

# OVERVIEW

## *Audit of the State Foundation on Culture and the Arts*

Report No. 99-3, January 1999

### Summary

This audit of the State Foundation on Culture and the Arts was initiated pursuant to Section 23-4, Hawaii Revised Statutes (HRS), which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

Chapter 9, HRS, requires the State Foundation on Culture and the Arts to stimulate, guide, and promote culture and the arts and history and the humanities throughout Hawaii. The foundation is administratively attached to the Department of Accounting and General Services. A nine-member commission establishes the foundation's policies and programs. The foundation has 20 staff including an executive director. In FY1996-97, the foundation expended over \$5.6 million for administration, foundation grants, the Art in Public Places Program, and other programs.

We found that clearer direction would enable the foundation to meet its challenges. The foundation needs to focus on ensuring that its programs address its mission and meet their objectives. Programs have not been reviewed and their purposes have not been clearly defined. The commission failed to adopt a useful master plan and does not have policies and guidelines for its own operations. The executive director needs to plan for improvements by conducting program evaluations and needs assessments.

In addition, the executive director needs to establish certain basic management tools to direct the foundation's operations. Policies and procedures are scattered and some are outdated. Position descriptions and administrative rules are also outdated. Inventories have not been conducted, and grants need monitoring.

We also found that the foundation's relocatable works of art—now totaling more than 4,900 works of art by almost 1,300 artists—should be more accessible and placed in public and private facilities. The foundation has not ensured that these works are sufficiently rotated to educate the public and stimulate interest in the arts.

Finally, we found that Section 103-8.5, HRS, which established the Works of Art Special Fund, needs to be revisited. The law calls for 1 percent of all state fund appropriations for capital improvements designated for the construction cost element for the construction or renovation of state buildings to be transferred into this fund. Since 1989, this law has generated about \$18 million to purchase art for state buildings. However, commission members do not agree on how the fund should be used. Also, responsibilities for calculating the amount to be transferred, initiating the transfer, and monitoring compliance are not clearly specified. Some state agencies do not transfer money to the fund and the foundation does not know how much agencies owe.



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## Recommendations and Response

We recommended that the Legislature consider amending Section 9-2, HRS, to clarify the roles of the foundation commission, executive director, and other staff. We also recommended that the commission provide clearer direction and that the executive director improve on the use of basic management tools.

We also recommended that the executive director improve the accessibility of relocatable works of art through such measures as exploring the use of gallery spaces in existing state buildings and establishing policies and procedures for periodically rotating and displaying works of art. The executive director should also improve protection of the works of art by revising policies on loans to state and non-state agencies.

We recommended that the governor require all executive agencies to transfer the appropriate and correct amount of money into the Works of Art Special Fund, and require all departments currently owing money to the fund to pay the balance owed. In addition, the Legislature should consider reviewing Section 103-8.5, HRS to specify who is responsible for calculating the 1 percent due to the special fund and specify remedies for noncompliance with the statute.

Finally, we recommended that the executive director of the foundation develop a tracking system to identify which capital improvement projects should be assessed, which projects have transferred the 1 percent into the special fund, whether the amount of the transfer is correctly calculated, which departments are delinquent, and how much is due to the special fund. The executive director should also conduct a formal review of past capital improvement projects to determine how much is due to the special fund.

The foundation's commission concurred with almost all of our recommendations.

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**Marion M. Higa**  
State Auditor  
State of Hawaii

Office of the Auditor  
465 South King Street, Room 500  
Honolulu, Hawaii 96813  
(808) 587-0800  
FAX (808) 587-0830