

**AN OVERVIEW BY THE LEGISLATIVE AUDITOR  
OF THE MANAGEMENT AUDIT OF THE  
STATE FOUNDATION ON CULTURE AND THE ARTS**

**INTRODUCTION**

The state foundation on culture and the arts was established by the legislature in 1965 in order to "stimulate, guide, and promote culture and the arts, throughout the State." As the officially designated state arts agency, the foundation receives federal grants from the National Endowment for the Arts. These federal funds, together with state and private funds, support a variety of cultural and artistic activities, including dance, theater, music, literature, fine arts, crafts, environmental arts, graphic arts, design, photography, and ethnic arts, crafts, and traditions.

In 1967, the responsibilities and financing of the state foundation on culture and the arts were augmented by the Art in State Buildings Law. Under this act, 1 percent of appropriations for construction of state buildings is set aside for the acquisition of works of art.

The audit of the state foundation on culture and the arts, which was requested by House Resolution 647, 1975, stemmed from legislative concern over the art-in-state-buildings program and whether the operations of the foundation are efficient, economical, and effective. This overview summarizes the results of the audit, our major findings and recommendations, and the response of the foundation.

**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

The legislature defined the terms "culture" and "arts" broadly in order to allow the foundation considerable latitude in developing a program to meet the needs of the people of Hawaii. The foundation has been given wide programmatic responsibilities, and it has made some progress in carrying these out. However, it has not been able to adequately develop those plans, programs, policies, and criteria that would assist it in achieving its basic missions of stimulating art in Hawaii and developing Hawaii's artists and craftsmen. The foundation's difficulties can be traced, in part, to inadequate staffing. Its present regular staff consists of an executive director, an arts program specialist, and two clerks to manage an investment of \$1.9 million in commissioned and portable works of art and to administer a sizeable grants-in-aid program. In the next fiscal year, the foundation will be authorized a more adequate staff of seven, and this should enable it to execute its programs more effectively. In the meanwhile, it should proceed to correct the program and management deficiencies identified by the audit.

**The Commission on Culture and the Arts**

Responsibility for the State's culture and arts program is vested in a nine-member body that is appointed by the governor with the advice and consent of the senate. The legislature

established the commission as a lay body in order that it may reflect and express the pluralistic interests of the people of Hawaii. It was clearly intended that the commission would be more than an advisory body and that it would play an active role in planning, directing, and managing the State's culture and arts program.

We find, however, that the commission has not assumed an active role in directing the operations of the foundation. It has not planned for the future development of programs and it has not evolved a strategy for managing its own internal operations. The commission's own mode of operations has been unsystematic. It has no procedures to govern its activities, nor does it have subcommittees to facilitate and expedite the workings of the commission so that it might be more efficient and effective.

The commission must organize itself properly in order to carry out its responsibilities for the programs of the foundation. It must begin to focus on the missions to be achieved and, accordingly, formulate plans, policies, and budgets. However, the commission, as a noncompensated, lay body, cannot plan and administer this program by itself. It must have the support of an adequate staff with competence in program planning, budgeting, and management, as well as in culture and the arts.

#### **The Art-in-State-Buildings Program**

This program is intended to foster public appreciation of the arts and to develop Hawaii's artists and craftsmen. The 1 percent which is set aside from appropriations for the original construction of state buildings is used to finance works of art for specific locations and portable works of art. As of November 30, 1975, the foundation had commissioned 113 works of art and had purchased over 900 portable works of art for an approximate total of \$1.9 million. We find inadequacies in the foundation's management of the collection of portable works of art and commissioned works of art.

*Portable Works of Art.* The foundation's management of the collection of portable works of art has been seriously deficient. There are no guidelines or policies for the selection of art. The State's collection of portable works of art has been selected by relatively few individuals. The emphasis has been on works of art by established artists, and most of the purchases have been made from art galleries on Oahu. The foundation has expended over \$1 million on works produced by less than 5 percent (21 artists) of the total number of artists and craftsmen represented in the collection.

Management of the art collection has been unsystematic and haphazard. There is no system for the proper registration of works of art. Information on these works are not recorded in a complete and systematic manner. And, to date, there is no one complete and accurate inventory of the State's collection of portable works of art.

The foundation has no guidelines for the display of works of art. Portable works are exhibited and rotated in an informal manner. The foundation does not maintain routine contact with agencies that have been given works of art for display and, given turnover in personnel, there are agencies that do not even know how they came to have works of art, nor do they know to whom these works can be returned. Location sheets which purport to show

where works of art can be located are imprecise and out-of-date. In a physical inspection of a sample of works on display, we found 25 percent (109) were not at the designated locations given on the location sheets and, of these, 29 could not be located.

Most works of art on display bear no labels to show that they are state property or that they were acquired by the state foundation on culture and the arts. Generally, basic information such as the name of the artist or the title of the work is not given.

At present, the law restricts the display of works of art to public buildings. In practice, the collection of portable works of art is generally displayed in areas that are inaccessible to the public, such as in private offices and conference rooms. Another imbalance is that, in 1975, Oahu had 86 percent of the works of art while Hawaii had 4.1 percent; Kauai, 4.2 percent; Maui, 3.2 percent; and Molokai, none. Moreover, works of art tend to stay in one place after the initial installation. Our audit found that nearly half of the portable works of art purchased in 1970, 1971, and 1972 have never been rotated. Thus, the public has not been receiving the full benefit of state purchases of works of art.

