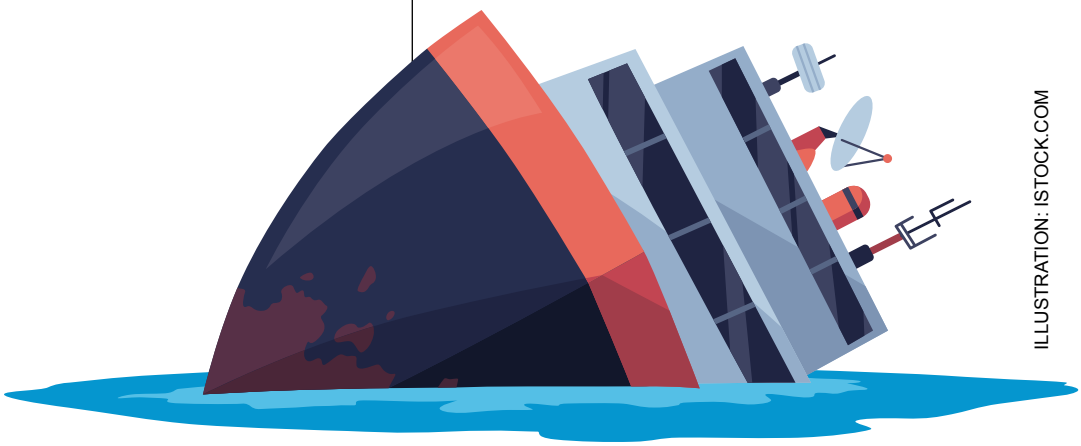


ILLUSTRATION: ISTOCK.COM

never been asked to provide that information. We were told that staff would have to manually calculate the net amount, which would require staff to look at each boater's ledger in the Yardi accounting system to determine how much each owes and the amounts that have been reimbursed.

We also asked the Administrator and Acting Assistant Administrator whether the insurance requirement in Section 200-13.5, HRS, had eased the financial burden on the Boating Special Fund. They didn't know. The Acting Assistant Administrator said that DOBOR would have to tally up the numbers in the Grounding Report and cross-reference that information with each boater's accounting ledger in Yardi to determine whether there was an outstanding account balance.

The Administrator and Acting Assistant Administrator similarly did not know how many of the grounded vessels that DOBOR has had to pay to remove and salvage were 26 feet or more in length. Without an automated process to generate the information, DOBOR would have to manually compile the data. The Administrator said that she didn't know if DOBOR could figure that out: "We don't have the staff to do that."

DOBOR's efforts to collect amounts it paid to remove and salvage a grounded vessel from the responsible owner are limited, almost nonexistent

Despite concerns that DOBOR's primary funding source, the Boating Special Fund, was being depleted to pay to remove and salvage grounded vessels – costs that are, by law, the vessel owner's responsibility – DOBOR's efforts to recover those expenses are minimal. We found DOBOR's efforts more akin to an honor system than a collections process: upon receiving an invoice from the contractor that addressed the grounding, DOBOR sends a single demand letter to the vessel owner, which generally returns unclaimed, we were told. "That letter is sent to the individual, and 95 to 99 percent of the time, it is not recoverable … we don't see any funds coming back." The Administrator told us the division will not send another letter demanding that the owner repay the costs that DOBOR incurred unless the division is provided with a new address: "We're not going to send another one unclaimed."

DOBOR proposed an abatement fund to address groundings

Even before passage of Section 200-13.5, HRS, DLNR sought a way to address grounded vessels outside of an insurance mandate. For instance, in 2018, the Legislature introduced a measure proposing a working group to resolve jurisdictional issues and provide coordination between the state and county agencies tasked with clearing marine debris from Hawai'i's beaches and shorefronts. DLNR submitted testimony opposing the bill and instead proposed creating a self-replenishing marine debris fund to be used to pay for removal of, among other things, grounded vessels from state ocean waters. Similarly, in DLNR's December 2024 report to the Legislature, DOBOR proposed a dedicated Marine Waterways Abatement Fund to support marine debris cleanup efforts.

