



January 7, 2019

VIA EMAIL

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawaii State Capitol, Room 409
Honolulu, Hawaii 96813

VIA EMAIL

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawaii State Capitol, Room 431
Honolulu, Hawaii 96813

Re: Follow-Up on Recommendations from Report No. 14-11, Audit of the Hawaii State Foundation on Culture and the Arts, Report No. 19-02

Dear President Kouchi and Speaker Saiki:

We are attaching a copy of our report, *Follow-Up on Recommendations from Report No. 14-11, Audit of the Hawaii State Foundation on Culture and the Arts, Report No. 19-02*, which has also been uploaded to the Legislature's web-based application.

This report is being issued pursuant to Section 23-7.5, Hawaii Revised Statutes, which requires the Office of the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited department or agency.

The report is also accessible through the Office of the Auditor's website at:
<http://files.hawaii.gov/auditor/Reports/2019/19-02.pdf>.

If you or other Legislators would like a printed version of the report, please let me know.

Very truly yours,

Leslie H. Kondo
State Auditor

LHK:emo

Attachments

cc/attach: Senators
Representatives
Brian Takeshita, House Chief Clerk
Carol Taniguchi, Senate Chief Clerk

Follow-Up on Recommendations from Report No. 14-11, *Audit of the Hawai'i State Foundation on Culture and the Arts*

A Report to the Governor
and the Legislature of
the State of Hawai'i

Report No. 19-02
January 2019



OFFICE OF THE AUDITOR
STATE OF HAWAII



OFFICE OF THE AUDITOR STATE OF HAWAII

Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

The Auditor's position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

Our Mission

To improve government through independent and objective analyses.

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

Our Work

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

Additionally, we perform procurement audits, sunrise analyses and sunset evaluations of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, revolving and trust funds, and special studies requested by the Legislature.

We report our findings and make recommendations to the governor and the Legislature to help them make informed decisions.

For more information on the Office of the Auditor, visit our website:
<http://auditor.hawaii.gov>



PHOTO: HAWAII STATE FOUNDATION ON CULTURE AND THE ARTS

Follow-Up on Recommendations from Report No. 14-11, *Audit of the Hawai‘i State Foundation on Culture and the Arts*

Section 23-7.5, Hawai‘i Revised Statutes, requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited department or agency. This report presents the results of our review of 29 recommendations made to the Hawai‘i State Foundation on Culture and the Arts and the Department of Accounting and General Services in Report No. 14-11, Audit of the Hawai‘i State Foundation on Culture and the Arts, which was published in November 2014.

Hawai‘i State Foundation on Culture and the Arts

The Hawai‘i State Foundation on Culture and the Arts (the Foundation) was established in 1965 and is administratively attached to the Department of Accounting and General Services (DAGS). Chapter 9, Hawai‘i Revised Statutes (HRS), requires the Foundation to stimulate culture, art, history, and humanities throughout Hawai‘i.

We found that the Foundation and DAGS have implemented 16 and partially implemented 7 of the 29 recommendations. Six recommendations have not been implemented and remain open.

The Foundation's duties include, but are not limited to:

- Assisting in coordinating the plans, programs, and activities of individuals, associations, corporations, and agencies concerned with the preservation and furtherance of culture, the arts, history, and the humanities;
- Appraising the availability, adequacy, and accessibility of culture, the arts, history, and the humanities to all persons throughout the State and devising programs whereby culture, the arts, history, and the humanities can be brought to those who would otherwise not have the opportunity to participate;
- Establishing an individual artist fellowship program to encourage artists to remain and work in Hawai'i and to reaffirm the importance of Hawai'i's artists and their cultural and economic contributions to the State;
- Submitting an annual report with recommendations to the Governor and Legislature that includes progress and accomplishments made in the humanities during the year; and
- Administering operations of the State art museum.

The Foundation is headed by a commission (the Commission), composed of nine members, who are appointed and may be removed by the Governor. The Commission appoints the Foundation's executive director, who administers private and government grants.

