

COMMITTEE ON RESOURCE MANAGEMENT
Dan Ahuna, Chairperson
Robert K. Lindsey, Jr., Vice Chairperson
Leina'ala Ahu Isa, At-Large
Kalei Akaka, O'ahu
Keli'i Akina, At-Large
Brendon Kalei'aina Lee, At-Large
Carmen Hulu Lindsey, Maui
Colette Y. Machado, Moloka'i/Lāna'i
John Waihe'e IV, At-Large



**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS**

**MEETING OF THE COMMITTEE ON
RESOURCE MANAGEMENT**

DATE: Wednesday, October 21, 2020
TIME: 10:00 am
PLACE: Virtual Meeting
Viewable at www.oha.org/livestream OR
Listen by phone: (213) 338-8477
Webinar ID: 997 2107 6737

Due to the threat of COVID-19, Governor Ige issued the most recent Emergency Fourteenth Supplementary Proclamation dated October 13, 2020 that suspend parts of Hawai'i Revised Statutes Chapter 92, Public Agency Meetings and Records to, among other things, enable boards to conduct business without any board members or members of the public physically present at the same location.

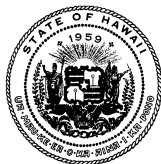
The OHA Board of Trustees and its standing committees will hold virtual meetings until further notice. The virtual meetings can be viewed and observed via livestream on OHA's website at www.oha.org/livestream or listen by phone: (213) 338-8477, Webinar ID: 997 2107 6737

AMENDED AGENDA

- I. Call to Order
- II. Public Testimony on Items Listed on the Agenda* (Please see page 2 on how to submit written testimony or provide oral testimony online. Oral testimony by phone will **not** be accepted)
- III. Approval of Minutes
 - A. November 6, 2019
 - B. January 22, 2020
 - C. February 19, 2020
 - D. March 4, 2020
- IV. New Business
 - A. Action Item RM #20-01: OHA's Preliminary FB 2022/2023 General Funds and Community Grants
- V. Announcements
- VI. Adjournment

If you require an auxiliary aid or accommodation due to a disability, please contact Raina Gushiken at telephone number 594-1772 or by email at: rainag@oha.org no later than three (3) business days prior to the date of the meeting.

Meeting materials will be available to the public on Friday, October 16, 2020 and posted to OHA's website at: www.oha.org/rm



**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS**

† Notice: The 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for distribution of new committee materials.

† Notice: This portion of the meeting will be closed to the public pursuant to HRS § 92-5.

*Public Testimony: Public testimony can be submitted to the OHA Board of Trustees either: (1) in writing emailed at least 24 hours prior to the scheduled meeting, or (2) as live, oral testimony online during the Public Testimony portion of the virtual meeting. **Public testimony must be limited to matters listed on the meeting agenda.** Please visit OHA's website for more detailed information on how to submit public testimony at: <https://www.oha.org/how-to-submit-testimony-for-oha-bot-meetings/>

Persons wishing to provide **written testimony** on items listed on the agenda should submit testimony via **email** to BOTmeetings@oha.org at least **24 hours prior** to the scheduled meeting. Any testimony received after this deadline will be late testimony and distributed to the Board members after the scheduled meeting. **Due to COVID-19, please do not fax, mail, or hand-deliver written testimony.**

Persons wishing to provide **oral testimony online** during the virtual meeting must register here first:

https://zoom.us/webinar/register/WN_v0grdXlpSBSgd8qj9qEQYQ

Oral testimony online is limited to items listed on the agenda. The registration to provide oral testimony online will remain open until the Public Testimony section on the agenda has concluded. You will need to register prior to this time if you would like to orally testify. Once you have completed your registration, a confirmation email will be sent to you with a link to join the virtual meeting and further instructions on how to provide oral testimony during the virtual meeting. To provide oral testimony online, you will need (1) a computer or mobile device to connect to the internet, (2) internet access, and (3) a microphone to provide oral testimony. Oral testimony online will be limited to five (5) minutes. Oral testimony by phone will **not** be accepted at this time.

A handwritten signature in black ink that reads "Dan Ahuna".

Trustee Dan Ahuna, Chairperson
Committee on Resource Management

10/15/2020

Date

DRAFT

**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 N. Nimitz Hwy, Suite 200
HONOLULU, HI 96817**

**Minutes of the Office of Hawaiian Affairs Committee on Resource Management
November 6, 2019
1:31 pm**

ATTENDANCE:

Trustee Dan Ahuna, Chairperson
Trustee Robert Lindsey, Vice-Chair
Trustee Kalei Akaka
Trustee Keli'i Akina
Trustee Carmen Hulu Lindsey
Trustee Colette Machado

Trustee John Waihe'e
Trustee Brendon Kalei'aina Lee
Trustee Leina'ala Ahu Isa

STAFF PRESENT:

Sylvia Hussey, ICEO
Raina Gushiken
Ray Matsuura
Lehua Itokazu
Alyssa Kau
Lopaka Baptiste
Claudine Calpito
Anuheia Patoc
Paul Harleman
Brandon Mitsuda
Kama Hopkins
Kauikeaolani Wailehua
Zuri Aki
Lei Ann Durant
Priscilla Nakama
Nathan Takeuchi

Guest and Community:

Robert G. Klein, Esq.
Kurt Klein, Esq.
Germaine Meyers
Darren Smith, JP Morgan
Charlie Fishman, JP Morgan (telecom)

I. CALL TO ORDER

Chair Ahuna welcomes everyone to the Committee on Resource Management and states it is 1:31 pm.

	Present	Excused	Comments
TRUSTEE LEI AHU ISA	x		
TRUSTEE KALEI AKAKA	x		
TRUSTEE KELI 'I AKINA			arrived at 1:34pm
TRUSTEE BRENDON KALEI 'AINA LEE	x		
TRUSTEE HULU LINDSEY	x		
TRUSTEE ROBERT LINDSEY	x		
TRUSTEE COLETTE MACHADO	x		
TRUSTEE JOHN WAIHE'E			arrived at 1:32pm
CHAIRPERSON DAN AHUNA	x		
TOTAL	7		
At the Call to Order, there are (7) Trustees present.			

Chair Ahuna asks if anyone would like to provide public testimony.

Chair Ahuna calls Germaine Meyers.

II. PUBLIC TESTIMONY

Germaine Meyers gave a summary of her concerns regarding the CLA audit.

Chair Ahuna stated we will move onto item III.

III. NEW BUSINESS

A. Approval of Minutes

- 1. May 1, 2019**
- 2. May 22, 2019**
- 3. May 29, 2019**
- 4. June 18, 2019**
- 5. August 21, 2019**
- 6. September 25, 2019**
- 7. October 2, 2019**

Chair Ahuna stated we would be deferring Sept. 25, 2019 minutes. Asked for motion to approve minutes for May 1 2019, May 22, 2019, May 29, 2019, June 18, 2019, August 21, 2019 and October 2, 2019.

Trustee Akaka moved.

Trustee Hulu Lindsey seconded.

Chair Ahuna asked for discussion.

Trustee Lee stated he would like to amend the motion to approve the draft minutes as submitted with the attachments that were submitted electronically, because we do not physically have the attachments. These attachments were already provided to us via the electronic folder file.

Chair Ahuna stated that we did not add the attachments to the minutes for the draft due to excessive waste of paper, but intended to include it in the final minutes.

Trustee Akaka, MOVED, SECOND by Trustee Hulu Lindsey, to approve <u>amendment</u> of motion for minutes of May 1, 2019, May 22, 2019, May 29, 2019, June 18, 2019, August 21, 2019 and October 2, 2019.						
TRUSTEE	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE KALEI AKAKA	1		X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON LEE			X			
TRUSTEE HULU LINDSEY		2	X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E			X			
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			9			
MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED						
Motion passes with nine (9) YES votes.						

Chair Ahuna stated we will now vote on the main motion (to approve minutes from May 1, 2019, May 22, 2019, May 29, 2019, June 18, 2019, August 21, 2010, and October 2, 2019).

Motion made previously to approve motion (as amended) for minutes of May 1, 2019, May 22, 2019, May 29, 2019, June 18, 2019, August 21, 2019 and October 2, 2019 to approve the draft minutes as submitted with the attachments that were submitted electronically.

TRUSTEE	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON LEE			X			
TRUSTEE HULU LINDSEY			X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E			X			
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			9			
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED						
Motion passes with nine (9) YES votes.						

B. Presentation by JP Morgan Report on Quarter ending September 30, 2019.

Chair Ahuna called upon Ray Matsuura to share on JP Morgan Report.

Ray Matsuura called upon Darren Smith to share at table. Charlie Fishman, JP Morgan (telecom).

Darren Smith and Charlie Fishman (JP Morgan staff) shared details on management of investment account including multi-asset strategy group, market review, new performance with less line items, as well as market outlook/individualized investments to the customized portfolio as provided in the materials.

Trustee Lee had further discussion and expresses concerns in communication/information exchanges regarding the investments, specifically differing opinions and risk tolerance.

Trustee Ahu Isa had further discussion regarding differing views on bonds.

Trustee Akina had further discussion on “duration,” level of interest rates, and the hedge.

Trustee Ahu Isa commented and had further discussion on monetary policy.

C. Review of CLA Status Report #5 – Kama Hopkins

Chair Ahuna called upon Kama Hopkins to share CLA Status Report.

Kama Hopkins shares highlights on item B.

Trustee Hulu Lindsey had further discussion on item B.

Kama Hopkins shares highlights on page 4, item F, items 3 and 4.

Trustee Akina asks about final report.

Trustees (multiple) discuss different thoughts on dates of report and filing.

Kama Hopkins re-clarifies dates for upcoming report delivery and reviews.

Trustees (multiple) ready to adjourn.

IV. ADJOURNMENT

Chair Ahuna calls for motion to adjourn.

Trustee Machado moved.

Trustee Kalei Akaka seconded.

Trustee Machado, MOVED, SECOND by Trustee Kalei Akaka. Motion to adjourn.						
	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			X
TRUSTEE KALEI AKAKA		2	X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON LEE			X			X
TRUSTEE HULU LINDSEY			X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE COLETTE MACHADO	1		X			
TRUSTEE JOHN WAIHE'E			X			
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			9			
MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED						
Motion passes with seven (9) YES votes.						

Chair Ahuna adjourned meeting at 2:46 pm.

Respectfully Submitted,

Anuheia Patoc, Trustee Secretary
Committee on Resource Management

Dan Ahuna, Chairperson
Committee on Resource Management

Approved: RM Committee meeting _____

Attachment(s):

- Presentation by JP Morgan Report on Quarter ending September 30, 2019
- CLA Contract & Disbursement Review and Recommendations

COMMITTEE ON RESOURCE MANAGEMENT
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John Waihe'e IV, At-Large



**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS**

**MEETING OF THE COMMITTEE ON
RESOURCE MANAGEMENT**

DATE: Wednesday, November 6, 2019
TIME: 1:30 pm
PLACE: OHA Board Room, Nā Lama Kukui
560 N. Nimitz Hwy., Suite 200
Honolulu, HI 96817

AGENDA

- I. Call to Order
- II. Public Testimony*
- III. New Business
 - A. Approval of Minutes
 - 1. May 1, 2019
 - 2. May 22, 2019
 - 3. May 29, 2019
 - 4. June 18, 2019
 - 5. August 21, 2019
 - 6. September 25, 2019
 - 7. October 2, 2019
 - B. Presentation by JP Morgan Report on Quarter ending September 30, 2019
 - C. Review of CLA Status Report #5 – Kama Hopkins
- IV. Adjournment

If you require an auxiliary aid or accommodation due to a disability, please contact Raina Gushiken at telephone number 594-1772 or by email at: rainag@oha.org no later than three (3) business days prior to the date of the meeting.

