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“Everybody is interested in art and that’s the most fun part, rather than getting into budget, policy, and strategic planning types of things.” – former SFCA Planning and Budget Committee chair

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Audit of the Hawai‘i State Foundation on Culture and the Arts

Report No. 14-11, November 2014

SFCA’s poor planning and oversight undermine its accountability for public arts resources

Commission is disinterested in planning and neglected Sunshine Law

The commission lacks training, bylaws, and other mechanisms to focus its attention on policy and planning, and subsequently, focuses its efforts on operations such as art acquisition. As a result, the commission adopted an unrealistic strategic plan that did not provide for artist fellowships, and failed to address more than \$4 million in accumulated funds dedicated for the arts. Additionally, its \$75,000 strategic plan lacks targeted objectives for gauging performance and the foundation does not have a system for ensuring strategic plan performance is monitored and reported. Without a target-based performance reporting framework, the foundation cannot demonstrate it uses its resources efficiently and effectively, potentially undermining its ability to engender public trust and advocate for public and private funding and programs.

The commission has also failed to ensure its deliberations and actions are conducted as openly as possible in compliance with the State’s open meetings law, and that its annual report recommends legislative action as required by law. This lack of transparency disregards the public’s right to know.

The foundation needs to improve its management of arts resources

The foundation’s strategic priorities include managing assets to ensure that the foundation is strong, sustainable, capable of achieving its goals, and increasing public accessibility to arts and culture. Its major assets include about \$3 million per year in Works of Art Special Fund revenues and a collection of nearly 6,300 pieces of artwork. The foundation needs to improve its management to ensure the accountability, accessibility, and protection of these resources. Neither the foundation nor the state comptroller actively monitors amounts due from state agencies to the Works of Art Special Fund, and the Department of Budget and Finance’s attempts to track such transfers are inadequate. Agencies failed to remit funds resulting in a potential loss of \$147,213 in public arts revenues, and in one instance, the special fund received \$100,000, when it should have received just \$100. We also found that the foundation is not accountable for maximizing accessibility of public art and that mechanisms to safeguard the foundation’s digital assets are missing. Failure to implement copyright safeguards increases the potential for copyright infringement, undermines public trust, and increases the foundation’s liability.

Agency responses

Regarding the commission’s focus on arts operations rather than strategic planning and governance, the chair said that surveys were sent to residents and eight focus groups were held during the strategic planning process. This misses our point that there was a lack of documentation that the strategic plan was vetted in public meetings prior to its adoption. The chair stated that, adjusting for inflation, the Works of Art Special Fund balance actually fell rather than rose over the review period. She also noted that art projects can take up to eight years to complete and are not bound by fiscal periods. The chair misses our point that the commission has not planned how to utilize its surplus arts funds.

Regarding our finding that the commission has not decided what to do with nearly \$3 million in unencumbered, surplus special funds, the executive director said that if the SFCA expended the full amount of the ceiling, there would be a shortfall within a few years. He misses our point that the lack of a spending plan for those funds undermines the foundation’s credibility should it seek added resources and exposes those funds to legislative efforts to redirect unused special fund moneys.

The Department of Accounting and General Services responded that the Department of Budget and Finance is primarily responsible for enforcement of the 1 percent assessment to the Works of Art Special Fund. DAGS said it will work with B&F to develop a process to ensure accurate accounting and compliance.