Works of Art Special Fund

The Foundation and its programs are funded through the Works of Art Special Fund, appropriations from the Legislature, grants from the National Endowment for the Arts, and contributions from private sources. The Works of Art Special Fund receives one percent of State funds appropriated for construction and renovation of capital improvement projects. The fund can only be used for costs related to the acquisition of works of art, site modifications, display, interpretive work, upkeep services, and storing and transporting works of art.

Why we did the 2014 audit

The 2014 Legislature directed the Office of the Auditor to conduct a financial and management audit of the Foundation, including the gathering of data on the Works of Art Special Fund, art acquisition and inventory methods, acquisition and expenditure costs, and best management practices.

What we found in 2014

In Report No. 14-11, *Audit of the Hawai'i State Foundation on Culture and the Arts*, we found that the Commission lacked training, bylaws,

and other mechanisms to focus its attention on policy and planning, and subsequently, focused 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. The plan also lacked targeted objectives for gauging, monitoring, and reporting performance. Moreover, we found that the Commission failed to ensure its deliberations and actions were conducted as openly as possible in compliance with the State’s open meetings law, Chapter 92, HRS, and that its annual report failed to contain recommendations to the Legislature, as required by Section 9-3, HRS. Lastly, we found that neither the Foundation nor the State Comptroller actively monitored amounts due from State agencies to the Works of Art Special Fund and that the Department of Budget and Finance’s (B&F) attempts to track such transfers were inadequate.

What we found in 2018

Our follow-up on the Foundation’s and DAGS’ implementation of recommendations made in Report No. 14-11, conducted between October 2016 and July 2018, included interviewing selected personnel, examining relevant documents and records, and evaluating whether the Foundation’s and DAGS’ actions appeared to address our recommendations. We found that the Foundation and DAGS have implemented 16 and partially implemented 7 of the 29 recommendations. Six recommendations have not been implemented and remain open.

Exhibit 1 Audit Recommendations by Status



Source: Office of the Auditor

Recommendations and their status

Our follow-up efforts were limited to reviewing and reporting on the implementation of the audit recommendations. We did not explore new issues or revisit old ones that do not relate to the original recommendations.

Definition of Terms

WE DEEM recommendations:

Implemented

where the department or agency provided sufficient and appropriate evidence to support all elements of the recommendation;

Partially Implemented

where some evidence was provided but not all elements of the recommendation were addressed;

Not Implemented

where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided;

Not Implemented - N/A

where circumstances changed to make a recommendation not applicable; and

Not Implemented - Disagree

where the department or agency disagreed with the recommendation, did not intend to implement, and no further action will be reported.

Recommendation 1

The Commission should adopt a strategic plan that conforms to Act 100, Session Laws of Hawai'i (SLH) 1999, requirements by including targeted, measurable objectives.

Implemented

Comments

Our review determined that the Commission has adopted a strategic plan for FY2014-FY2018, which contains objectives and action plans intended to achieve each objective. We verified that the strategic plan contains targeted, measurable objectives and sub-objectives. For example, we found that one of the plan's stated objectives is to support out-of-school arts education for pre-kindergarten through 12th grade students and life-long learning for adults, with a sub-objective to continue to provide biennium grants for out-of-school and adult arts programming by identifying the dollar amounts needed to set aside for such grants. Other action items contained specific dates for implementation and other performance indicators, e.g., issuance of a report regarding the Foundation's key audiences by August 1, 2017, annual reporting of numbers of students served and applicants to arts education opportunities, and convening of an Ali'i Memorial Task Force by November 2016.

Recommendation 2

The Commission should adopt a strategic plan that contains action plans for each objective detailing how, when, and by whom each objective will be achieved.

Implemented

Comments

The Commission's strategic plan for FY2014-FY2018 contains objectives and action plans to achieve each objective, including how, when, and by whom such objectives will be accomplished. We verified that the strategic plan contains action plans for each stated objective. As an example, some of the action plans for the Foundation's objective to "support excellent arts education programming in schools during the school day" include: annually incorporating professional development into arts education programs; annually reporting on the number of students served and amount of funding; launching a college art initiative by June 30, 2018; and developing and implementing an artistic teaching partners' apprenticeship program.

Recommendation 3

The Commission should adopt a strategic plan that accounts for organizational changes needed to ensure fulfillment of all mandated duties and maximizes special fund revenues.