The Acting Assistant Administrator said DOBOR had hoped to mirror other states' water abatement funds that are reserved specifically for sudden catastrophic events – unpredictable occurrences that moneys weren't set aside to cover. According to the Administrator, legislators instead pushed for vessel insurance, questioning the use of general funds. Since DOBOR's alternative funding proposals kept falling through, the division eventually proposed the salvage insurance requirement. "[Section] 200-13.5 we thought was the answer until the insurance groups said, 'No, that's not really the answer and we're not going to do that,'" the Administrator recalled.

Demand for Payment Letter

DOBOR provided a sample of a Demand for Payment letter, which is the division's primary means of recovering its grounding-related costs from responsible vessel owners; the division does not use a collection agency and we were told the Department of the Attorney General does not pursue collection from owners that may not have means to pay. According to the Administrator, the letters usually return unclaimed and DOBOR will not follow up unless provided with another address.

Event Timeline

Prior to grounding, the vessel was moored without a permit.

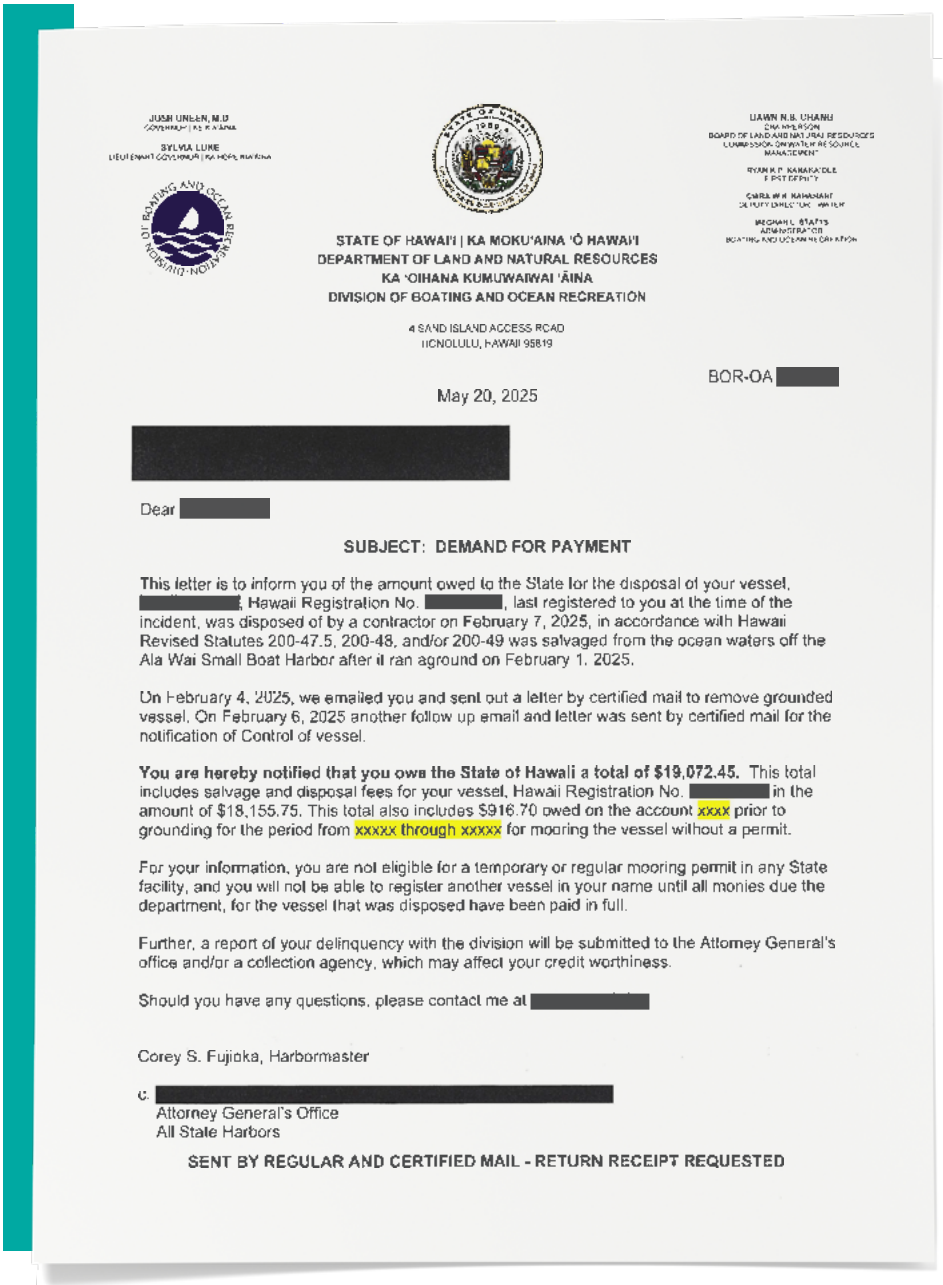
February 1, 2025
Vessel runs aground

February 4, 2025
DOBOR notifies the owner of the grounding by email and certified letter.

February 6, 2025
DOBOR notifies the owner of its control of the vessel by letter and email.

February 7, 2025
Six days after running aground, the vessel is salvaged by a contractor

May 20, 2025
More than three months after the grounding, DOBOR writes its demand letter to the vessel owner.



JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA
SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

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FIRST DEPUTY

CARTY S. CHANG
DEPUTY DIRECTOR - WATER

MEGHAN L. STATTS
ADMINISTRATOR
BOATING AND OCEAN RECREATION

STATE OF HAWAI'I | KA MOKU'ĀINA 'Ō HAWAI'I
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA
DIVISION OF BOATING AND OCEAN RECREATION

4 SAND ISLAND ACCESS ROAD