*Notice: Persons wishing to provide testimony are requested to submit 13 copies of their testimony to the Chief Executive Officer at 560 N. Nimitz, Suite 200, Honolulu, HI, 96817 or fax to 594-1868, or email BOTmeetings@oha.org 48 hours prior to the scheduled meeting.

Persons wishing to testify orally may do so at the meeting, provided that oral testimony shall be limited to five minutes.

†Notice: The 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for distribution of new committee materials.

‡Notice: This portion of the meeting will be closed pursuant to HRS § 92-5.

A handwritten signature in black ink that reads "Dan Ahuna".

Trustee Dan Ahuna
Chairperson, Committee on Resource Management

10/29/19
Date

Office of Hawaiian Affairs

November 2019

Darren Smith, *Client Advisor*

(415) 315-8939, darren.f.smith@jpmorgan.com

Charles Fishman, CFA, *Investment Specialist*

(212) 648-0306, charles.fishman@jpmorgan.com

Alex Middleton, *Investment Specialist*

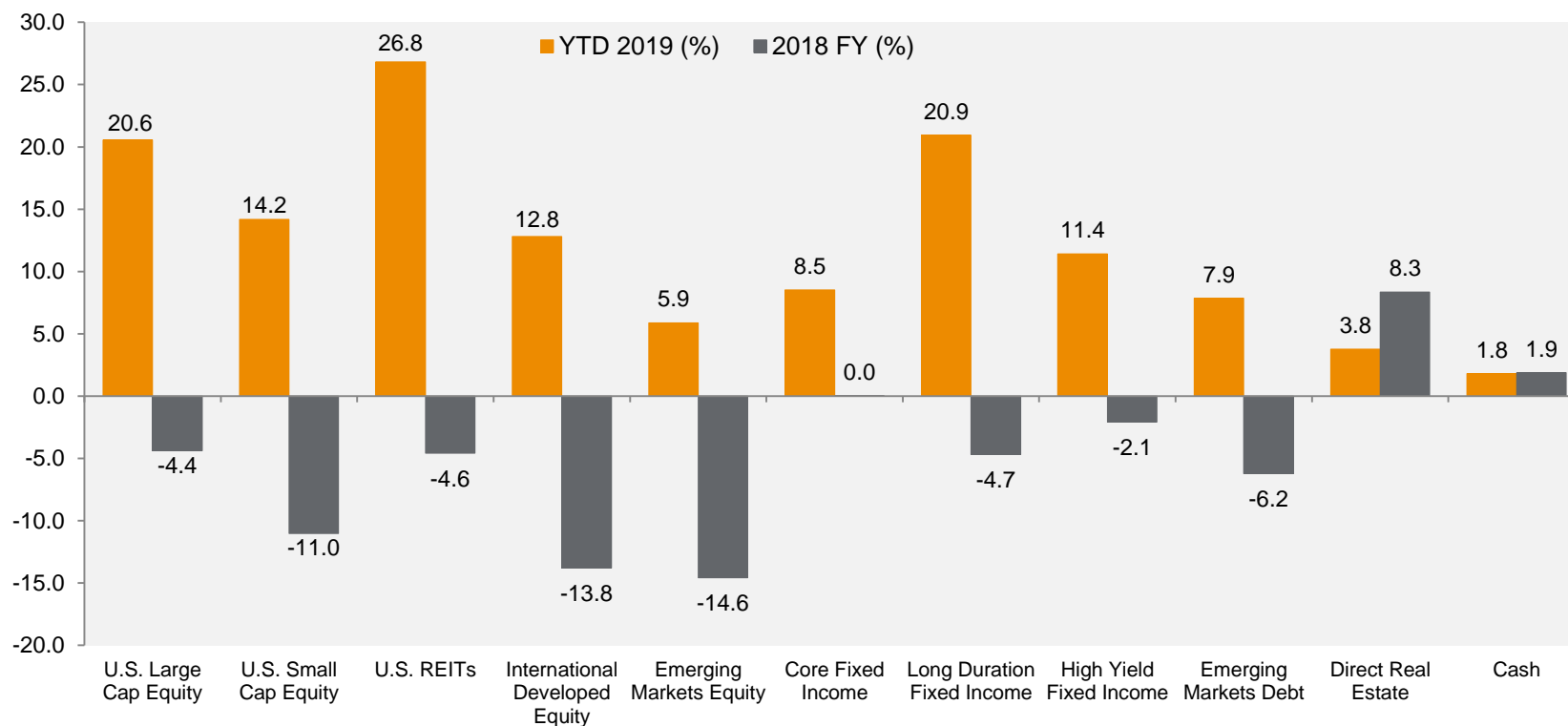
(212) 648-0642, alexander.i.middleton@jpmorgan.com

Agenda

- Market Review
- Portfolio Update
- Market Outlook
- Appendix

Market Review

Global market performance 2019 vs. 2018



J.P. Morgan Asset Management, Multi-Asset Solutions; as of 9/30/2019. Note: All data shown is representative of U.S. dollar denominated index returns. Past performance is no guarantee of future results.

Portfolio Update

Investment Performance

September 30, 2019

Portfolio Performance	YTD	1 Year	3 Year	5 Year	7 year	Since Inception*
Total Return	14.15%	2.57%	8.24%	6.15%	8.01%	7.33%
Total Portfolio Policy Benchmark ¹	14.45%	4.06%	8.27%	6.37%	7.83%	7.17%
Excess Return	-0.30%	-1.49%	-0.03%	-0.22%	0.18%	0.16%
Total Portfolio Custom Benchmark ²	14.21%	4.32%	8.23%	6.37%	7.73%	7.03%
Excess Returns	-0.06%	-1.75%	0.01%	-0.22%	0.28%	0.30%

*Since inception date of June 30, 2011. Total Portfolio Custom Benchmark reflect underlying managers' benchmarks, at their strategic portfolio weights. Total Portfolio Policy Benchmark reflects benchmark indices and weights as indicated in investment guidelines. ^{1,2} For benchmark compositions denoted with numbered footnotes, please see slide "Index Compositions" in the Appendix. Performance is shown net of fees. Past performance is no guarantee of future results.

Asset Class Performance

September 30, 2019

Asset Class Performance	YTD	1 Year	3 Year	5 Year	7 Year	Since Inception*
Total Equity	17.00%	0.21%	9.47%	6.83%	9.54%	7.66%
MSCI AC World	16.20%	1.38%	9.71%	6.81%	8.98%	7.50%
Excess Return	0.80%	-1.17%	-0.24%	0.02%	0.56%	0.16%
Total Fixed Income	8.48%	7.67%	4.06%	3.47%	3.36%	4.28%
Bloomberg Barclays U.S. Aggregate	8.52%	10.30%	2.92%	3.38%	2.72%	7.34%
Excess Return	-0.04%	-2.63%	1.14%	0.09%	0.64%	-3.06%
Total Real Return	12.29%	8.21%	2.62%	6.83%	7.29%	7.75%
Barclays U.S. TIPS +3%	9.98%	10.34%	4.66%	6.54%	7.13%	6.91%
Excess Return	2.31%	-2.13%	-2.04%	0.29%	0.16%	0.84%

Source: J.P. Morgan Asset Management. *Since inception date of June 30, 2011. Performance results are shown net of fees. Past performance is no guarantee of future results.

Current portfolio positioning

September 30, 2019

Strategy	Market Value	Strategic Allocation	Current Allocation	(+/-)
US Equity	42,709,074	37.50%	37.74%	0.24%
International Equity	20,342,552	21.00%	17.97%	-3.03%
Emerging Markets Equity	5,099,505	7.50%	4.51%	-2.99%
Global Equity	68,151,130	66.00%	60.22%	-5.78%
Core Fixed Income	11,469,786	17.50%	10.13%	-7.37%
High Yield	7,368,240	4.50%	6.51%	2.01%
Emerging Markets Debt	3,402,806	3.00%	3.01%	0.01%
Global Credit	22,240,832	25.00%	19.65%	-5.35%
US REITs	4,514,579	4.00%	3.99%	-0.01%
Inflation Sensitive Fixed Income	5,651,021	5.00%	4.99%	-0.01%
Total Real Assets	10,165,600	9.00%	8.98%	-0.02%
Total Cash	12,616,713	0.00%	11.15%	11.15%
Total Portfolio	113,174,275	100.00%	100.00%	0.00%

Source: J.P. Morgan Asset Management. Data as of September 30, 2019.

¹ As of November 1, 2017, the JPMorgan Disciplined Equity Fund has been renamed to JPMorgan U.S. Research Enhanced Equity Fund.

² As of July 31, 2018, the Intrepid International Fund has been renamed to JPM International Advantage Fund.

Asset Allocation Over Time

Strategy	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	September -19
US Equity	40.89%	41.95%	39.71%	39.88%	39.62%	37.74%
International Equity	21.57%	20.20%	16.44%	16.95%	19.01%	17.97%
Emerging Markets Equity	8.60%	6.46%	5.08%	8.49%	6.62%	4.51%
Global Equity	71.05%	68.61%	61.23%	65.32%	65.25%	60.22%
Core Fixed Income	9.30%	15.64%	18.26%	14.68%	12.91%	10.13%
High Yield	5.58%	6.35%	5.48%	7.58%	8.43%	6.51%
Emerging Markets Debt	1.99%	0.21%	0.12%	2.95%	3.96%	3.01%
Global Credit	16.88%	22.20%	23.86%	25.22%	25.31%	19.65%
US REITs	4.00%	4.02%	3.92%	4.17%	4.16%	4.26%
Commodities	1.28%	0.00%	0.00%	0.00%	0.00%	0.00%
Inflation Sensitive Fixed Income	6.49%	4.95%	4.97%	4.98%	4.98%	4.99%
Total Real Assets	11.77%	8.97%	8.89%	9.16%	9.14%	8.98%
Total Cash	0.29%	0.30%	6.02%	0.30%	0.30%	11.15%
Total Portfolio	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