Implemented

Comments

The Commission adopted strategic plans for both the FY2014-FY2018 and FY2019-FY2023 periods, which include objectives that account for organizational changes needed to ensure fulfillment of all mandated duties and maximize special fund revenues. We verified that the strategic plans contain objectives that address this recommendation. Objectives include requiring the Foundation to reestablish the positions of Gallery Manager, Project Manager, and Office Assistant; securing a new full-time position dedicated to tracking, reporting on, and encouraging full collection of all legally due funds; and calling for the Commission’s Planning and Budgeting Committee to review reports of the quarterly funds due and collected and recommend strategies for maximizing funds collected, to attain a level of 90 percent collection of all funds due.

Recommendation 4

The Commission should adopt a strategic plan that utilizes surplus Works of Art Special Fund moneys.

Implemented

Comments

Our review of the Commission’s strategic plan for FY2019-FY2023 showed that the plan includes objectives related to utilizing surplus Works of Art Special Fund moneys. Our review verified that the plan contains objectives that address this recommendation. For example, objectives were included to use surplus funds to maximize the geographic reach of arts exhibitions, performances, and events throughout the State through traveling and “pop-up” events, and by leveraging partnerships and collaborations; invest in audience research to expand resident and visitor participation in the arts; coordinate programs, exhibitions, and events to capitalize on audience interests and engagement; and connect local audiences to the arts and cultures of places beyond Hawai‘i.

Recommendation 5

The Commission should evaluate and document whether Section 103-8.5, HRS, needs to be amended to allow for broader use of the Works of Art Special Fund.

Implemented

Comments

We found that the Commission did discuss whether Section 103-8.5, HRS, needs to be amended to allow for broader use of the Works of Art Special Fund, during the Commission's meetings in January 2017 and January 2018. We reviewed the minutes from those meetings, verifying that such discussions were held. At both meetings, the commissioners unanimously voted to oppose any proposed amendments to Section 103-8.5, HRS.

Recommendation 6

The Commission should evaluate and document whether Chapter 9 (*Foundation on Culture and the Arts*), HRS, needs updating; and if so, propose legislative changes. This should include seeking to eliminate statutory duties that are no longer performed.

Not Implemented

Comments

The Commission held a board orientation on Chapter 9, HRS, as part of a Commission meeting in September 2015, to prepare to address this recommendation during the Foundation's strategic planning process. We reviewed the minutes from that meeting and note that eight of the nine commissioners and Foundation staff were in attendance. Per the Foundation, the Commission reviewed the agency's strategic priorities during its strategic planning efforts, including those outlined in Chapter 9, HRS. However, our review showed that meaningful progress towards implementing the recommendation has not yet been achieved. The Foundation will use the strategic plan adopted for FY2019-FY2023 as a basis for addressing this recommendation.

Target Date

Per the Foundation, the estimated date of implementation is January 20, 2019. The feasibility of that date could not be determined based on our review.

Recommendation 7

The Commission should ensure that its decisions and actions are publicly advertised, openly conducted, and properly documented in conformance with the Sunshine Law, Chapter 92 (*Public Agency Meetings and Records*), HRS.

Partially Implemented

Comments

Since our audit, there have been changes in Foundation staff and the Commission chairperson. The Foundation's executive director reported that the secretary responsible for posting meeting agendas resigned on June 1, 2016, and replacements since then have been trained on Sunshine Law compliance. The Foundation's executive director has also corresponded with the State Office of Information Practices (OIP) on questions related to the Sunshine Law as needed. We reviewed the Foundation's "Orientation for New Commissioners" booklet, which includes material on the Sunshine Law incorporated by the current Commission chairperson, who assumed leadership on July 1, 2015. We also reviewed e-mail correspondence between the Foundation's executive director and OIP regarding questions related to the Sunshine Law, and the agenda and minutes for the Commission meeting in question. Finally, we reviewed public notices, agendas, and minutes for Commission meetings held in FY2016. All meeting agendas and minutes had been posted on the Commission's website, and the minutes appeared to be complete and include sufficient detail to comply with the Sunshine Law, specifically Sections 92-7 and -9, HRS. However, although we found that the Foundation has conducted some training for its staff and commissioners regarding their roles and responsibilities under the Sunshine Law from 2015-2017, the Foundation has yet to adopt a formal training program for staff and commissioners that includes duties under the Sunshine Law.

