

OVERVIEW

Audit of the State Historic Preservation Division of the Department of Land and Natural Resources

Report No. 02-20, December 2002

Summary

The Department of Land and Natural Resources' Historic Preservation Division is entrusted with protecting Hawaii's unique cultural and historic resources. During FY2001-02, the division spent nearly \$1.4 million to administer the department's historic preservation program. Division responsibilities include identifying, evaluating, registering, regulating, interpreting, acquiring, and managing historic or cultural properties. Historic properties include burial sites, traditional cultural places, architectural structures, and objects such as locomotives. Senate Concurrent Resolution No. 79, Senate Draft 1 of the 2002 Regular Session requested the Auditor to conduct a programmatic and financial audit of the division.

We assessed the effectiveness with which the State Historic Preservation Division is managed to achieve its mission. We also assessed whether the division manages its financial resources effectively.

The division's regulatory activities include review of development proposals to assess the effect of change on historic and cultural sites. The review process assists a determination of what preservation efforts, if any, will be required of developers. We found that untimely and inconsistent archaeological reviews compromised the division's ability to protect Hawaii's unique historic sites and artifacts. Projects were delayed for months and sometimes years. One developer lost \$200,000 in loan interest payments as a result of project delays. We also found that diverse standards are applied when reviewing the archaeological reports. Disparate review standards threaten the division's ability to protect historic sites.

Inconsistent standards also plague the division's burial program. In one case, a division employee gave differing explanations as to how he arrived at the decision to relocate human skeletal remains at an upscale development project. The explanations are especially troublesome since the staff person, who is also a church minister, accepted a \$1,000 check from the project developer. The funds were allegedly for the employee's church, but made out to the employee/minister personally. The employee's acceptance of the check creates a potential conflict of interest and raises ethical concerns.

The division also failed to ensure the safekeeping of historical artifacts in its custody. For example, the division did not have an inventory of architectural and art pieces collected from demolished or renovated sites, including Iolani Palace and the Hawaii Theater. Furthermore, the division's inventory of human skeletal remains is piecemeal and does not routinely provide geographical information required by the Native American Graves Protection and Repatriation Act. The inadequate inventory of human skeletal remains coupled with overcrowded storage conditions makes it difficult for the division to account for all remains and to ensure their timely re-interment.

The department chair and division administrator also failed to uphold their trust duties when they allowed division employees to misuse and exploit the division's limited resources. Staff appear to routinely misuse sick leave and were paid overtime that was



either unjustified or not approved. Division employees came forward under Hawaii's Whistleblower Protection Act and alleged that staff were abusing sick leave, vacation leave, overtime, and tampering with government records. The department failed to adequately investigate the allegations. In fact, the department allowed the staff in question to retain custody of the department leave records despite allegations that they were tampering with these records.

The administrator also allowed staff to engage in outside employment during state time. For example, the archaeology branch chief routinely teaches courses at the University of Hawaii during his normal work hours without using any leave. As a result, the department paid the chief \$3,665.88 for time he actually spent teaching seven university courses. The university paid him \$29,484.19 for teaching the courses. Similarly, the Kauai archaeologist used state time to perform work for an outside employer.

The division also failed to adequately protect state property from fraud, waste, and theft. The division's master list of state property is unreliable and does not account for all items in its custody. The division was unable to account for all items we randomly selected from the master list. Moreover, inadequate controls failed to ensure that state vehicles and gasoline charge cards are limited to official business.

The division administrator's cavalier management style has put the State to risk of losing federal grants, which comprise 40 percent of the division's funding. The administrator caused the State to lose over \$65,000 when he failed to subgrant these federal funds to local certified governments as required by federal law. Furthermore, the division did not prioritize the adoption of administrative rules that would allow it to collect user fees authorized by the 1998 Legislature. The administrator estimated that \$60,000 to \$100,000 could have been collected annually had the fees been adopted.

Recommendations and Response

We recommended that the governor intervene to ensure that the management of the State Historic Preservation Division is improved. We also recommended that the department chair and division administrator take steps to improve the protection of the state's historic properties and to prevent the misuse, abuse and theft of the division's limited resources.

Although the department questioned the credibility of our audit report, it did not take exception to any of our audit recommendations. Rather, it agreed to generally implement these recommendations, but reported that the implementation of many of our "well intended recommendations either will require additional resources or will lead to deficiencies in other vital program areas."

The department's allegations that our report contains many factual errors and is culturally insensitive are without merit. The department's statements are an attempt to discredit our audit findings. In addition, we note that the department's response seeks to defend against our findings by offering new information. We will not address the department's newly introduced information because it was not evaluated during the audit process.

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