HONOLULU, HAWAII 96819

BOR-OA [redacted]

May 20, 2025

[redacted]

Dear [redacted]

SUBJECT: DEMAND FOR PAYMENT

This letter is to inform you of the amount owed to the State for the disposal of your vessel, [redacted], Hawaii Registration No. [redacted], last registered to you at the time of the incident, was disposed of by a contractor on February 7, 2025, in accordance with Hawaii Revised Statutes 200-47.5, 200-48, and/or 200-49 was salvaged from the ocean waters off the Ala Wai Small Boat Harbor after it ran aground on February 1, 2025.

On February 4, 2025, we emailed you and sent out a letter by certified mail to remove grounded vessel. On February 6, 2025 another follow up email and letter was sent by certified mail for the notification of Control of vessel.

You are hereby notified that you owe the State of Hawaii a total of $19,072.45. This total includes salvage and disposal fees for your vessel, Hawaii Registration No. [redacted] in the amount of $18,155.75. This total also includes $916.70 owed on the account xxxx prior to grounding for the period from xxxxx through xxxxx for mooring the vessel without a permit.

For your information, you are not eligible for a temporary or regular mooring permit in any State facility, and you will not be able to register another vessel in your name until all monies due the department, for the vessel that was disposed have been paid in full.

Further, a report of your delinquency with the division will be submitted to the Attorney General's office and/or a collection agency, which may affect your credit worthiness.

Should you have any questions, please contact me at [redacted]

Corey S. Fujioka, Harbormaster

c: [redacted]
Attorney General's Office
All State Harbors

SENT BY REGULAR AND CERTIFIED MAIL - RETURN RECEIPT REQUESTED

SOURCE: DOBOR

According to the O‘ahu District Manager, the unrecoverable grounding costs were a “significant part of lost revenue.”[4] He estimated the State must front salvage and removal costs for about 70 percent of grounded vessels – with costs generally ranging from $12,000 to $50,000 per incident. Sending a single demand letter is “not enough,” he said.