Target Date

Per the Foundation, the estimated date of implementation is May 15, 2019. The feasibility of that date could not be determined based on our review.

Recommendation 8

The Commission should utilize its Planning and Budgeting Committee as a resource to regularly discuss and propose planning and budgeting policies and actions by ensuring the committee holds regular meetings, and by tasking the committee with responsibility for developing the Foundation's strategic plan and matters related to its effective implementation.

Implemented

Comments

From FY2015-FY2017, the Commission tasked its Planning and Budgeting Committee to discuss proposed budgeting decisions and the Foundation's strategic plan at regular committee meetings. We reviewed the meeting minutes, noting that there were 10 committee meetings held from FY2015-FY2017, during which the committee discussed proposed budgeting decisions and the Foundation's strategic plan. The Commission has also established a Strategic Planning Committee. We reviewed the minutes from the Committee's first few meetings held in FY2017 and verified that the development and implementation of the strategic plan was discussed at those meetings.

Recommendation 9

The Commission should adopt bylaws and a handbook of policy decisions.

Not Implemented

Comments

We found that the Commission formed an Investigative Committee to review all existing Foundation and departmental policies in FY2015. However, the Commission had not adopted bylaws or a handbook of policy decisions as of the date of our review. The Investigative Committee had planned to address these documents beginning in August 2018.

Target Date

Per the Foundation, the estimated date of implementation is December 30, 2018. The feasibility of that date could not be determined based on our review.

Recommendation 10

The Commission should adopt and implement policies to ensure that the Foundation is accountable for program performance and achievement of strategic goals.

Partially Implemented

Comments

The Commission included policies addressing this recommendation in its strategic plan for FY2019-FY2023. We found that the strategic plan includes certain strategic objectives and strategies designed to achieve those objectives. The Foundation is also currently working on a Strategic Priorities Implementation and Monitoring Plan, which will contain performance metrics to measure progress in achieving its strategic objectives.

Target Date

Per the Foundation, the estimated date of implementation is January 20, 2019. The feasibility of that date could not be determined based on our review.

Recommendation 11

The Commission should amend its written policy to specify the maximum period that a State agency can retain relocatable artwork for display.

Implemented

Comments

We found that, since our audit, the Foundation has revised its written rotation policy to provide that artwork can be borrowed by State agencies for a minimum of 4 years and up to a maximum of 10 years.

Recommendation 12

The Foundation's executive director should, regarding the strategic management of the organization, propose to the Commission recommendations to the Legislature for inclusion in the Foundation's annual report that suggest Foundation actions to promote and further culture, arts, history, and the humanities.

Implemented

Comments

We reviewed the Foundation's FY2016-FY2017 annual reports, which include recommendations to the Legislature that suggest Foundation actions to promote and further culture, arts, history, and the humanities. For example, in its FY2016 annual report, the Foundation requested that the Governor and 2017 Legislature approve an additional staff position within its Art in Public Places program to allow for more public programming opportunities and increase access for neighbor island communities. In its FY2017 report, the Foundation requested the approval of three additional staff positions within the Art in Public Places program to provide more public programming opportunities at the Hawai'i State Art Museum and increased accountability for contributions to the Works of Art Special Fund.

Recommendation 13

The Foundation's executive director should, regarding the strategic management of the organization, develop and implement procedures to ensure that strategic plan progress reports include performance measures that are based on objectives provided by commissioners, and are in keeping with Act 100, SLH 1999, and best practices.

Implemented

Comments

The Commission adopted a strategic plan for FY2019-FY2023. We reviewed the plan, which states that the Foundation will measure its strategic plan progress against a set of performance metrics, and formally report on progress at meetings of the commissioners and within its annual reports. The Foundation also developed a draft strategic plan implementation guide, which includes monitoring and evaluating the strategic plan's implementation, as well as using priority metrics to track progress made. Per the Foundation, progress reports were submitted to the National Endowment for the Arts and the Commission for FY2017. We reviewed both reports and verified that they include performance measures that are based on the Foundation's strategic plan objectives.

