

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Management and Financial Audit of the Department of Hawaiian Home Lands

Summary

The Legislature requested this audit of the Department of Hawaiian Home Land's (DHHL) to determine its progress in meeting its mission to manage the Hawaiian home lands trust effectively and to develop and deliver land to native Hawaiians.

DHHL is responsible for carrying out the Hawaiian Homes Commission Act of 1920 that was enacted by Congress to benefit native Hawaiians. DHHL is headed by an executive board, the Hawaiian Homes Commission. The chair of the commission is also the director of the department. The mission of both the department and commission is to administer Hawaiian home lands for the benefit of native Hawaiians, primarily through homestead awards.

We found that the department is far from fulfilling this purpose. The majority of beneficiaries are still waiting to receive their homestead. Since it was established over 70 years ago, DHHL has awarded less than 6,000 homesteads. As the executive board heading DHHL, the Hawaiian Homes Commission has a significant responsibility to direct and hold the department accountable. The commission, however, has yet to assert its authority and policymaking responsibilities.

The department lacks a current strategic plan to accomplish its mission. DHHL is weakened by the lack of written policies and plans to direct its programs. Long-standing problems with records management and security are just beginning to be addressed.

The failure of the commission and department to assume their appropriate responsibilities has also led to ineffective delinquent loan collections. DHHL's collection policy is not enforced and commission orders have not been followed. In addition, the department's loan guarantees are not in compliance with the law. DHHL continues to guarantee loans even though it has exceeded the statutory limit by more than \$5.8 million.

Recommendations and Response

To exercise stronger leadership, we recommend that the Hawaiian Homes Commission clarify its authority, establish a committee structure to address important policy issues, and ensure that the department's programs receive

systematic review, evaluation and input from the commission. The chair should compile the commission's policy decisions. We recommend that the director of the department follow through with the development of a comprehensive strategic plan, and give priority to developing a management system for recordkeeping. In addition, the commission and department should work together to support delinquent loan collections. The department should refrain from guaranteeing additional loans until the balance falls within statutory limits. The department should also accurately record its cash on deposit with FHA.

The chair agreed with our recommendations to compile the commission's policy decisions. She disagreed with the recommendations on establishing oversight authority and a committee structure for the commission. The chair agreed with the recommendation to prioritize records management practices. The chair says that the department does not have a written strategic plan but it does have strategic planning efforts. In our exit conference, the department informed us that it planned to present a strategic plan to the commission in January.

The chair agrees with our recommendation to support the department's loan collection procedures. However, she disagreed that the department has exceeded the statutory limit on contingent liability. She also disagreed that its cash deposit with FHA is not properly recorded.

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