The Assistant O‘ahu District Manager provided an example of a Demand for Payment letter, which includes a timeline of when the vessel ran aground and was salvaged and lists prior attempts to contact the registered owner. DOBOR enumerates the total amount owed on a specific account, broken down into salvage and disposal fees and other fees, such as those incurred by mooring without a permit. The letter concludes by cautioning the owner of their ineligibility for mooring permits or new registrations until “all monies due the department for the vessel that was disposed have been paid in full” and providing notice that a delinquency report “will be submitted to the Attorney General’s office and/or a collection agency.” That appeared to be a toothless threat given that, at the time of our audit, DOBOR was not using a collection agency, and as we were told, the Department of the Attorney General is unwilling to pursue collection actions against vessel owners to recover DOBOR’s costs. “We have not had a way to capture funds that we’ve expended,” the Administrator said.

DOBOR’s Acting Assistant Administrator said the division approaches a grounding under the assumption that the vessel owner or operator does not possess salvage insurance. The Acting Assistant Administrator also believes that most owners do not have the funds to reimburse DOBOR for salvage or clean-up: “The State’s basically eating the cost,” he said. While DOBOR used a collection agency through the Attorney General “a very long time ago,” the Administrator said the Attorney General no longer has the capacity to assist and the division has not been able to contract with a collection agency since. She said there had been discussions about a department-wide collection agency, but it was not necessarily a priority for DLNR. The Acting Assistant Administrator added that delinquent vessel owners may not have many assets and recalled that a couple individuals declared bankruptcy to try to get out of fees and fines DOBOR wanted to collect. “We’re stuck,” said the Former Administrator, explaining that DOBOR’s only option was to go to court, which the Attorney General was not willing to do without assurances that the vessel owner had the resources to reimburse grounding costs.

4. According to the Assistant O‘ahu District Manager, in some instances in which a vessel that was not moored in a state facility grounded and DOBOR paid for salvage, no demand for payment letter was sent to the owner because of time constraints or for other reasons.

Conclusion

DOBOR referred to its costs to salvage grounded vessels to justify requiring vessel owners to obtain insurance; however, we found that DOBOR does not know how much it has incurred – the net amount – to address vessels aground. And, without that information, DOBOR does not know whether the Boating Special Fund, its primary funding source, is being depleted because boaters are refusing to pay the costs incurred by DOBOR to remove their grounded vessels. In 2019, DOBOR did not know whether insurance that included salvage coverage was needed to protect its fund; it does not know whether that insurance is needed even today.

We found that DOBOR does not maintain a readily accessible accounting of the net amount that it paid to salvage a grounded vessel. To determine the net amount, i.e., DOBOR's costs minus repayment or reimbursement by the owner and/or the owner's insurer, we were told would require staff to manually compile information from multiple databases, including from each owner's ledger in DOBOR's accounting system, which DOBOR does not have staff to do, according to the Administrator.

And, because it does not know whether it has been repaid for costs it incurred to salvage a grounded vessel, DOBOR does not know whether the insurance – coverage that it wanted and represented was necessary to protect its funding source – has effectively shifted responsibility for grounding-related costs to vessel owners.

We also found recovering those costs from boaters has not been – and continues not to be – a division priority. DOBOR sends one form letter – and only one – demanding payment. In our view, that does not represent a reasonable effort to hold boaters accountable for salvage costs incurred by DOBOR. DOBOR may believe that many owners are unable to repay those costs, whether personally or through insurance; however, its belief is simply speculative, not based on an assessment of the assets and other financial resources of the specific owner whose vessel grounded.

DOBOR simply cannot ignore its obligation to protect state funds, knowing that the Boating Special Fund continues to be misdirected (and misused) to support very few vessel owners rather than used to support DOBOR's operations, including harbor maintenance and improvements. DOBOR is accountable for managing public resources, which includes the Boating Special Fund, and its cursory efforts to ensure that the public funds are expended appropriately – not used to cover costs that, by law, are the vessel owner's responsibility – reflect an indifference to that responsibility.