Recommendation 14

The Foundation’s executive director should, regarding the strategic management of the organization, adopt a formal training program for staff and commissioners that includes duties under both Chapters 9 and 92, HRS.

Not Implemented

Comments

We found that the Foundation has conducted some training for its staff and commissioners regarding their roles and responsibilities under Chapters 9 and 92, HRS, from 2015-2017. Per our review of the September 16, 2015, Commission meeting minutes, we verified that a board orientation training on the Commission’s and Foundation staff’s roles and responsibilities under Chapters 9 and 92, HRS, was held, which both commissioners and staff attended. However, the Foundation has yet to adopt a formal training program for staff and commissioners that includes duties under both Chapters 9 and 92, HRS. The Administrative Committee was expected to address the training program starting in August 2018.

Target Date

Per the Foundation, the estimated date of implementation is May 15, 2019. The feasibility of that date could not be determined based on our review.

Recommendation 15

The Foundation’s executive director should, regarding the Works of Art Special Fund, evaluate and document whether there is a need to propose legislative changes that address enforcement of requirements under Section 103-8.5 (*Works of Art Special Fund*), HRS, which may include penalties for non-compliance and requirements for agencies to develop and implement internal policies and procedures to ensure compliance.

Partially Implemented

Comments

The Foundation’s executive director met with the DAGS Administrative Services Office in March 2018 to discuss penalties for non-compliance with Section 103-8.5, HRS, and requirements for agencies to develop and implement internal policies and procedures to ensure compliance. We reviewed e-mail correspondence between the executive director and DAGS regarding the meeting. Although the Commission is currently opposed to amending Section 103-8.5, HRS,

discussions between the Foundation and DAGS are ongoing regarding the enforcement of requirements under that section.

Target Date

Per the Foundation, the estimated date of implementation is June 30, 2019. The feasibility of that date could not be determined based on our review.

Recommendation 16

The Foundation's executive director should, regarding the Works of Art Special Fund, develop and implement policies and procedures for monitoring compliance with Section 103-8.5, HRS. The Foundation should also consider coordinating compliance monitoring efforts with B&F.

Partially Implemented

Comments

The Foundation, in consultation with DAGS, has begun dialogue with B&F on developing procedures for monitoring compliance with Section 103-8.5, HRS. We reviewed a draft State Comptroller's memorandum on the Works of Art Special Fund assessment with accompanying draft procedures, as well as correspondence between the State Comptroller and the B&F director regarding the memorandum, as evidence of the dialogue between the two departments.

However, the Foundation believes that B&F is the "gatekeeper" for implementing policies and procedures for monitoring such compliance. The Foundation's executive director also met with the DAGS Administrative Services Office to discuss requirements for agencies to develop and implement procedures to ensure compliance in March 2018. We reviewed e-mail correspondence between the executive director and DAGS documenting the scheduling of that meeting.

Target Date

Per the Foundation, the estimated date of implementation is January 1, 2019. The feasibility of that date could not be determined based on our review.

Recommendation 17

The Foundation's executive director should, regarding the Works of Art Special Fund, work with DAGS to resolve the issue of transfers into the Works of Art Special Fund that were disallowed due to faulty interpretation of the Works of Art Special Fund law and to identify and track amounts still due to the fund.

Implemented

Comments

The Foundation and DAGS have resolved the issue of the disallowed transfers into the Works of Art Special Fund and have agreed to not pursue amounts still due to the fund. Instead, they will focus their efforts on creating policies to ensure that contributions into the fund are made correctly. We reviewed various correspondence between the Foundation and DAGS, as well as schedules detailing the amounts in question, as evidence of their efforts to resolve this issue.

Recommendation 18

The Foundation's executive director should, regarding maximizing public access to the Foundation's Art in Public Places collection, adopt procedures to better facilitate enforcement of the Foundation's artwork rotation policy.

Implemented

Comments

The Foundation's revised rotation policy states that artwork must be installed for a minimum of 4 years and a maximum of 10 years. However, there may be exceptions for artwork that are permanently installed, which is allowable per the Foundation's management policy. We verified that the revised rotation policy addresses this recommendation. Additionally, we selected a sample of artwork per the Foundation's inventory listing and verified that the Foundation complied with its rotation policy in those instances.

