

TESTIMONY
SB2500

TO: COMMITTEE ON WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS
Senator Clayton Hee, Chair; Senator Jill N. Tokuda, Vice Chair

Re: SB 2500

For hearing Friday, January 29, 2010 2:45 p.m. Room 229

TESTIMONY IN SUPPORT by:
Kenneth R. Conklin, Ph.D.
e-mail Ken_Conklin@yahoo.com

Aloha Chair Hee, Vice Chair Tokuda, committee members, and members of the public.

I am writing in strong support of SB 2500, calling for a financial and management audit of OHA to be completed before the Legislature convenes for its session in January 2011.

As you know, I'm usually an opponent of the legislation coming before this committee. This might be the first time in many years that I have been able to support one of your bills!

OHA has assets of several hundred million dollars, most of which is invested in the stock market through brokerage accounts outside of Hawaii. That money has been sucked out of Hawaii's economy for many years, even while the people who are supposed to be helped by the money are in desperate circumstances and receiving no help.

Does anyone say OHA's money is being invested and/or spent wisely? We need an audit to find out, because OHA steadfastly refuses to disclose the details of its budget.

We know from published news reports that OHA has spent millions of dollars on lobbying activities in Washington to push the Akaka bill, even though we know from a recently published Zogby poll that most of Hawaii's people oppose the bill. How much has OHA spent on its Washington office, travel expenses, social events in Washington and Hawaii, etc.? We need an audit to find out.

We know that OHA must be paying millions of dollars for administrative expenses and advertising costs associated with the Kau Inoa racial registry . Remember all those Kau Inoa ads on TV, radio, and newspapers? OHA says more than 116,000 people have signed the Kau Inoa registry, which also requires the signers to submit documents verifying their Hawaiian ancestry. How much money has OHA spent on advertising, T-shirts for registrants, and the costs of maintaining those records? We need an audit to find out.

OHA owns and operates Waimea Valley Park on O'ahu, Waokele O Puna on Hawaii Island, a salt pond on Kaua'i, a heiau in Hawaii Kai, and numerous other properties and businesses in many places. Is OHA operating these efficiently? How much is OHA's net profit or loss from each one? How much money is being spent on no-bid contracts, or salaries for family members of the trustees and top administrators?

Several years ago OHA formally adopted a list of priorities after consulting its beneficiaries in numerous community meetings. Education, health, and housing were among the highest priorities, while "nationhood" was at the bottom. An audit would probably reveal that most of OHA's expenditures during the past several years were for purposes at the bottom of the list of priorities.

Let me remind you that the allocation of 20% of ceded land revenue to OHA is NOT required by the 1959 Admissions Act and is NOT required by the amendments to the state Constitution passed in 1978. The allocation of 20% of ceded land revenues to OHA is based on an ordinary statute law, which the Legislature can change at any moment. I encourage you to conduct a detailed financial and management audit of OHA to help you decide whether to repeal that law. The recent unanimous ceded lands decision by the U.S. Supreme Court made it abundantly clear that the ceded lands are owned by the State of Hawaii in fee simple absolute; thus, you have no obligation to send ceded land revenues to OHA. I encourage you to view OHA's cash stash in the same way you view any other special fund. Considering our grave economic circumstances, this might be a good time to raid this special fund. An audit of OHA would help you decide.

From: Stote Farnham [stoteman@hotmail.com]
Sent: Thursday, January 28, 2010 8:46 AM
To: WTLTestimony
Subject: Re: SB 2500 For hearing Friday, January 29, 2010 2:45 p.m. Room 229

TO: COMMITTEE ON WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS
Senator Clayton Hee, Chair; Senator Jill N. Tokuda, Vice Chair,

Aloha Chair Hee, Vice Chair Tokuda, committee members, and members of the public.

I am writing in strong support of SB 2500, calling for a financial and management audit of OHA to be completed before the Legislature convenes for its session in January 2011. I am particularly interested in having the auditors evaluate the state's policies and procedures for determining OHA's share of our limited resources. I have been led to believe that the income generated by the lands does not even come close to matching the funds which are distributed to OHA. In these hard economic times, it is particularly distressing to see such a large part of the budget dedicated to improving the lot of such a small portion of our population.

Stoughton R. Farnham

808-372-0028



SB2500 Relating to the Office of Hawaiian Affairs

Committee on Water, Land, Agriculture, and Hawaiian Affairs

January 29, 2010
Room 229

2:45 pm

The Office of Hawaiian Affairs (OHA) **opposes** SB 2500.

Since 1990, the State Auditor has completed audits of OHA pursuant to HRS §10-14.55 which requires that the State auditor conduct an audit of the office at least once every four years and has submitted the following Audit Reports to the Legislature:

1. Management and Financial Audit of the Office of Hawaiian Affairs, Report No. 90-11, 1990
2. Management and Financial Audits of the Office of Hawaiian Affairs, Report No. 93-28, 1993
3. Review of Revolving and Trust Funds of the Office of the Governor, Office of Hawaiian Affairs, and the Department of Education, Report No. 96-21, 1996
4. Audit of the Office of Hawaiian Affairs, Report No. 97-7, 1997
5. Audit of the Office of Hawaiian Affairs, Report No. 01-06, March 2001
6. Establishment of a Public Land Trust Information System, Phase One, March 2001
7. Review of Revolving Funds, Trust Funds, and Trust Accounts of the Office of the Governor, Office of the Lieutenant Governor, Department of Education and Hawaii State Public Library System, and Office of Hawaiian Affairs; Report No. 02-05, February 2002
8. Audit of the Office of Hawaiian Affairs, Report No. 05-03, April 2005
9. Audit of the Office of Hawaiian Affairs, Report No. 09-08, June 2009.

SB 2500 State Audit of the Office of Hawaiian Affairs

10. Investment Portfolio Review of the Office of Hawaiian Affairs, Report No. 09-10, September 2009

OHA is the recipient of Federal funds for several programs. Therefore, in addition to the State audits conducted since 1990, OHA must undergo annual audits in compliance with Subpart E, Office Management and Budget, Circular No. A-133, (*Audits of States, Local Governments, and*

Non-Profit Organizations). The "single audits" by qualified audit firms consists of thorough reviews of both financial and compliance activity of the entire agency. The most recent report of audit submitted by Grant Thornton, LLC indicated an unqualified (clean) opinion in its Report of Independent Certified Public Accountants on December 18, 2009 on OHA's most recent Financial Statements for our fiscal year ended June 30, 2009. This report is available for download on OHA's website.

In view of the above, we believe that the additional State Management Audit called for by S.B. No. 2500 would be an unnecessary burden on the State of Hawai'i and OHA resources.

Thank you for the opportunity to submit testimony.

TESTIMONY
SB2500
(END)