Recommendations

1. The Department of Land and Natural Resources' Division of Boating and Ocean Recreation (DOBOR) should develop and document policies and procedures relating to the collection of amounts owed to DOBOR. The policies and procedures should include the collection from responsible vessel owners of amounts DOBOR incurred to remove and salvage grounded vessels as well as to address damage caused to state boating facilities.

2. DOBOR should request the Department of the Attorney General's assistance to collect from responsible vessel owners the amounts that DOBOR incurred to remove and salvage grounded vessels as well as to address damage caused to state boating facilities. If DOBOR staff are unable to pursue collection from vessel owners, DOBOR should contract with a collection agency or other type of private organization to recover from responsible vessel owners the amounts that it incurred to remove and salvage grounded vessels as well as to address damage caused to state boating facilities.

3. DOBOR should develop a system or process that accounts for and includes, among other things, information about groundings, amounts incurred by DOBOR to address the grounding (e.g., costs to remove and salvage the grounded vessel), and reimbursements received by DOBOR. The system or process should also detail DOBOR's actions to contact the vessel owner, from notice of the grounding through collection of amounts owed to DOBOR. The system or process should provide DOBOR administration with a readily accessible tool to hold staff accountable for collecting amounts owed to DOBOR and to ensure that DOBOR is managing its public resources responsibly and appropriately.

4. DOBOR should document the risks relating to vessels aground in state ocean waters that could impact the Boating Special Fund, specifically those risks that, if they occur, may require DOBOR to unnecessarily expend moneys from the Boating Special Fund. For example, a risk associated with groundings is that DOBOR will be required to remove and salvage the vessel without reimbursement of its costs. Another example of a risk that DOBOR appears to have intended to address through the mandatory insurance is that boaters damage state boating facilities when using the launch ramps.

5. DOBOR should document the significance of each risk. For example, if DOBOR is required to pay to remove and salvage a grounded vessel, DOBOR should document the likely effect on the Boating Special Fund. In the example, reimbursements of the removal and salvage costs incurred by DOBOR likely would reduce the impact on the fund.

6. DOBOR should document its assessment of the likelihood that the risk will occur based on, among other things, recent actual data.

7. For each risk that DOBOR determines is significant and is reasonably likely to occur, DOBOR should determine how to eliminate or effectively minimize the risk and/or the effect of the risk. For example, if DOBOR determines that groundings will deplete the Boating Special Fund and that groundings are reasonably likely to occur in the future, DOBOR should determine how it can protect the fund, i.e., how it can address the risk that DOBOR may be required to pay the removal and salvage costs that are, by law, the owners' responsibility. For some risks, DOBOR may determine that mandating insurance coverage is the appropriate means to eliminate or effectively minimize the risks.

8. DOBOR should document policies and procedures to ensure that DOBOR staff uniformly and consistently eliminate or effectively minimize the identified risks as DOBOR administration intends and expects.

9. If DOBOR determines that mandatory insurance is required to address an identified risk, DOBOR should determine the appropriate type of insurance and whether Hawai‘i vessel owners can reasonably obtain the insurance. DOBOR should engage the State's Risk Management Officer and insurers about the appropriate type of insurance to address the identified risk, the availability and cost of the insurance, and solicit recommendations as to how to describe the required insurance coverage in proposed legislation.

10. If DOBOR, by policy, requires vessel owners to have insurance (such as proof of insurance as a condition of obtaining and renewing a mooring permit), DOBOR should develop procedures to ensure a uniform and consistent process to verify that boaters have the required insurance, including how that verification is documented. DOBOR's procedures and process to document verification of the insurance should be maintained so that DOBOR administration can readily access the information to ensure that staff are performing the work as the administration intends.

Office of the Auditor's Response to the Department of Land and Natural Resources' Comments

WE PROVIDED A DRAFT of our audit of the Department of Land and Natural Resources' Division of Boating and Ocean Recreation to the Acting Chairperson of the Board of Land and Natural Resources[1] and the Administrator of the department's Division of Boating and Ocean Recreation (DOBOR) and asked to schedule a meeting to discuss our audit findings. We informed them that the department could provide written comments about the draft report and requested that those comments include actions the division planned to address the audit findings.