Recommendation 19

The Foundation's executive director should, regarding maximizing public access to the Foundation's Art in Public Places collection, enforce the Foundation's policy that all active display sites must have complete and accurate display site surveys on file prior to executing future or renewed artwork loan agreements.

Implemented

Comments

The Art in Public Places registrar now contacts all display sites to verify that there is an accurate display site survey on file prior to the execution of the loan agreement. We selected a sample of recipients with loan agreements and verified that display site surveys were completed prior to the execution of the loan agreement.

Recommendation 20

The Foundation's executive director should, regarding protection of the Foundation's digital assets, include on the Foundation's website all agreed-to notifications listed in its non-exclusive licenses, specifically, a notification to users that the contents displayed may only be used for personal, educational, and non-commercial use.

Implemented

Comments

The Foundation's website now includes the notification to users as stated in this recommendation. The notification is included as part of the site's "Website Disclaimer."

Recommendation 21

The Foundation’s executive director should, regarding protection of the Foundation’s digital assets, include on the Foundation’s website all agreed-to notifications listed in its non-exclusive licenses, specifically, a notification to users that nothing may be reproduced without the permission of the Foundation and the copyright holder.

Implemented

Comments

The Foundation’s website currently includes the notification to users as stated in this recommendation. The notification is included as part of the “Permissions and Requests for Images” section of the “Website Disclaimer.”

Recommendation 22

The Foundation’s executive director should, regarding protection of the Foundation’s digital assets, include on the Foundation’s website all agreed-to notifications listed in its non-exclusive licenses, specifically, an overall copyright notice.

Implemented

Comments

The Foundation’s website now includes the overall copyright notice as stated in this recommendation. The notice is included as part of the “Data Rights” section of the site’s home page.

Recommendation 23

The Foundation's executive director should, regarding protection of the Foundation's digital assets, establish policies and procedures within the Foundation's digital asset management plan regarding usage by both third parties and Foundation staff.

Partially Implemented

Comments

The Foundation is currently in the process of developing its digital asset management plan. We reviewed digital asset management system plan documents, as well as digital asset management and information technology committee meeting agendas, to verify that the plan is being developed. We also reviewed the Foundation's "Art in Public Places Program Collections Management Policy" for the current policies and procedures for protection of the Foundation's digital assets regarding usage by both third parties and Foundation staff, located in Chapter 9 of the policy entitled, "Rights and Reproductions." According to the Foundation, those policies and procedures are independent of the digital asset management plan called for in this recommendation, which is still in progress.

Target Date

Per the Foundation, the estimated date of implementation is January 20, 2019. The feasibility of that date could not be determined based on our review.

Recommendation 24

The Foundation's executive director should, regarding protection of the Foundation's digital assets, establish policies and procedures that ensure active monitoring of the Foundation's photographic material requests.

Implemented

Comments

The Foundation's website includes the policies and procedures as stated in this recommendation. In order to verify this, we reviewed the website and confirmed that the policies and procedures are included as part of the "Permissions and Requests for Images" section of the "Website Disclaimer." We also reviewed the Foundation's "Photographic Material Request" form and the accompanying "Terms and Conditions" to ensure that the policies and procedures are communicated on the forms. Additionally, we reviewed the "Photographic Material Request" forms filed with the Foundation to verify that such requests are tracked.

Recommendation 25

DAGS should develop and issue a new State Comptroller’s memo that provides updated and more detailed guidance for complying with Section 103-8.5, HRS, and ensure all agencies are aware of the statutory requirements. Revisions to the memo should include expanding and clarifying the guidance on which type of construction projects are subject to the one percent Works of Art Special Fund requirement. This should include a definition of “sitework” and guidance on how to interpret the term and identify what is classified as sitework. It should also include defining the type of work that constitutes renovations, modernization, or other changes to an existing building.