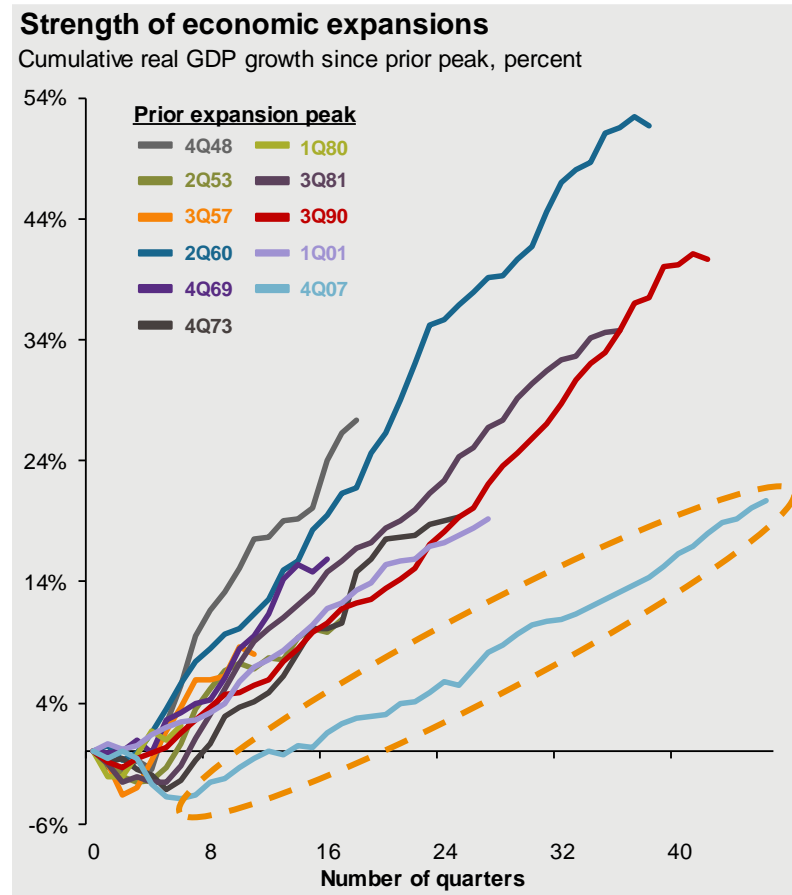
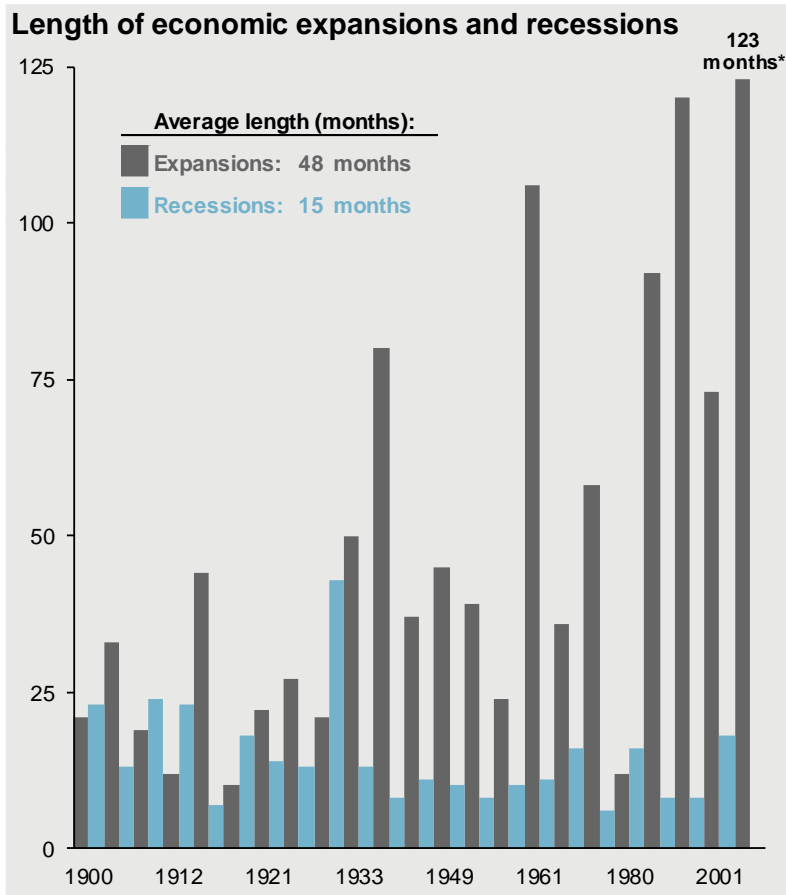
Source: J.P. Morgan Asset Management. Data as of September 30, 2019.

¹ As of November 1, 2017, the JPMorgan Disciplined Equity Fund has been renamed to JPMorgan U.S. Research Enhanced Equity Fund.

² As of July 31, 2018, the Intrepid International Fund has been renamed to JPM International Advantage Fund. Please see the prospectus for more details.

Market Outlook

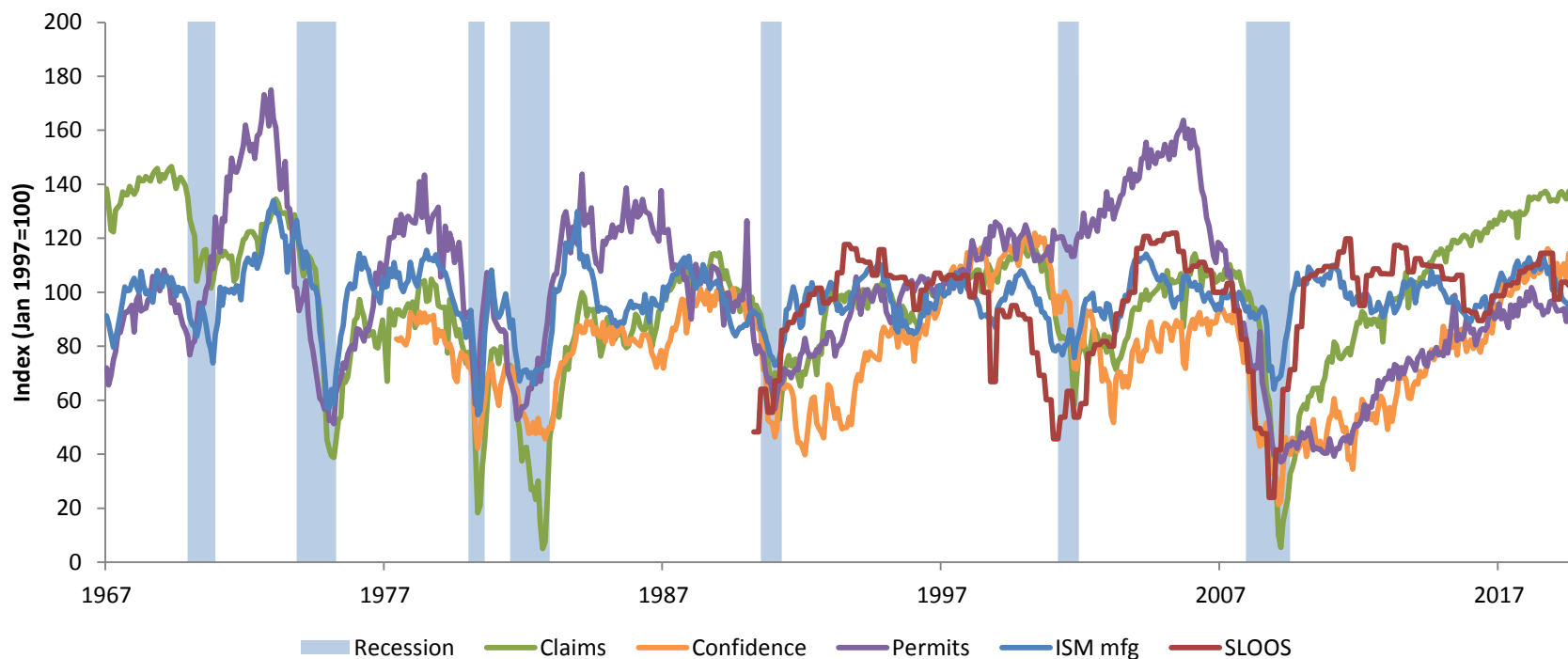
The current U.S. expansion is now officially the longest on record



Source: BEA, NBER, J.P. Morgan Asset Management. *Chart assumes current expansion started in July 2009 and continued through September 2019, lasting 123 months so far. Data for length of economic expansions and recessions obtained from the National Bureau of Economic Research (NBER). These data can be found at www.nber.org/cycles/ and reflect information through September 2019. Past performance is not a reliable indicator of current and future results.
 Guide to the Markets – U.S. Data are as of September 30, 2019.