The foundation should establish criteria and policies for the selection of works of art and develop and implement systematic procedures for the proper care, maintenance, and display of the State's art collection. The foundation should also explore ways in which the collection can be displayed so as to reach more people, particularly those on the neighbor islands. This would require a more vigorous rotation policy and legislation to permit exhibiting works of art in areas other than public buildings, such as banks and other financial institutions which are heavily frequented by the public.

*Commissioned Works of Art.* The legislature intended that the commission would play an active role in the art-in-state-buildings program. However, the primary decision-maker in selecting and commissioning artists for works of art is not the commission but the executive director. The commission has very little input in the commissioning process. Although project advisory panels are supposed to be established for each proposed commission in order to furnish user and community input into the work of art, these panels have not been effective as they have been given no clear-cut responsibility or authority.

The foundation's administration of contracts for commissioned works of art has been lax. Contracts for commissions call for the submission of a number of documents to ensure that the design, structural integrity and construction of the work of art are as desired. However, the foundation has not effectively monitored these contracts. This has resulted in delays in the progress of commissions, improper payments, and added costs. Finally, no formal procedures have been established for the acceptance of works of art, and the foundation has made final payment for works that have not been placed in their intended locations.

The commission on culture and the arts should play a more decisive role in the commissioning process. Community input should be maximized by developing policies and guidelines delineating the functions of the project advisory panels. And, the foundation should monitor more closely contracts for commissioned works of art.

*Statutory Violations.* Neither the foundation nor the department of accounting and general services, the two agencies responsible for implementing this program under the law, has established the necessary rules and guidelines. Consequently, the law has not been consistently observed or uniformly applied, and illegal and questionable practices have arisen, as in the following situations:

1. *Lack of uniformity in computing the 1 percent.* The department of accounting and general services has not set aside the 1 percent in a uniform and consistent manner. The method used in calculating the 1 percent varies from project to project, depending on the wording of the act appropriating the funds.

2. *Failure to set aside 1 percent by all agencies.* Although the department of accounting and general services is the principal expending agency for the construction of state buildings, other state agencies are also appropriated capital improvements funds. Among these are the department of transportation and the department of land and natural resources. The department of transportation has made some funds available for works of art; however, the amount set aside falls far short of 1 percent.

3. *Failure to set aside 1 percent by the department of accounting and general services.* The department has not always set aside 1 percent of appropriations for the construction of state buildings for works of art. It does not set aside 1 percent from those appropriations for structures which it does not consider to be buildings. Yet, it has not developed a standardized definition of the term "buildings." In some instances, the department has used the 1 percent moneys for purposes other than the acquisition of works of art, such as to cover construction costs.

4. *Illegal use of 1 percent funds.* The foundation has also used the 1 percent funds in an illegal or questionable manner. Although priority in the placement of works of art is supposed to be given to those buildings yielding 1 percent funds, the foundation has often aggregated funds generated by a number of different projects and used these funds for works of art that are not placed in the structures yielding the funds. There is no evidence that priority was given to buildings yielding the funds. The foundation has also used 1 percent funds to commission works for established facilities that do not qualify for these works of art. The attorney general has pointed to the illegality of this practice.

It is clear that, with respect to the art-in-state-buildings program, the deficiencies in operations of both the state foundation on culture and the arts and the department of accounting and general services require correction through rules, guidelines, policies, and proper management practices. The comptroller and the foundation must develop guidelines and procedures that can be uniformly applied and observed by all state agencies affected by the Art in State Buildings Law.

### **The Grants-in-Aid Program**

The foundation's other major area of activity is its grants-in-aid program. The foundation's primary obligation here is to review applications for grants, award grants, and monitor and evaluate the effectiveness of the projects which it sponsors.

Here, again, we find that the foundation has no policies, criteria, or procedures. As a result, grants are awarded in an arbitrary, inconsistent, and discriminatory fashion. Certain organizations and individuals receive preferential treatment. The absence of criteria and procedures has allowed the foundation staff to award grants to favored projects. The

foundation has not evaluated the effectiveness of the activities which it funds and it has yet to develop the means for evaluating its grants-in-aid program. Although the foundation has been instrumental in establishing many community art organizations and art councils, it has failed to fully utilize these councils or allow them to play a meaningful role in shaping the state culture and arts program.

The foundation needs to establish policies and criteria for its grants-in-aid program and it should solicit the assistance of these councils in developing and implementing this program. The development and implementation of plans, policies, criteria, and procedures must also be extended to the area of evaluation.

### RESPONSE OF THE FOUNDATION

Overall, the foundation concurs with our recommendations, except in one substantive area. In our audit, we stated that priority for works of art should be given to those new buildings yielding 1 percent funds and that permanently installed works of art should only be in new structures. The attorney general has rendered opinions to that effect. The foundation disagrees with our position and that of the attorney general. In view of the disagreement, this issue should be examined and clarified by the legislature.

### CONCLUSION

In its response, the foundation has demonstrated its understanding of the problems which were pointed out in the audit and its commitment towards implementing most of the recommendations. We hope that this report will serve to assist the foundation in improving its programs and in its progress in carrying out a culture and arts program for Hawaii.

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