Partially Implemented

Comments

DAGS has developed a draft State Comptroller’s memorandum to provide updated and more detailed guidance for compliance with Section 103-8.5, HRS, and is currently working with B&F to finalize it. Based on our review, the memo includes guidance on which type of construction projects are subject to the one percent Works of Art Special Fund requirement. However, DAGS acknowledges that clarification is still needed in the memo to better define the type of work that constitutes renovations, modernization, or other changes to an existing building, including a definition of “sitework.”

Target Date

Per DAGS, the estimated date of implementation is December 31, 2018. The feasibility of that date could not be determined based on our review.

Recommendation 26

DAGS should develop and issue a new State Comptroller's memo that provides updated and more detailed guidance for complying with Section 103-8.5, HRS, and ensure all agencies are aware of the statutory requirements. Revisions to the memo should include additional guidance on the treatment of appropriations subsequently reallocated between cost elements via allotment advices rather than legislative acts.

Not Implemented

Comments

DAGS has developed a draft State Comptroller's memorandum to provide updated and more detailed guidance for compliance with Section 103-8.5, HRS, and is currently working with B&F to finalize it. However, based on our review, the memo currently does not include additional guidance on the treatment of appropriations subsequently reallocated between cost elements via allotment advices rather than legislative acts. DAGS and B&F have held discussions, and B&F is currently reviewing the allotment advices to address this recommendation.

Target Date

Per DAGS, the estimated date of implementation is December 31, 2018. The feasibility of that date could not be determined based on our review.

Recommendation 27

DAGS should develop and issue a new State Comptroller's memo that provides updated and more detailed guidance for complying with Section 103-8.5, HRS, and ensure all agencies are aware of the statutory requirements. Revisions to the memo should include developing and implementing new reporting requirements for agencies receiving construction appropriations to ensure that the Foundation receives all information necessary for monitoring compliance with Works of Art Special Fund assessments.

Not Implemented

Comments

DAGS has developed a draft State Comptroller's memorandum to provide updated and more detailed guidance for compliance with Section 103-8.5, HRS, and is currently working with B&F to finalize it.

However, based on our review, the memo currently does not include new reporting requirements for agencies receiving construction appropriations. DAGS plans to include a requirement for automated controls to provide the Foundation with the information necessary to monitor compliance with Works of Art Special Fund assessments in its new financial system. Although DAGS received legislative appropriations for the new system in FY2016, it has yet to issue a solicitation for services related to the creation of the system as of the date of our review.

Target Date

Per DAGS, the estimated date of implementation is December 31, 2018. The feasibility of that date could not be determined based on our review.

Recommendation 28

DAGS should develop and issue a new State Comptroller’s memo that provides updated and more detailed guidance for complying with Section 103-8.5, HRS, and ensure all agencies are aware of the statutory requirements. Revisions to the memo should include additional or revised DAGS’ criteria and procedures as necessary to address any other common compliance issues that B&F has identified as part of its monitoring efforts.

Not Implemented

Comments

DAGS has developed a draft State Comptroller’s memorandum to provide updated and more detailed guidance for compliance with Section 103-8.5, HRS, and is currently working with B&F to finalize it. However, based on our review, the memo currently does not include additional or revised DAGS’ criteria or procedures to address other common compliance issues that B&F has identified as part of its monitoring efforts. DAGS believes that B&F already serves as the “gatekeeper” to ensure compliance with Section 103-8.5, HRS. Discussions with B&F are ongoing.

Target Date

Per DAGS, the estimated date of implementation is December 31, 2018. The feasibility of that date could not be determined based on our review.

Recommendation 29

DAGS should evaluate and document whether it is feasible to create automated controls in the State accounting system that require a management override in order to process capital improvement project allotment requests that do not include works of art assessments.

Partially Implemented

Comments

DAGS has evaluated and documented whether it is feasible to create both automated and manual controls in the State's current accounting system to address this recommendation, and determined that it is not feasible. We reviewed a memo to file and spreadsheet provided by DAGS as evidence of its feasibility assessment. In FY2016, DAGS received legislative appropriations for a new financial system, in which it plans to implement a requirement for the necessary automated controls. However, DAGS has yet to issue a solicitation for services related to the creation of the system as of the date of our review.

Target Date

Per DAGS, the estimated date of implementation is December 31, 2018. The feasibility of that date could not be determined based on our review.