Recession monitor: High frequency signals mixed; focus on sentiment

Historical leading economic indicators

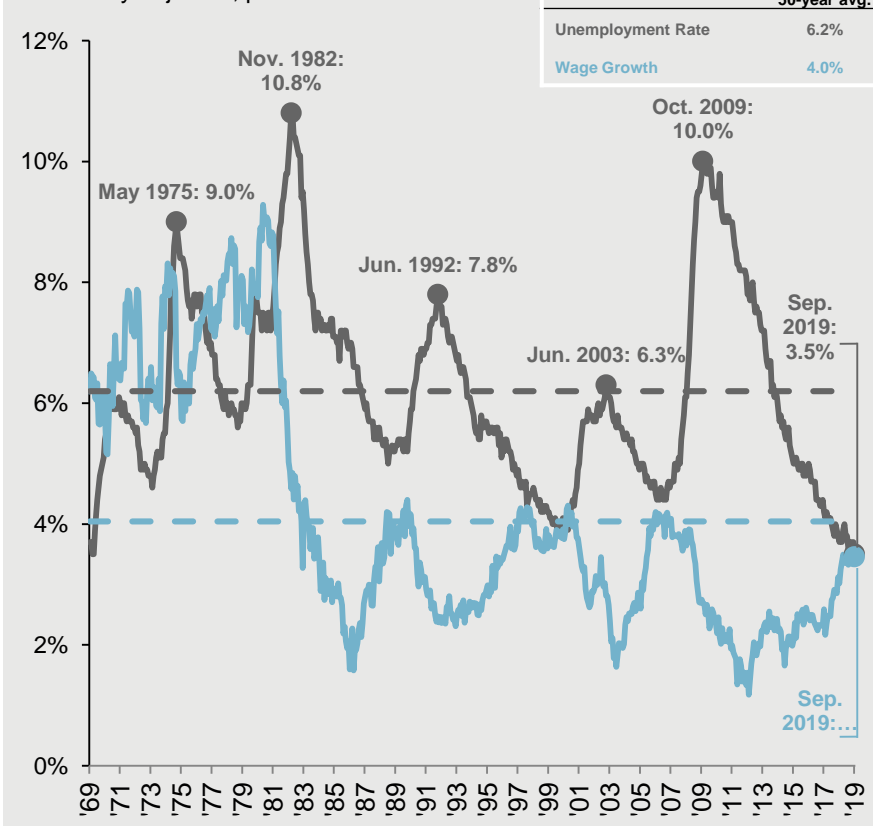


Source: JPMAM Global Multi-Asset Strategy; assessments as of September 2019

The U.S. consumer remains strong

Civilian unemployment rate and wage growth

Seasonally adjusted, percent



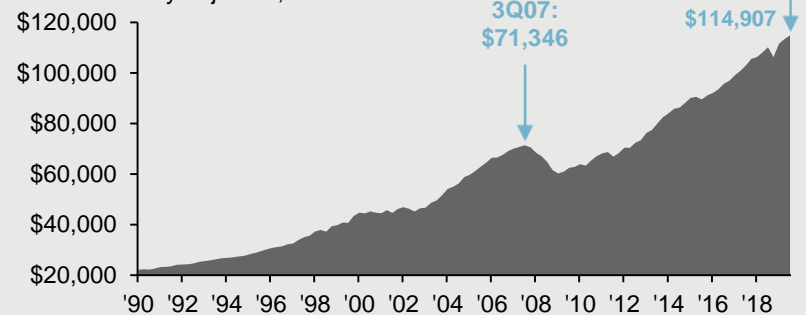
Household debt service ratio

Debt payments as % of disposable personal income, SA



Household net worth

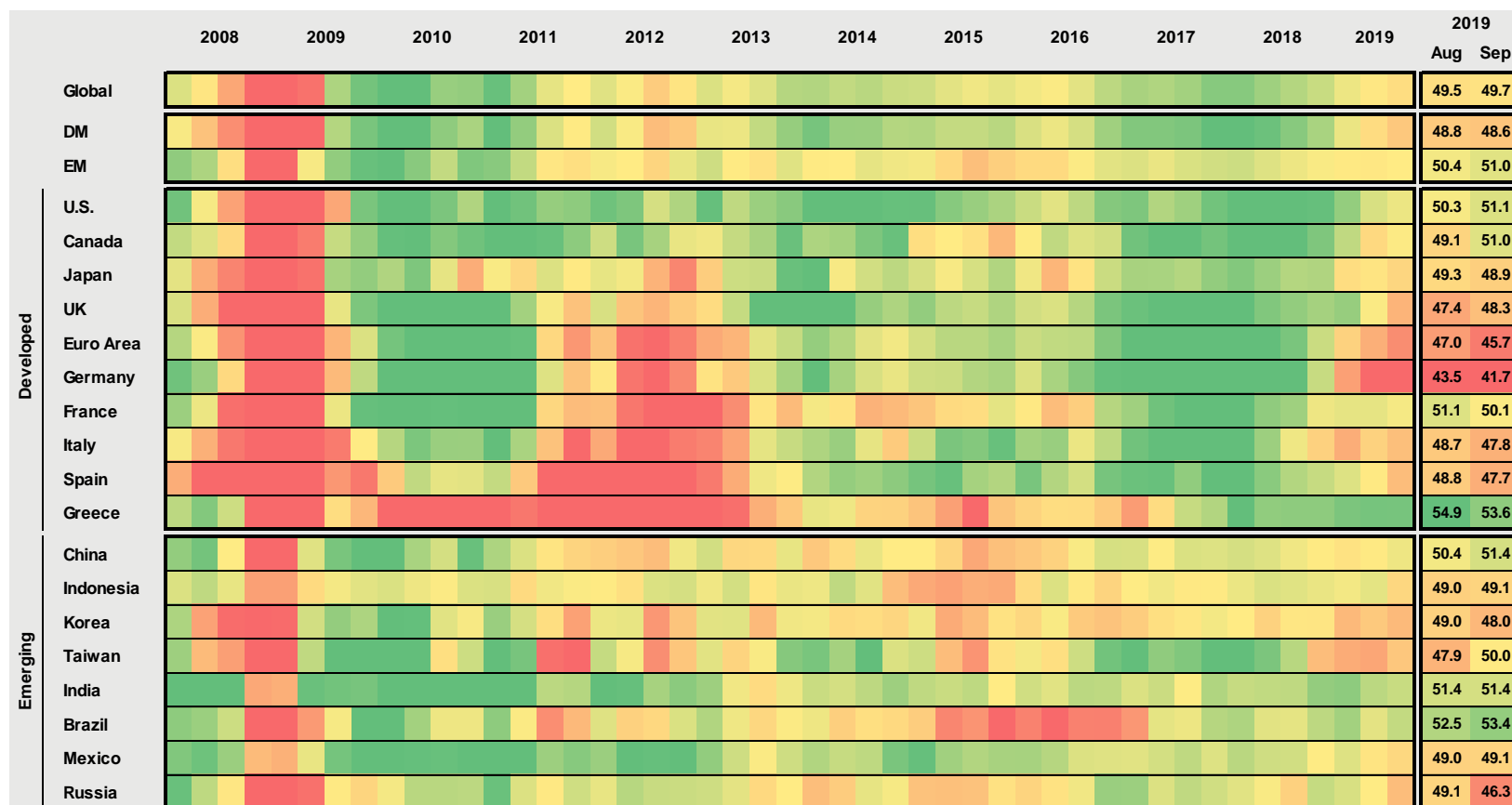
Not seasonally adjusted, USD billions



Source: BLS, FactSet, BEA, J.P. Morgan Asset Management. **3Q19 figures for debt service ratio and household net worth are J.P. Morgan Asset Management estimates. *Guide to the Markets* – U.S. Data are as of September 30, 2019.

Manufacturing momentum has slowed across all major economy

Global Purchasing Managers' Index for manufacturing, quarterly



Source: Markit, J.P. Morgan Asset Management. Heatmap colors are based on PMI relative to the 50 level, which indicates acceleration or deceleration of the sector, for the time period shown. Heat map is based on quarterly averages, with the exception of the two most recent figures, which are single month readings. Data for Canada, Indonesia and Mexico are back-tested and filled in from December 2007 to November 2010 for Canada and May 2011 for Indonesia and Mexico due to lack of existing PMI figures for these countries. DM and EM represent developed markets and emerging markets, respectively. Guide to the Markets – U.S. Data are as of September 30, 2019.

Major central banks are expected to ease

What's Priced In By Year?

Bars represent the frequency of 25bps hikes (+) or cuts (-)



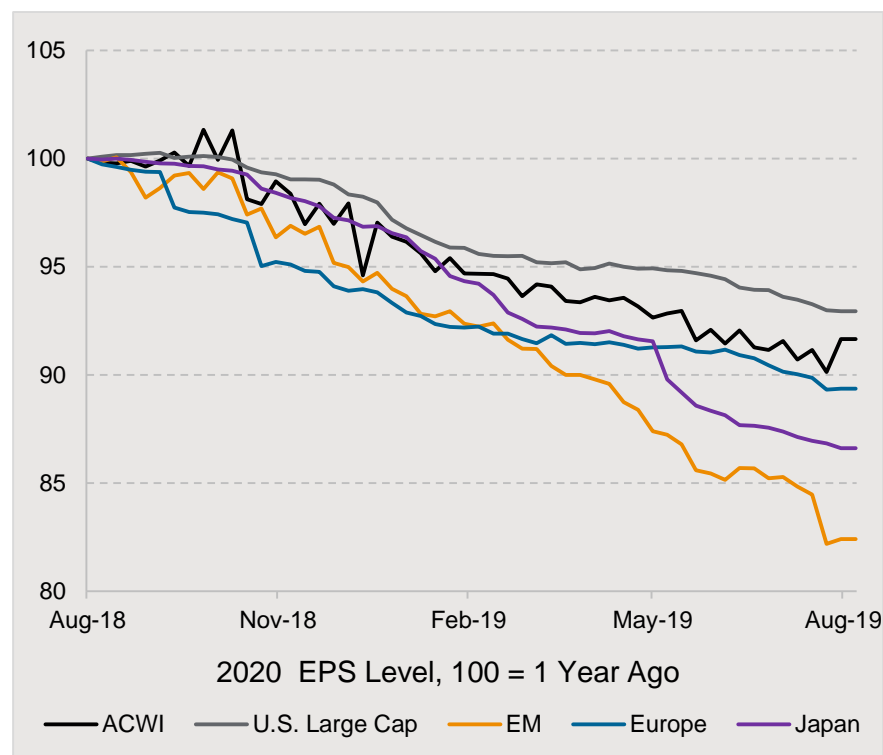
Source: Bloomberg, J.P. Morgan Asset Management Multi-Asset Solutions; data as of September 2019

Manufacturing is impacting earnings, particularly international markets

Manufacturing data has been a weak spot...



...and this has been a drag on earnings estimates

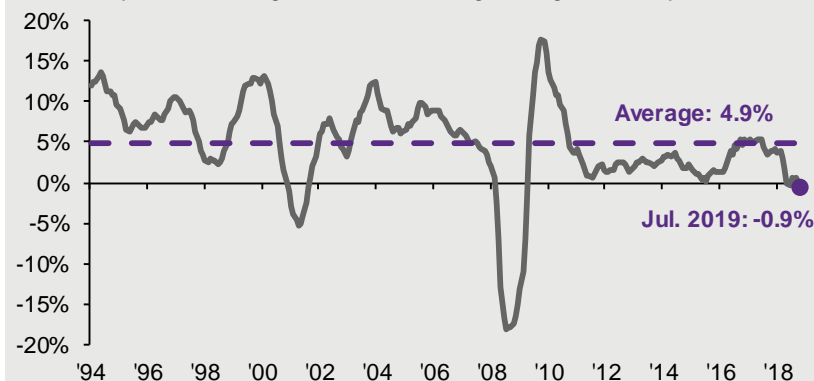


Source: Datastream, Bloomberg, J.P. Morgan Asset Management; data and estimates as of September 2019.

