

## Legislative Auditor

# OVERVIEW

## MANAGEMENT AND FINANCIAL AUDIT OF THE OFFICE OF HAWAIIAN AFFAIRS

Honolulu, Hawaii

February 1990

### Summary

The Office of Hawaiian Affairs (OHA) was created in 1978 to better the conditions of native Hawaiians and Hawaiians and to manage its share of revenues from the public land trust. Nine trustees, elected to four-year terms by Hawaiian voters, are responsible for coordinating programs, mounting advocacy efforts, and receiving reparations for native Hawaiian and Hawaiian beneficiaries. An administrator and staff carry out these responsibilities under the direction of the board.

Since 1979, OHA has had more than \$19 million at its disposal in general, special, and federal funds.

It is free of many executive branch controls. A management and financial audit of OHA was requested by the 1989 Legislature to ensure the proper expenditure of funds.

The audit evaluated OHA's organization and administration, assessed its program management, and examined its budget preparation and execution. The audit focused on the roles and functions of trustees, administrator, and staff, and emphasized changes to support long-term development of the office. The certified public accounting firm of KPMG Peat Marwick assisted in the financial audit.

### FINDINGS

The board of trustees has taken important steps in creating a role for itself, but in some areas, such as the oversight of projects, has yet to clarify and implement this role. The administrator needs support in exercising certain responsibilities established for the position by law and policy.

OHA does not have in place a program management system to ensure that activities and projects are adequately planned, appropriately initiated, and consistently monitored. The office needs to improve communication with beneficiaries and within its organization. It should build teamwork among its staff.

OHA needs to strengthen its budget requests by preparing and submitting more accurate and timely information. OHA has complied with the appropriations acts examined but has not completed the manual of policies and procedures. There are also several financial practices that need attention.

### RECOMMENDATIONS

OHA should continue to clarify and exercise the roles of the board, the administrator, and the staff. It should give particular attention to overseeing the Native Hawaiian Revolving Loan Fund, clarifying the function of neighbor island liaisons, and overseeing contracts and projects. The administrator needs to complete the reorganization of the office and to make such administrative improvements as centralizing the filing system, securing confidential files, and strengthening the personnel management system.

OHA should develop a stronger program management system that reviews the purposes and costs of activities and projects, assesses their benefits, and ensures that reports have been submitted.

OHA should adopt a budget policy that gives cohesion to its budget requests. It should submit budget information needed by the Legislature, including accurate expenditure information, and should

prepare and submit an annual report as required.

OHA should complete its policy and procedures manual, segregate functions over cash receipts, have trustees sign all compensation requests prior to payment and submit them in timely fashion, clarify the criteria used to establish a separate health plan for trustees, and consistently have trustees explain changes in approved travel plans and any unusual travel expenses.

### RESPONSE

OHA noted that it will continue to address the areas of concern reported by the audit, but pointed out that it has operated under several constraints. OHA agreed with the recommendations concerning organizational, administrative, and program management issues. OHA did not address the recommendations on budget preparation, expenditure reporting, and various aspects of financial accounting and internal controls; however the office provided some updated information on its endeavors.