The Acting Chairperson informed us that the department was "comfortable waiving the formality of an exit conference." He subsequently provided the department's written comments to the draft report. However, those comments, which are attached hereto, do not include a corrective action plan.

We disagree with the department's comments, most of which are directly contradicted by statements made to us by DOBOR management and staff during the audit. We do not believe that the comments warrant any revision to the draft report. We address the department's comments more specifically below.[2]

We determined that DOBOR did not know how much it was actually paying to address grounded vessels when it proposed the salvage insurance requirement to the Legislature in 2019. DLNR describes this statement as "partially accurate," saying that "additional context" would be helpful. While it acknowledges that DOBOR's Grounded Vessel Report does not track outstanding balances for

1. The Department of Land and Natural Resources is headed by an executive Board of Land and Natural Resources, comprised of seven members appointed by the governor with the consent of the State Senate.

2. We made a limited number of non-substantive revisions to the draft during our review process directly preceding final layout of the report. We would have informed the department about those edits if we had met to discuss the draft report, as we had requested. One revision was to the draft's Summary of Findings section; we replaced four bulleted points, which noted conditions that support the audit, with a single finding. The department's comments are directed to the bullet points, which no longer are part of the Summary of Findings section of the report. However, we reproduce the conditions about which the department directed its comments.

grounding incidents, the department claims that, if DOBOR is reimbursed in full, the information is reflected in the Grounded Vessel Report.

The department's comment, however, contradicts the DOBOR Administrator and Acting Assistant Administrator. They told us that the purpose of the Grounded Vessel Report was only to track groundings and that the report did not correlate to whether vessel owners had paid DOBOR. The Administrator said that DOBOR staff responsible for maintaining the Grounded Vessel Report was not responsible for tracking costs and that the amounts recorded in the Grounded Vessel Report were DOBOR's contract costs for removal.

More concerning is the department's contention that the lack of a system to track its costs and vessel owners' reimbursement of those costs "should not be interpreted as a lack of awareness regarding the fiscal impact of grounded vessels, but rather as a limitation of a legacy accounting system." That statement is patently inaccurate and seemingly ignores both the department and division management's responsibility to prevent the unnecessary depletion of the Boating Special Fund and waste of public resources.

When we asked the Administrator and Acting Assistant Administrator whether they knew the net amount that DOBOR had paid relating to vessel groundings, they said they did not know. According to the Acting Assistant Administrator, staff would have to manually calculate the numbers on the Grounded Vessel Report and cross-reference that information with each boater's ledger in Yardi, the division's accounting system. The Administrator told us that she didn't know if staff could manually figure it out. Clearly, those statements belie the department's contention that DOBOR was aware of the fiscal impact to the division caused by grounded vessels.

We determined that the insurance requirement DOBOR requested does not address all the risks mentioned in House Bill No. 1033. The department acknowledges that the statement is accurate but claims that it is "incomplete without consideration of factors outside of DOBOR's control." According to the department, the bill was amended during the legislative process; the department also claims that "constraints in the marine insurance market materially limited the effectiveness of Act 94."

The department's comments reflect a clear misunderstanding of the reported condition. As we noted, the department's testimony in support of House Bill No. 1033 referred to incidents that may occur when utilizing a launch ramp or other state boating facility. The Former Administrator, who helped author the bill, told us that another section of the law already required vessel owners to pay for removal and salvage costs associated with their grounded vessels. Both the former and current Administrators told us that DOBOR's intent was that the bill would cover trailered vessels; its primary purpose wasn't to help the division recover its costs relating to groundings. The plain language of House Bill No. 1033, however, does not require boaters to obtain liability

insurance to address those incidents at launch ramps or other state boating facilities; rather, the bill requires vessel owners to have insurance that covers removal and salvage, i.e., first party coverage.

The amendments to the bill reduced the amount of coverage and limited the requirements to vessels 26 feet or more. Contrary to the department's claim, those amendments did not change the risks that the insurance requirement would address.