Trade war is a tail risk and increases volatility

World trade volume

Year-over-year, % change, 3-month moving average, monthly



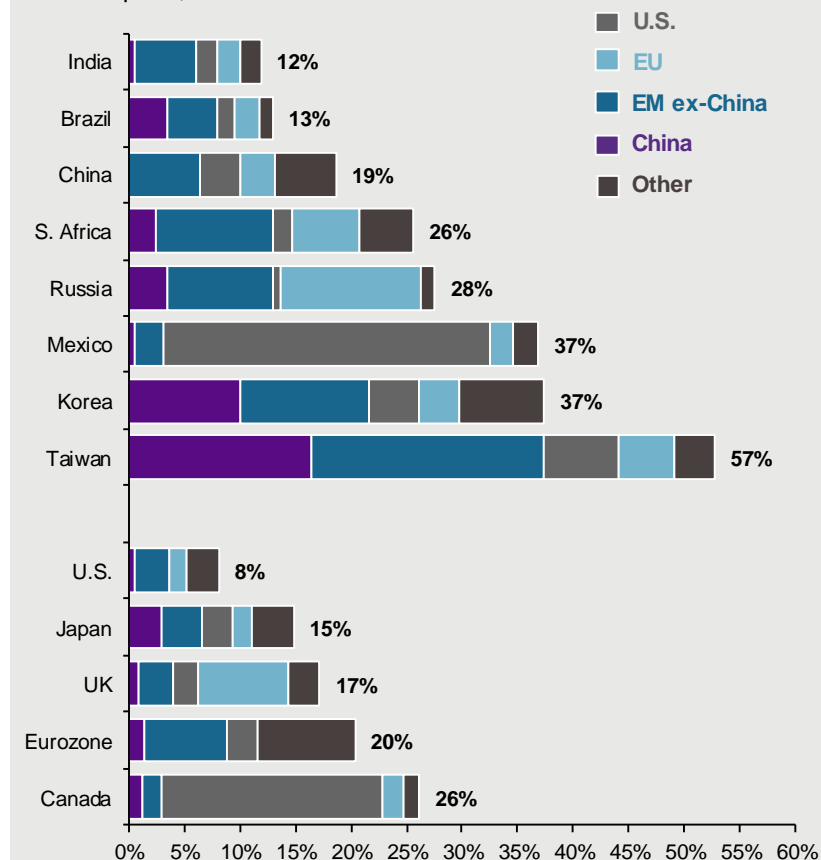
Global tariffs

Tariff rate, applied, weighted mean, all products



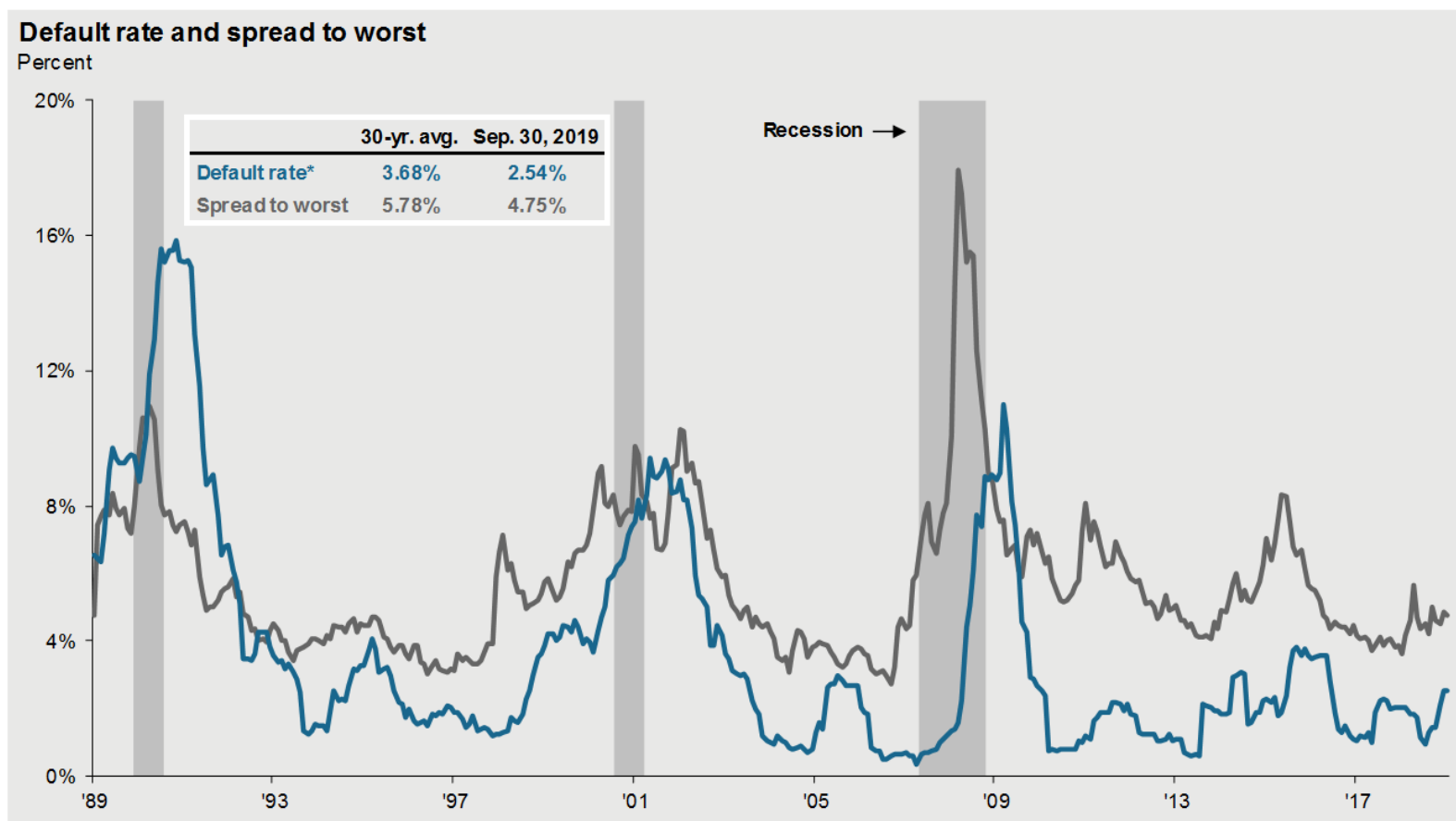
Exports as a share of GDP

Goods exports, 2018



Source: FactSet, J.P. Morgan Asset Management; (Top left) CPB Netherlands Bureau for Economic Policy Analysis; (Bottom left) IMF, USITC, World Bank; (Right) IMF. *Guide to the Markets* – U.S. Data are as of September 30, 2019.

Increasingly mature credit cycle has us move up in quality; keep an eye on energy



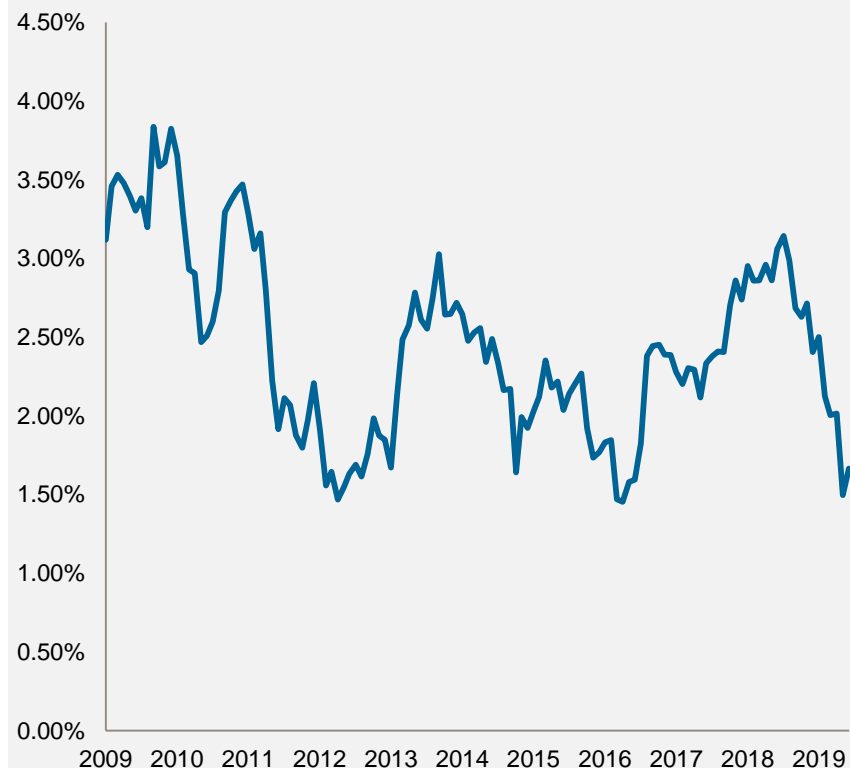
Source: J.P. Morgan Global Economic Research, J.P. Morgan Asset Management.

Default rates are defined as the par value percentage of the total market trading at or below 50% of par value and include any Chapter 11 filing, prepackaged filing or missed interest payments. Spread to worst indicated are the difference between the yield-to-worst of a bond and yield-to-worst of a U.S. Treasury security with a similar duration. High yield is represented by the J.P. Morgan Domestic High Yield Index. *Default rate is as of August 2019. *Guide to the Markets – U.S.* Data are as of September 30, 2019.

Duration isn't cheap, but it's still valuable as a hedge

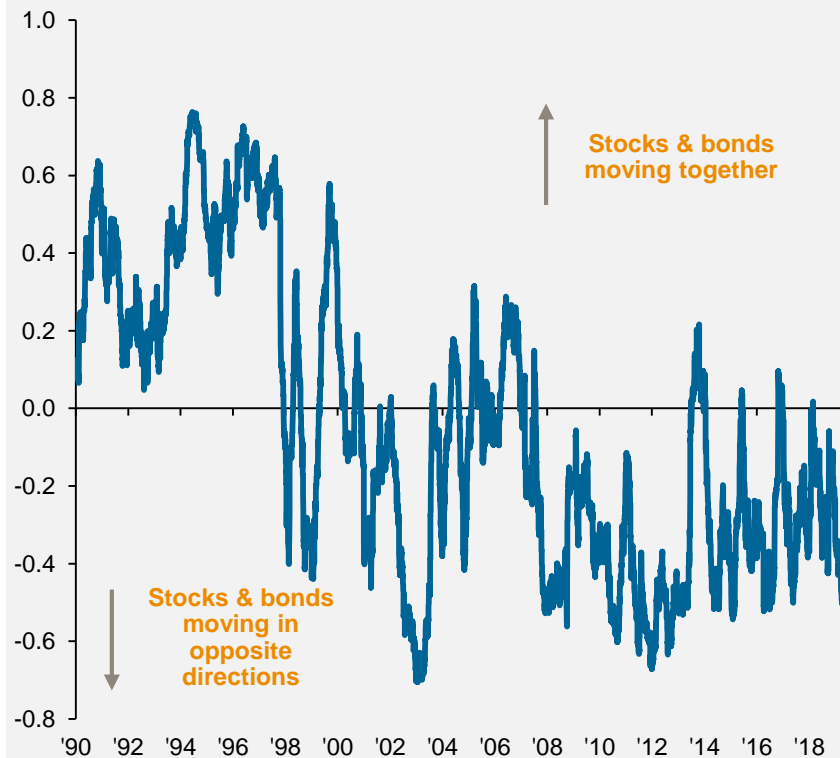
Recent rally in U.S. rates makes valuations less appealing...

10-Year U.S. Treasury Yields (%)



...but duration still plays a critical role in portfolio's as a hedge

U.S. stock/bond correlations



Source: Bloomberg and J.P. Morgan Asset Management as of 9/30/19. 10 Year US Treasury for the period of 3/1/2009 – 9/30/2019

Note: Stock/bond correlations represent the rolling 90-day correlation between the S&P 500 Index and the Bloomberg Barclays's U.S. Aggregate Index

Appendix

JPMorgan Growth Advantage: Summary

As of September 30, 2019

Characteristics	Portfolio	Benchmark
Weighted Avg. Market Cap	\$276.8bn	\$304.7bn
Price / Earnings, 12-mth fwd ¹	22.0x	20.5x
EPS Growth, 12-mth fwd	13.0%	13.3%
Beta ²	1.07	1.00
Tracking Error ²	2.80	N/A
Turnover ³	31%	N/A
Active Share	58%	N/A
Number of holdings	89	1,695

1. Excludes negatives.

2. Three-year trailing, calculated on a monthly basis.

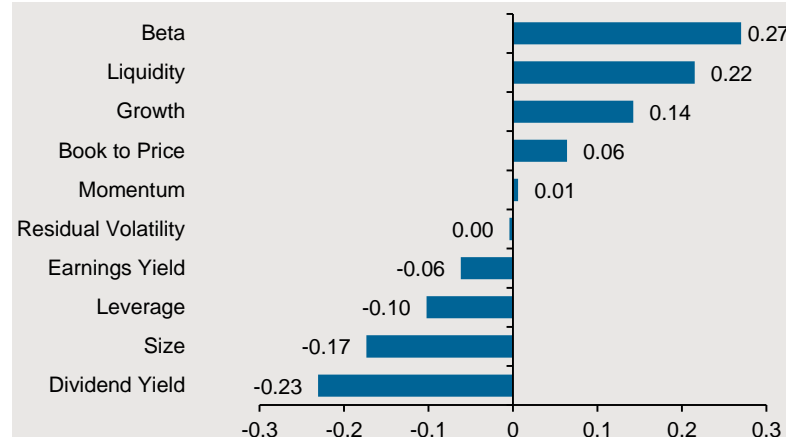
3. Average 12-month turnover over past three years.

The benchmark is the Russell 3000 Growth Index. For illustrative purposes only.

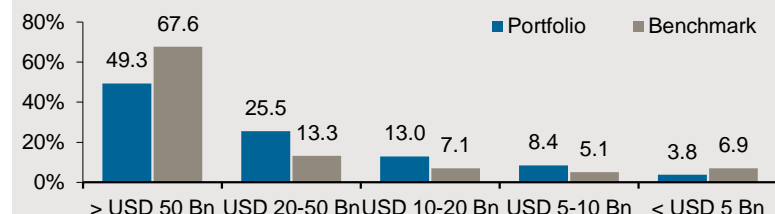
Source: J.P. Morgan Asset Management, Frank Russell Company, BARRA, Wilshire Atlas (excludes cash). The fund is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice. **Past performance is no guarantee of future results.**

Benchmark Russell 3000 Growth Index

BARRA tilts



Market capitalization



JPMorgan Growth Advantage: Performance

As of September 30, 2019

Market value

JPMorgan Growth Advantage Fund	\$8,976m
J.P. Morgan Growth Advantage Strategy	\$13,774m

Annualized performance (%)

	Current Quarter	YTD	One Year	Three Years	Five Years	Ten Years	Since Inception*
JPMorgan Growth Advantage Fund (R6 Shares)**	-1.56	21.48	-0.10	17.46	13.70	15.72	11.82
Russell 3000 Growth Index	1.10	22.75	2.70	16.36	13.07	14.74	10.15
Excess returns	-2.66	-1.27	-2.80	1.09	0.63	0.99	1.66
Morningstar % Rank (LCG)	--	--	67	16	12	5	3

Calendar year returns performance at NAV (%)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
JPMorgan Growth Advantage Fund (R6 Shares)	14.33	25.07	-41.96	36.62	21.11	-1.72	15.88	44.36	9.94	9.16	1.54	35.83	-1.12
Russell 3000 Growth Index	9.46	11.40	-38.44	37.01	17.64	2.18	15.21	34.23	12.44	5.09	7.39	29.59	-2.12
Excess returns	4.87	13.67	-3.52	-0.39	3.47	-3.90	0.67	10.13	-2.50	4.07	-5.85	6.24	1.00
Morningstar % Rank (LCG)	13	9	67	46	14	56	45	4	53	9	64	7	40

The performance quoted is past performance and is not a guarantee of future results. Mutual funds are subject to certain market risks. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Current performance may be higher or lower than the performance data shown. For performance current to the most recent month-end please call 1-800-338-4345.

