

# 1993 State of Hawaii Auditors Report Summary

Summarized June 2013 for Policy Center Work Sessions  
Management & Financial Audit of DHHL

## Majority of Beneficiaries Still Waiting

The 1993 Auditors dedicating a section prior to laying out its findings, to the focal point of Beneficiaries Still Waiting.

- a. Lease awards total 5,968 including 1,596 with no infrastructure;
- b. 24,683 Waitlist applications on file;
- c. DHHL inappropriately includes raw lots and incomplete homes in its public reports as “completed new homes”;
- d. Commission does not require DHHL to be accountable for outcomes or lack thereof

*The mission of the HHC and DHHL is to administer Hawaiian home lands for the benefit of native Hawaiians. The purpose is to improve the self-sufficiency of native Hawaiians by providing them with land.*

*The Commission and DHHL are far from fulfilling this purpose. - State Auditor, 1993*

*DHHL has pursued unrealistic goals and overstates progress. In 1991, DHHL established a goal of 700 homes by 1993, 4,000 lots by 1994 and 14,000 housing units by 2000. DHHL will not meet these goals. - State Auditor, 1993*

*The outlook for beneficiaries continues to be poor.....as trustees for Hawaiian home lands, commissioners must ensure DHHL programs operate in the interests of beneficiaries.- State Auditor, 1993*

## Commission Leadership Over Land Trust

1. Commission has not exercised necessary oversight to hold DHHL accountable;
2. Commission agenda is controlled and restricted by Chair/Deputy;
3. Commission policy decisions are not properly compiled by DHHL nor does a standard orientation manual exist, requiring primarily oral accounts by staff given to new commissioners;
4. There is no written policy to establish philosophy and direction of programming;
5. DHHL does not provide relevant systematic status reports to the Commission on programs or goals to measure DHHL performance;

*We find the commission has yet to assert its authority and policymaking responsibilities. – State Auditor, 1993*

*The Chair and Deputy decide on the Agenda that will be discussed at commission meetings. Several commissioners expressed serious concern over inability to bring up new business or conduct discussions not listed on the agenda. A commissioner stated that most of the decisions are merely ‘rubber stamp’. State Auditor, 1993*

## DHHL Administration of Land Trust

1. DHHL lacks written policies or a strategic plan to direct its programs;
2. Director should routinely receive written management information and analysis from staff of DHHL programs and activities;
3. DHHL has not developed effective management systems to implement programs;
4. DHHL lacks standard policies on management of records and beneficiary files;

5. Poor collection of delinquent loans;
6. DHHL has exceeded authorized loan guarantee levels;
7. Cash deposit with FHA not properly recorded.

*DHHL developed planning initiatives and various reports. However, these are not strategic plans... ..for example in 1991 DHHL started a 6-part study to document all land holdings and assess land use potential.*

*At the time of this audit field work, the study had yet to be completed.*

*State Auditor, 1993*

*We found no policies, procedures or any standard guidance for staff to follow in managing records.*

*According to one DHHL official, recordkeeping was not a priority until recently.*

*State Auditor, 1993*

*Management is responsible for establishing appropriate controls and procedures to safeguard assets and for ensuring they are followed. DHHL management has not done this.*

*State Auditor, 1993*

*We found that in 5 of 14 loan delinquency cases, DHHL did not carry out the Commission's orders. In 4 of the remaining cases, DHHL took from 6 – 14 months to carry out the Commission's orders.*

*State Auditor, 1993*

## **Recommendations Made in the Report**

### Regarding Commission

1. Clarify administrative rules relating to the oversight authority of the Commission and that delegated to the Chair of the Commission (and also the Director of DHHL).
2. Establish a committee structure to address important issues facing DHHL.
3. Require the Chair to compile Commission policy decisions AND a manual for commissioners on their functions and responsibilities, and on the operations of DHHL.
4. Create an Executive Committee to work with the Chair to improve Commission operations and approving agenda for Commission meetings.
5. Require DHHL and Chair to regularly submit management information to the Commission on the programs of DHHL.
6. Rigorously support DHHL loan collection procedures.
7. Refrain from guaranteeing any additional loans until the balance of guaranteed loans falls within statutory limits.

### Regarding Chair/DHHL Director

1. Prepare a comprehensive strategic plan as a guide for agency programs. The plan should include goals, milestones and monitoring controls over agency initiatives and programs. The Director/Chair should submit the plan to the Commission for approval.
2. Give priority to developing a recordkeeping system and adopting written management control policies and procedures to ensure records are properly stored and secured.
3. Enforce its collection policies expeditiously.
4. Accurately record its deposits with FHA as an asset on its accounting records as "cash on deposit with other parties". The deposit should also be presented as an asset on the DHHL balance sheet.