We determined that the division did not track whether any of its upfront costs were repaid by grounded vessel owners prior to requesting the insurance requirement or since the law went into effect. In its comments, the department says that the condition that we reported is "partially accurate but overstated." The department first claims that DOBOR uses Yardi, its accounting software, to track outstanding balances relating to costs DOBOR incurred to remove and salvage an owner's vessel. That statement is both incorrect and misleading. DOBOR does not use Yardi for that purpose, as we described above. DOBOR would need to cross-reference each boater's ledger in Yardi with the Grounded Vessel Report to determine the amount owed by the boater, an exercise the Administrator did not think staff could do.

The department's second comment – that "the underlying financial data existed" but there was no "management-level summary report" – also is misleading. DOBOR management did not know the net amount that DOBOR paid to remove and salvage grounded vessels, did not know whether a boater repaid DOBOR, and did not know whether an insurance mandate was needed. Contrary to the department's statement, DOBOR simply does not know whether the Boating Special Fund, its primary funding source, is being depleted, unnecessarily, to address groundings. Without what the department calls "a management-level summary" to know whether boaters were repaying costs that, by law, are their responsibility, DOBOR management had no ability to provide appropriate oversight of its program and, as importantly, public resources.

We concluded that DOBOR makes little effort to recover its salvage costs from responsible vessel owners. The department disagreed with the characterization that it "makes little effort" to recover its costs and that the Boating Special Fund was being misused. The department cites a provision in the statute that allows DOBOR to use the Boating Special Fund to remove and salvage grounded vessels.

The department misunderstands our conclusion. We do not fault DOBOR's use of the special fund to address grounded vessels; we determined that DOBOR is not sufficiently protecting the Boating Special Fund because of its limited efforts to pursue collection of amounts it paid to remove and salvage a grounded vessel from the vessel's owner. One form demand letter is simply not enough. While DOBOR claims that many owners may not

have sufficient financial resources to repay the costs, that argument is purely speculative. Until and unless DOBOR pursues collection, DOBOR cannot know whether it can recover those costs that it paid on behalf of the vessel owner.

We found that DOBOR is not accountable for managing the state boating program, including its use of the Boating Special Fund. In its comments, the department does not offer any specific, concrete evidence; rather, the department's comments are unsupported statements – many of which contradict information that DOBOR provided us. For the reasons expressed above, we do not believe the department's comments require any revision to the draft report and recommend that DOBOR develop a corrective action plan to address the findings.

JOSH GREEN, M.D.
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January 20, 2026

Leslie H. Kondo, State Auditor
465 S. King Street, Room 500
Honolulu, HI 96813

Subject: Department Comments to Draft Audit Report – Department of Land and Natural Resources, Division of Boating and Ocean Recreation

Dear Mr. Kondo:

This letter responds to the draft performance audit report for the Department of Land and Natural Resources ("DLNR" or the "Department"), Division of Boating and Ocean Recreation ("DOBOR"). We appreciate the opportunity to review the draft report and provide these comments.

The Summary of Findings identifies four areas, which the Department addresses below in the same order as presented in the draft report.

Finding #1: DOBOR did not know how much it was actually paying to address grounded vessels when it proposed the salvage insurance requirement to the Legislature in 2019.

This finding is partially accurate and would benefit from additional context.

The grounded vessel report maintained by DOBOR tracks the total cost incurred by DOBOR to remove grounded and sunken vessels from state waters. DOBOR's grounded vessel report reflects the amount DOBOR has expended from the Boating Special Fund. If an amount is reimbursed in full, it will be reflected in the grounded vessel report.

As acknowledged in Pages 14-15 of the draft report, unpaid balances and partial reimbursements are managed through DOBOR's Yardi accounting system so that all outstanding balances of any type are accurately tracked. The grounded vessel report was not designed to function as a net-cost accounting tool or track outstanding balances for each incident.