*Effective January 1, 2002, Tim Parton was named portfolio manager and the fund was converted to a mid cap growth strategy with the Russell Mid Growth Index as the benchmark; at this time the name was changed to JPMorgan Mid Cap Growth Fund. Effective August 31, 2005, the fund transitioned to its current mandate with the Russell 3000 Growth Index as the benchmark and was renamed the JPMorgan Growth Advantage Fund. Performance is shown from August 31, 2005. **Performance shown net of fees for the JPMorgan Growth Advantage R6 share class until its inception on 12/23/2013. I-Share class shown prior to R6 inception until inception 5/1/2006, and A-Share class shown prior to I-share inception.

The quoted performance of the Fund includes performance of a predecessor fund/share class prior to the Fund's commencement of operations. Please refer to the current prospectus for further information. As of 9/30/19 the Growth Advantage Fund (R6 Shares) was ranked in the Morningstar Large Cap Growth Category for the following time periods: 903 out of 1,338 for the one-year period, 197 out of 1,215 funds for the three-year period, 127 out of 1,090 funds for the five-year period, 34 out of 814 funds for the ten-year period and 16 out of 615 funds for the since inception period. Past performance is no guarantee of future results. Other classes may have different performance characteristics.

Source: JPMorgan Asset Management; Frank Russell Company; Morningstar Ratings™ and Morningstar category: © Morningstar. All Rights Reserved.

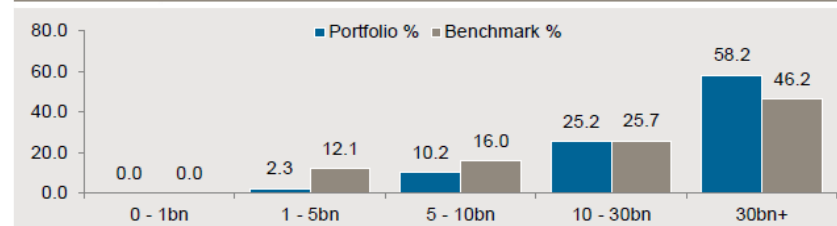
JPMorgan Emerging Markets Equity Fund: Summary

As of September 30, 2019

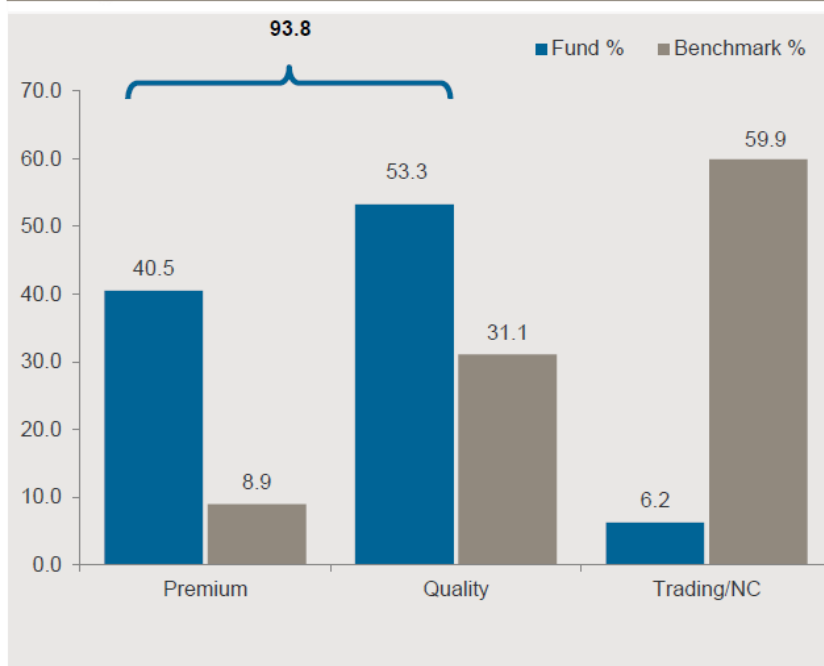
Benchmark MSCI Emerging Markets Index (Net)

	Portfolio	Benchmark
12-Month Forward Price to Earnings (x)	18.5	12.3
Price to Book Ratio (x)	3.8	1.6
Dividend Yield (%)*	2.3	3.2
Return on Equity (%)	16.8	11.8
5 year expected growth (%)**	16.1	11.3
Number of issuers	65	1131
Net debt to equity (%)***	-5.0	37.0
Active share (%)	71.2	

Market capitalization



Strategic classification: Portfolio versus Benchmark



Source: J.P. Morgan Asset Management, Factset, IBES. The portfolio is actively managed. Holdings, sector weights, allocations and leverage, as applicable, are subject to change at the discretion of the Investment Manager without notice. Strategic classification percentages exclude cash. Strategic classifications for portfolio and index are market-cap weighted. NC = non-classified *Portfolio yield is the aggregate weighted sum of the estimated yields of the stocks in which the portfolio invested. It is calculated as (12-month forward DPS / Current price)*100. It is not based on the portfolio's dividend distributions. **Forecast annual growth rate of earnings per share in local currency over the next five years. ***Net debt to equity ratio excludes financials.

JPMorgan Emerging Markets Equity Fund: Performance

As of September 30, 2019

Annualized performance (%)

	Three months	YTD	One year	Three years	Five years	Ten years
I Shares (JEMSX) (at NAV)	-2.06%	18.83%	11.27%	10.11%	5.63%	4.89%
MSCI Emerging Markets Net Index	-4.25%	5.89%	-2.02%	5.97%	2.33%	3.37%
Excess Return	2.29%	12.22%	13.56%	3.91%	3.22%	1.47%
Morningstar Rank (Diversified Emerging Mkts)		3	2	2	2	20

ANNUAL OPERATING EXPENSES	I Shares
Gross expenses	1.09%
Net expenses	0.99%

The performance quoted is past performance and is not a guarantee of future results. Mutual funds are subject to certain market risks. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Current performance may be higher or lower than the performance data shown. For performance current to the most recent month-end please call 1-800-338-4345.

Source: J.P. Morgan Asset Management, Morningstar, as of 9/30/19. © Morningstar. All Rights Reserved. The JPMorgan Emerging Markets Equity Fund (I Shares) was ranked against the following number of funds in the Morningstar Diversified Emerging Markets category. Ranked: 1-yr. (15/839), 3-yrs. (17/701), 5-yrs. (9/569) and 10-yrs. (50/243). **Past performance does not guarantee future results.** Ratings are calculated upon risk-adjusted returns. Different share classes may have different rankings. Morningstar rankings do not reflect the deduction of sales charges, which, if reflected, would reduce returns.

Returns for periods less than 1 year are not annualized. Returns are net of fees in USD. Excess returns are calculated on a geometric basis.

Investment Performance

September 30, 2019

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
US Large Cap Equity	0.84%	0.88%	18.89%	0.61%	12.34%	9.03%	12.44%	12.26%	4/30/2012
S&P 500 Index	1.87%	1.70%	20.55%	4.25%	13.39%	10.84%	13.26%	13.07%	
<i>Excess Return</i>	<i>-1.03%</i>	<i>-0.82%</i>	<i>-1.66%</i>	<i>-3.64%</i>	<i>-1.05%</i>	<i>-1.81%</i>	<i>-0.82%</i>	<i>-0.81%</i>	
Multi Cap Equity	1.66%	-0.13%	19.96%	1.88%	14.00%	10.91%	13.81%	13.25%	4/30/2012
Multi Cap Equity Custom Benchmark	1.81%	1.19%	20.12%	2.96%	12.82%	10.44%	12.99%	12.75%	
<i>Excess Return</i>	<i>-0.15%</i>	<i>-1.32%</i>	<i>-0.16%</i>	<i>-1.08%</i>	<i>1.18%</i>	<i>0.47%</i>	<i>0.82%</i>	<i>0.50%</i>	
US Small Cap + Mid Cap Equity	1.98%	-0.28%	18.21%	-1.98%	8.98%	8.37%	11.73%	10.85%	4/30/2012
Small/Mid Cap Equity Custom Benchmark	2.02%	-0.77%	18.55%	-2.08%	9.66%	8.74%	11.64%	11.31%	
<i>Excess Return</i>	<i>-0.04%</i>	<i>0.49%</i>	<i>-0.34%</i>	<i>0.10%</i>	<i>-0.68%</i>	<i>-0.37%</i>	<i>0.09%</i>	<i>-0.46%</i>	
REITs	2.24%	7.96%	30.26%	20.72%	7.51%	8.34%	8.16%	7.65%	6/30/2011
REITs Custom Benchmark	2.86%	7.69%	26.82%	18.31%	8.06%	9.02%	9.03%	8.68%	
<i>Excess Return</i>	<i>-0.62%</i>	<i>0.27%</i>	<i>3.44%</i>	<i>2.41%</i>	<i>-0.55%</i>	<i>-0.68%</i>	<i>-0.87%</i>	<i>-1.03%</i>	
EAFE + Canada	2.88%	-1.35%	13.38%	-1.58%	5.55%	3.09%	5.51%	3.82%	6/30/2011
MSCI EAFE USD Net Index	2.87%	-1.07%	12.80%	-1.34%	6.48%	3.27%	6.12%	4.13%	
<i>Excess Return</i>	<i>0.01%</i>	<i>-0.28%</i>	<i>0.58%</i>	<i>-0.24%</i>	<i>-0.93%</i>	<i>-0.18%</i>	<i>-0.61%</i>	<i>-0.31%</i>	
Emerging Markets Equity	1.56%	-2.90%	13.17%	5.24%	7.48%	3.46%	3.11%	1.33%	6/30/2011
MSCI Emerging Markets USD Net Index	1.91%	-4.25%	5.89%	-2.02%	5.97%	2.33%	2.41%	0.82%	
<i>Excess Return</i>	<i>-0.35%</i>	<i>1.35%</i>	<i>7.28%</i>	<i>7.26%</i>	<i>1.51%</i>	<i>1.13%</i>	<i>0.70%</i>	<i>0.51%</i>	

Returns are net of fees. Past performance is not a guarantee of comparable future results. Total return assumes the reinvestment of income. The deduction of an advisory fee reduces an investor's return. Fees are described in Part II of the Advisor's ADV which is available upon request. Mutual Fund performance, if any, is shown net of fees and assumes the reinvestment of fund distribution. Returns for periods less than 1 year are not annualized. Discrepancies in excess return may appear due to rounding.

Investment Performance

September 30, 2019

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Core Fixed Income	-0.54%	1.64%	7.08%	6.37%	3.38%	4.16%	3.67%	4.29%	6/30/2011
Core Fixed Income Custom Benchmark	-0.26%	1.89%	7.94%	8.24%	2.66%	3.22%	2.61%	3.30%	
<i>Excess Return</i>	-0.28%	-0.25%	-0.86%	-1.87%	0.72%	0.94%	1.06%	0.99%	
High Yield	0.34%	1.19%	10.93%	5.38%	5.22%	4.42%	5.11%	5.47%	6/30/2011
Barclays Capital HY 2% Issuer Constrained Index	0.36%	1.33%	11.41%	6.35%	6.07%	5.38%	5.89%	6.43%	
<i>Excess Return</i>	-0.02%	-0.14%	-0.48%	-0.97%	-0.85%	-0.96%	-0.78%	-0.96%	
Emerging Markets Fixed Income	-0.51%	1.33%	11.32%	8.51%	3.35%	1.18%	0.84%	2.68%	6/30/2011
Emerging Market Debt Custom Benchmark	-0.46%	1.50%	12.99%	11.57%	4.61%	2.49%	1.32%	1.93%	
<i>Excess Return</i>	-0.05%	-0.17%	-1.67%	-3.06%	-1.26%	-1.31%	-0.48%	0.75%	
Inflation-Sensitive Fixed Income	-0.65%	1.10%	6.63%	5.73%	N/A	N/A	N/A	3.03%	10/31/2017
Bloomberg Barclays 1-10 Year U.S. TIPS Index	-0.82%	0.60%	5.80%	5.75%	N/A	N/A	N/A	3.05%	
<i>Excess Return</i>	0.17%	0.50%	0.83%	-0.02%	N/A	N/A	N/A	-0.02%	
Bloomberg Barclays U.S. TIPS Index (Series-L)	-1.36%	1.35%	7.58%	7.13%	N/A	N/A	N/A	3.76%	
<i>Excess Return</i>	0.71%	-0.25%	-0.95%	-1.40%	N/A	N/A	N/A	-0.73%	

Returns are net of fees. Past performance is not a guarantee of comparable future results. Total return assumes the reinvestment of income. The deduction of an advisory fee reduces an investor's return. Fees are described in Part II of the Advisor's ADV which is available upon request. Mutual Fund performance, if any, is shown net of fees and assumes the reinvestment of fund distribution. Returns for periods less than 1 year are not annualized. Discrepancies in excess return may appear due to rounding.

Benchmark Composition

Total Portfolio Policy Benchmark

From To	6/30/2011 12/31/2012	1/1/2013 10/31/2017	11/1/2017 Present
MSCI AC World IMI USD	59.50%	70.00%	-
MSCI AC World Free USD	-	-	70.00%
FTSE EPRA/NAREIT Developed Net of Tax	8.00%	10.00%	-
Bloomberg Barclays U.S. Aggregate	26.00%	-	20.00%
Bloomberg Barclays Credit	-	13.00%	-
BofA Merrill Lynch HY	3.25%	-	-
Bloomberg Barclays HY 2 pct Issuer Constrained	-	3.00%	-
JPMorgan EMBI Global Diversified	3.25%	-	-
JPMorgan GBI-EM Global Diversified	-	3.00%	-
JPMorgan EMBI Global	-	1.00%	-
Bloomberg Barclays 1-10 Year U.S. TIPS Index	-	-	-
Barclays US TIPS +3%	-	-	10.00%

Benchmark Composition

Total Portfolio Custom Benchmark

From To	6/30/2011 4/30/2012	5/1/2012 5/31/2012	6/1/2012 12/31/2012	1/1/2013 6/30/2014	7/1/2014 3/31/2015	4/1/2015 12/31/2015	1/1/2016 9/30/2016	10/1/2016 1/31/2017	2/1/2017 10/31/2017	11/1/2017 8/31/2018	9/1/2018 11/30/2018	11/30/2018 Present
S&P 500	-	14.00%	13.50%	16.50%	16.50%	16.50%	19.60%	19.60%	20.80%	18.80%	18.80%	17.10%
MSCI EAFE	16.10%	24.00%	24.00%	27.00%	27.00%	27.00%	26.00%	26.00%	23.00%	21.00%	21.00%	21.00%
MSCI EM	3.90%	8.50%	8.50%	9.00%	9.00%	9.00%	6.50%	6.50%	7.00%	7.50%	7.50%	7.50%
Russell Mid Cap	-	-	1.50%	2.50%	2.50%	2.50%	2.90%	2.90%	3.20%	2.80%	2.80%	2.50%
Russell 2000	-	-	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	1.90%	1.90%	1.90%
Russell 2000 Growth	-	1.50%	-	-	-	-	-	-	-	-	-	-
Russell 2000 Value	-	1.50%	-	-	-	-	-	-	-	-	-	-
Russell 3000 Growth	-	5.00%	5.00%	6.50%	6.50%	6.50%	6.50%	6.50%	7.00%	7.00%	7.00%	8.00%
Russell 3000 Value	-	5.00%	5.00%	6.50%	6.50%	6.50%	6.50%	6.50%	7.00%	7.00%	7.00%	8.00%
MSCI US REIT	3.02%	4.50%	4.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	4.00%	4.00%	4.00%
FTSE EPRA/NAREIT Developed Net of Tax	3.02%	3.50%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	-	-	-
Bloomberg Barclays U.S. Aggregate	8.40%	26.00%	26.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	12.50%	12.50%	12.50%
Credit Suisse Leveraged Loan Index	-	-	-	-	-	-	-	-	-	2.25%	5.00%	5.00%
Bloomberg Barclays HY 2 pct Issuer Constrained	1.15%	3.25%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	4.50%	4.50%	4.50%
JPMorgan EMBI Global Diversified	-	-	-	-	-	1.00%	1.00%	4.00%	4.00%	3.00%	3.00%	3.00%
JPMorgan GBI-EM Global Diversified	-	-	-	1.00%	3.00%	3.00%	3.00%	-	-	-	-	-
JPMorgan EMBI Global	0.60%	3.25%	3.25%	3.00%	1.00%	-	-	-	-	-	-	-
Bloomberg Barclays 1-10 Year U.S. TIPS Index	-	-	-	-	-	-	-	-	-	4.25%	2.50%	2.50%
Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L)	-	-	-	-	-	-	-	-	-	2.25%	2.50%	2.50%
Bloomberg Commodity Index	-	-	-	-	-	-	-	-	-	1.25%	-	-
Diversified Mutual Fund Index	63.80%	-	-	-	-	-	-	-	-	-	-	-

Benchmark Composition

Multi Cap Equity Custom Benchmark

From To	4/30/2012 Present
Russell 3000 Value	50.00%
Russell 3000 Growth	50.00%

Small/Mid Cap Equity Custom Benchmark

From To	4/30/2012 5/31/2012	6/1/2012 12/31/2012	1/1/2013 12/31/2015	1/1/2016 1/31/2017	2/1/2017 10/31/2017	11/1/2017 Present
Russell 2000	-	57.14%	44.44%	40.82%	38.46%	40.43%
Russell Mid Cap	-	42.86%	55.56%	59.18%	61.54%	59.57%
Russell 2000 Value	50.00%	-	-	-	-	-
Russell 2000 Growth	50.00%	-	-	-	-	-

REITs Custom Benchmark

From To	6/30/2011 4/30/2012	5/1/2012 12/31/2012	1/1/2013 10/31/2017	11/1/2017 Present
MSCI US REIT	50.00%	56.25%	60.00%	100.00%
FTSE EPRA/NAREIT Developed ex US Net of Tax	50.00%	43.75%	40.00%	-

Benchmark Composition

Core Fixed Income Custom Benchmark

From To	6/30/2011 10/31/2017	11/1/2017 Present
Bloomberg Barclays U.S. Aggregate Index	100.00%	84.75%
Credit Suisse Leveraged Loan Index	-	15.25%

Emerging Markets Debt Custom Benchmark

From To	6/30/2011 3/31/2015	4/1/2015 9/30/2016	1/10/2016 Present
JPMorgan EMBI Global Diversified	-	25.00%	100.00%
JPMorgan GBI-EM Global Diversified Unhedged	75.00%	75.00%	-
JPMorgan EMBI Global	25.00%	-	-

EMD Strategic Custom Benchmark

From To	12/31/2012 9/30/2016	10/1/2016 Present
JPMorgan EMBI Global Diversified	-	100.00%
JPMorgan GBI-EM Global Diversified	100.00%	-

J.P. Morgan's 2019 Long-Term Capital Market Return Assumptions

	Compound Return 2018 (%)				Annualized Volatility (%)				Arithmetic Return 2019 (%)			
	Compound Return 2019 (%)				Arithmetic Return 2019 (%)				Arithmetic Return 2019 (%)			
	Compound Return 2019 (%)				Arithmetic Return 2019 (%)				Arithmetic Return 2019 (%)			
FIXED INCOME	U.S. Cash	2.00	2.00	0.50	2.00	1.00	1.00	U.S. Cash	2.00	2.00	0.50	2.00
	U.S. Intermediate Treasuries	3.25	3.31	3.50	3.00	0.22	1.00	U.S. Intermediate Treasuries	3.25	3.31	3.50	3.00
	U.S. Long Treasuries	3.25	3.83	11.00	2.50	0.04	0.80	U.S. Long Treasuries	3.25	3.83	11.00	2.50
	TIPS	3.25	3.38	5.25	2.75	0.07	0.65	0.56	1.00	0.07	0.65	0.56
	U.S. Aggregate Bonds	4.00	4.06	3.50	3.25	0.09	0.81	0.82	0.77	1.00	0.09	0.81
	U.S. Short Duration Government/Credit	3.25	3.27	2.00	3.50	0.39	0.76	0.45	0.66	0.75	1.00	0.39
	U.S. Long Duration Government/Credit	4.00	4.41	9.25	3.25	-0.01	0.68	0.90	0.65	0.91	0.51	1.00
	U.S. Inv Grade Corporate Bonds	4.50	4.67	6.00	3.50	-0.05	0.42	0.50	0.64	0.82	0.61	0.79
	U.S. Long Corporate Bonds	4.50	4.97	10.00	3.75	-0.07	0.40	0.61	0.57	0.81	0.47	0.88
	U.S. High Yield Bonds	5.50	5.82	8.25	5.25	-0.11	-0.25	0.23	0.31	0.20	0.15	0.12
	U.S. Leveraged Loans	5.00	5.27	7.50	5.00	-0.15	-0.50	-0.42	0.05	-0.07	-0.10	-0.10
	World Government Bonds hedged	2.75	2.84	3.00	2.50	0.10	0.84	0.86	0.52	0.80	0.58	0.79
	World Government Bonds	2.75	3.04	6.25	2.50	0.12	0.64	0.50	0.64	0.68	0.65	0.58
	World ex U.S. Government Bonds hedged	2.50	2.61	2.75	2.25	0.07	0.70	0.75	0.42	0.70	0.49	0.71
	World ex U.S. Government Bonds	2.75	2.96	8.00	2.25	0.10	0.53	0.38	0.59	0.59	0.59	0.49
	Emerging Markets Sovereign Debt	6.25	6.67	9.50	5.25	-0.03	0.23	0.21	0.57	0.60	0.47	0.51
	Emerging Markets Local Currency Debt	6.75	7.44	12.25	6.25	-0.10	0.15	0.06	0.40	0.39	0.32	0.55
	Emerging Markets Corporate Bonds	6.00	6.32	8.25	5.25	-0.08	0.10	0.07	0.50	0.52	0.45	0.41
	U.S. Muni 1-15 Yr Blend	3.25	3.29	3.00	2.50	0.47	0.49	0.53	0.66	0.47	0.57	0.58
	U.S. Muni High Yield	4.50	4.72	6.75	4.50	-0.12	-0.01	0.10	0.32	0.30	0.08	0.26
EQUITIES	U.S. Large Cap	5.25	6.03	13.75	5.00	-0.07	-0.31	-0.31	0.05	0.00	-0.05	-0.02
	U.S. Mid Cap	5.75	6.79	15.75	5.75	-0.08	-0.33	-0.31	0.07	0.00	-0.05	-0.02
	U.S. Small Cap	6.00	7.47	18.25	5.75	-0.08	-0.36	-0.34	-0.02	-0.09	-0.11	-0.09
	Euro Area Large Cap	7.00	9.03	21.50	6.75	-0.02	-0.21	-0.26	0.14	0.08	0.11	0.03
	Japanese Equity	6.75	7.68	14.50	5.25	-0.09	-0.26	-0.19	0.11	0.07	0.03	0.09
	Hong Kong Equity	6.75	8.50	20.00	5.00	-0.03	-0.19	-0.20	0.20	0.16	0.16	0.10
	UK Large Cap	6.50	7.79	16.75	5.25	-0.02	-0.30	-0.32	0.12	0.05	0.04	0.01
	EAFFE Equity hedged	6.50	7.41	13.50	5.25	-0.05	-0.39	-0.32	-0.03	-0.08	-0.02	0.31
	EAFFE Equity	6.75	7.94	16.75	5.25	-0.01	-0.25	-0.26	0.16	0.10	0.10	0.06
	Emerging Markets Equity	8.50	10.43	21.25	6.00	-0.06	-0.19	-0.21	0.24	0.14	0.17	0.09
	AC Asia ex-Japan Equity	8.00	10.35	20.75	5.25	-0.05	-0.18	-0.18	0.23	0.16	0.17	0.12
	AC World Equity	6.00	7.18	15.25	5.00	-0.02	-0.29	-0.29	0.13	0.06	0.05	0.03
	U.S. Equity Value Factor	6.00	7.04	15.00	-	-0.10	-0.32	-0.31	0.04	-0.02	-0.05	-0.04
	U.S. Equity Momentum Factor	5.50	6.41	14.00	-	-0.06	-0.33	-0.31	0.08	-0.01	-0.06	-0.03
	U.S. Equity Quality Factor	5.25	5.98	12.50	-	-0.07	-0.28	-0.27	0.07	0.02	-0.03	0.00
	U.S. Equity Minimum Volatility Factor	5.50	6.07	11.00	-	-0.09	-0.21	-0.15	0.11	0.11	-0.01	0.10
	U.S. Equity Dividend Yield Factor	6.00	6.87	13.75	-	-0.08	-0.24	-0.19	0.13	0.11	0.01	0.09
	U.S. Equity Diversified Factor	5.50	6.23	12.50	-	-0.09	-0.29	-0.26	0.09	0.04	-0.03	0.02
	Global Convertible	5.50	5.92	9.50	5.00	-0.05	-0.32	-0.30	0.13	0.08	0.08	0.04
	Global Credit Sensitive Convertible	4.75	4.94	6.25	4.25	-0.07	-0.13	-0.20	-0.01	-0.02	-0.04	0.01
ALTERNATIVES	Private Equity	8.25	10.20	21.00	7.25	-0.06	-0.43	-0.56	0.07	-0.27	-0.18	-0.34
	U.S. Core Real Estate*	5.75	6.45	12.25	5.25	-0.07	-0.61	-0.52	0.06	-0.21	-0.30	-0.21
	U.S. Value-Added Real Estate*	7.75	9.53	20.00	6.00	-0.07	-0.41	-0.32	0.06	-0.21	-0.30	-0.21
	European ex-UK Core Real Estate*	6.50	7.74	16.50	5.75	-0.03	-0.58	-0.55	0.08	-0.34	-0.26	-0.37
	Asia Pacific Core Real Estate*	6.00	6.91	14.00	5.00	-0.07	-0.38	-0.32	0.31	0.06	-0.12	-0.12
	U.S. REITs	6.25	7.35	15.50	5.25	-0.07	-0.30	-0.30	0.06	0.22	0.29	0.10
	Global Infrastructure Equity	6.00	6.64	11.75	5.25	-0.03	-0.20	-0.22	0.32	0.05	0.09	-0.01
	Global Infrastructure Debt	4.50	4.95	6.50	4.25	-0.06	-0.44	-0.57	0.81	0.58	0.78	0.92
	Diversified Hedge Funds	4.25	4.52	7.50	3.25	-0.07	-0.41	-0.36	0.06	-0.10	-0.08	-0.09
	Event Driven Hedge Funds	4.75	5.13	9.00	3.75	-0.02	-0.45	-0.46	0.05	-0.11	-0.06	-0.14
	Long Bias Hedge Funds	4.75	5.32	11.00	3.75	-0.01	-0.41	-0.43	0.08	-0.07	-0.02	-0.11
	Relative Value Hedge Funds	4.50	4.73	7.00	3.50	-0.04	-0.38	-0.38	0.16	0.02	0.03	-0.04
	Macro Hedge Funds	3.75	4.06	8.00	3.75	0.16	0.11	0.10	0.26	0.19	0.26	0.19
	Direct Lending*	7.25	8.14	14.00	7.00	-0.08	-0.29	-0.37	0.06	0.74	0.54	0.70
	Commodities**	2.25	3.50	16.25	3.75	-0.08	-0.11	-0.23	0.27	0.05	0.17	-0.01
	Gold*	2.50	4.02	18.00	4.00	0.07	0.37	0.27	0.49	0.41	0.41	0.32