While a consolidated, readily accessible "net cost" report did not exist at the time Act 94 was proposed, DOBOR's operational experience consistently demonstrated that recoveries from vessel owners were rare and unpredictable, and that removal costs were routinely borne by the Boating Special Fund. The absence of a single consolidated report should not be interpreted as a lack of awareness regarding the fiscal impact of grounded vessels, but rather as a limitation of a legacy accounting system.

Finding #2: The insurance requirement DOBOR requested does not address all the risks mentioned in House Bill No. 1033 (Regular Session 2019).

This finding is accurate as stated, but incomplete without consideration of factors outside of DOBOR's control.

The insurance framework ultimately enacted in Act 94 reflected substantial amendments during the legislative process, including changes to vessel size thresholds and coverage scope. Legislative testimony often encompasses a range of policy considerations, not all of which are ultimately reflected in statutory language.

Moreover, as discussed in Page 10 of the draft report, constraints in the marine insurance market materially limited the effectiveness of Act 94. These market limitations were not foreseeable at the time of enactment and significantly affected implementation.

Finding #3: The division did not track whether any of its upfront costs were repaid by grounded vessel owners prior to requesting the insurance requirement or since the law went into effect.

This finding is partially accurate but overstated.

Please see our response to Finding #1. DOBOR uses its Yardi accounting system to track outstanding balances for removal and salvage costs where reimbursement was not made in full.

To the extent the finding suggests that DOBOR lacked visibility into whether reimbursements occurred, that characterization is misleading. The underlying financial data existed and was maintained; what was absent was a management-level summary report compiling that data across incidents. The absence of such a report did not result in unaccounted expenditures, undetected reimbursements, or fiscal mismanagement, but rather limited the efficiency with which summary information could be produced. Nonetheless, the Department appreciates the audit's identification of this opportunity to enhance oversight.

Response to Draft Audit Report – Department of Land and Natural Resources, Division of Boating and Ocean Recreation
January 20, 2026
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Finding #4: DOBOR makes little effort to recover its salvage costs from responsible vessel owners.

The Department respectfully disagrees with the framing of this finding and believes it reflects a myopic assessment that insufficiently accounts for DOBOR's statutory responsibilities.

DOBOR does not agree with the characterization that it "makes little effort" to recover salvage costs from responsible vessel owners, nor with the implication that the Boating Special Fund is being misdirected or misused. Meeting the Department's statutory obligations under Hawaii Revised Statutes (HRS) Section 200-3 is not a "misuse" of funds. DOBOR is not "[ignoring] its obligation to protect state funds" and is in fact removing these grounded and sunken vessels to fulfill its statutory obligation, and to further DLNR's mission to protect natural and cultural resources. It is always the owner's responsibility to remove their grounded or sunken vessel, and when the owner fails to comply with HRS Section 200-47.5, DOBOR prioritizes the protection of natural resources and procures removal according to applicable procurement laws.

Without prompt State intervention, these grounded and sunken vessels would likely remain in place for an extended period time, constituting a hazard to vessel navigation in ocean waters, adversely impacting public health and safety, and adversely affecting the wellbeing of natural and cultural resources. Removal contracts are solicited in accordance with procurement requirements, and DOBOR has no influence over the lowest responsive bid or the conditions that may affect salvage costs, including vessel condition, location, and ocean or weather conditions.

The draft report characterizes DOBOR's cost recovery efforts as minimal without fully accounting for the realities under which those efforts occur. Many vessel owners responsible for groundings lack the financial capacity to reimburse removal costs, even when legally obligated to do so. In such cases, repeated demand letters or prolonged enforcement actions would not materially increase the likelihood of recovery and would divert limited staff resources from core statutory responsibilities.

That said, the Department acknowledges that additional efforts could be taken to strengthen cost recovery practices and concurs with Recommendation #2. To this end, we have begun developing a plan for pursuing collections on outstanding balances owed to the Department, including evaluating the feasibility of working with the Department of the Attorney General and/or procuring collection services applicable across divisions.

Sincerely,



Ryan K.P. Kanakaʻole
Acting Chairperson