Note: All estimates on this page are in U.S. dollar terms. Given the complex risk-reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations to all of these asset classes and strategies. Please note that all information shown is based on qualitative analysis. Exclusive reliance on this information is not advised. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise of future performance. Note that these asset class and strategy assumptions are passive only—they do not consider the impact of active management. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Assumptions, opinions and estimates are provided for illustrative purposes only. They should not be relied upon as recommendations to buy or sell securities. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material has been prepared for information purposes only and is not intended to provide, and should not be relied on for, accounting, legal or tax advice.

Source: J.P. Morgan Asset Management; as of September 30, 2018. Alternative asset classes (including hedge funds, private equity, real estate, direct lending and infrastructure) are unlike other asset categories shown above in that there is no underlying investible index. ** For additional disclosures, please turn to the additional information slide located in the back of the book.

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The following is an example of the effect of compounded advisory fees over a period of time on the value of a client's portfolio: A portfolio with a beginning value of \$100 million, gaining an annual return of 10% per annum would grow to \$259 million after 10 years, assuming no fees have been paid out. Conversely, a portfolio with a beginning value of \$100 million, gaining an annual return of 10% per annum, but paying a fee of 1% per annum, would only grow to \$235 million after 10 years. The annualized returns over the 10 year time period are 10.00% (gross of fees) and 8.91% (net of fees). If the fee in the above example was 0.25% per annum, the portfolio would grow to \$253 million after 10 years and return 9.73% net of fees. The fees were calculated on a monthly basis, which shows the maximum effect of compounding.

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CLA (CliftonLarsonAllen LLP)
CLAconnect.com

**Office of Hawaiian Affairs
Contract & Disbursement Review and Recommendations
Status Report #5**

Date: September 12, 2019

To: Dan Ahuna, Trustee and Chair of the Resource Management Committee
Robert K. Lindsey, Jr., Trustee and Vice-Chair of the Resource Management Committee

From: Ernie Cooper, Principal, CliftonLarsonAllen LLP
Jenny Dominguez, Signing Director, CliftonLarsonAllen LLP

RE: OHA Contract & Disbursement Review and Recommendations: August 1, 2019 to September 6, 2019

A. Background

On Tuesday, September 4, 2018, the Office of Hawaiian Affairs (OHA), a body corporate under the Constitution of the State of Hawaii, engaged the services of CliftonLarsonAllen (CLA) to conduct a contract and disbursement review as described in OHA's contract number 3284. The purpose of this review is to identify and quantify potential areas of waste, abuse, and fraud in the procurement of professional services as well as other disbursements of funds for fiscal years (FY) FY2012, FY2013, FY2014, FY2015, and FY2016 for OHA and its LLCs.

B. Status of Document Request

1. **OHA:** As reported in Status Report #3 (dated June 4, 2019) OHA had provided all documents on the request list submitted by CLA or had provided an explanation for why a particular item was not available. The CLA request list included financial and organization documents and information requested on September 14, 2018, October 12, 2018, and November 16, 2018. This document request list does NOT include documentation related to the sample contracts and disbursements selected for testing. See section titled "**Sample Selection and Testing**" for further information regarding the OHA documents pertaining to the sample section.
2. **LLCs:** The original document request list sent to the LLCs by CLA (sent on September 14, 2018 and updated on September 18, 2018) included 54 items. As of Status Report #4, there were 9 items still outstanding from the list. On August 9, 2019, the LLCs communicated that all available documents had been provided to CLA through the document portal or the documents did not exist and were not available.

See section titled "**Sample Selection and Testing**" for further information regarding the status of LLC documents to be gathered and provided to CLA.

C. Trustee & OHA Employee Interviews

No additional interviews have been conducted since those reported in Status Report #4 dated August 6, 2019.

D. Sample Selection and Testing

1. OHA Sample Selection & Testing: According to the approved scope of work, CLA is to test 80 contracts and 50 disbursements for OHA. On May 10, 2019, CLA sent to OHA its sample selection for 75 contracts and 45 disbursements. CLA reserved 5 contracts and 5 disbursements to select after the visit to OHA in June 2019 for the initial round of testing and after the trustee interviews that occurred the week of July 22, 2019. On August 2, 2019, CLA sent the remaining sample selection for contracts and disbursements to OHA. The following are key dates related to the submission of documents to CLA and CLA's submission of questions and requests for additional documents to OHA:

- a. June 10, 2019: OHA completed its submission to CLA of the supporting documents for the initial 75 contracts and 45 disbursements (this date was provided in Status Report #4).
- b. August 2, 2019: CLA selected the remaining sample of 5 contracts and disbursements for OHA and emailed this list to Phyllis Ono-Evangelista.¹
- c. August 23, 2019: CLA completed its review of the supporting documents provided for the initial 75 contracts and 45 disbursements and submitted all questions and requests for additional documents to OHA. In addition, OHA sent to CLA the supporting documents for the remaining sample of 5 contracts and 19 disbursements (5 remaining disbursements, 9 replacement disbursements, and 5 backup disbursements, as discussed in footnote 4).
- d. August 30, 2019: CLA completed its review of the supporting documents provided by OHA for the remaining sample of 5 contracts and 14 disbursements and sent to OHA all questions and requests for additional documents pertaining to these sample items.
- e. September 6, 2019: OHA began sending to CLA the additional documents requested for the sample contracts and disbursements and responses to the questions CLA asked. OHA continued sending documents and responses to CLA's questions through September 8, 2019. CLA received additional documents for 32 contracts and 18 disbursements. CLA is in the process of reviewing the additional documents provided.²

¹ During the review of the supporting documents provided by OHA for the disbursement sample, CLA determined that 9 of the transactions selected as "disbursements" were actually payments on existing contracts or grant awards, and were processed by OHA as such. According to the approved scope of work, "contracts will include vendor contracts, other contracts for professional services and/or goods, and grant agreements awarded by the OHA." Therefore, in addition to the 5 remaining disbursements selected, CLA selected 9 replacement disbursements and 5 back-up disbursements, for a total of 19 disbursements sent to Ms. Ono-Evangelista. Five back-up disbursements were selected in case one of the new 14 disbursements selected was a contract or grant.

² As communicated in Status Report #4, as CLA reviewed the supporting documentation provided for the contracts and disbursements selected, CLA identified questions and additional documents needed. CLA prepared an Excel schedule to identify,

- f. September 9, 2019: OHA submitted to CLA an updated spreadsheet with responses to CLA's questions and the status of the additional documents requested. CLA is in the process of reviewing the response to the questions.²

2. LLC Sample Selection & Testing:

On May 10, 2019, CLA sent to ES&A the sample selection for 23 contracts and 21 disbursements for the LLCs. According to the approved scope of work, CLA is to test 30 contracts and 25 disbursements for the LLCs. CLA reserved 7 contracts and 4 disbursements to select after the trustee interviews that occurred the week of July 22, 2019. On August 2, 2019, CLA sent the remaining sample selection for contracts and disbursements to the LLCs. The following are key dates related to the submission of documents to CLA and CLA's submission of questions and requests for additional documents to the LLCs:

- a. July 3, 2019: CLA was informed that the LLCs had gathered the supporting documents for the initial sample selection, and the documents were available in hardcopy at the respective LLC offices.
- b. August 2, 2019: CLA selected the remaining sample of 7 contracts and 4 disbursements for the LLCs, emailed this list to the LLCs, and requested that the supporting documents be made available during CLA's visit the weeks of August 12th and 19th.
- c. August 12, 2019 through August 23, 2019: CLA was on site at the LLC offices to review the supporting documentation for the sample selection. As CLA reviewed the documentation, CLA communicated to the respective LLC staff any additional documents needed and inquired about questions related to the documents reviewed. The respective LLC staff supplied CLA with a majority of the additional documents needed and responses to questions while CLA was on site.
- d. August 19, 2019: CLA emailed a list of outstanding documents related to Hi'ipaka (Waimea Valley) to the Executive Director of Hi'ipaka. CLA expects to receive the outstanding documents the week of September 16th.
- e. August 23, 2019: CLA emailed a list of outstanding documents related to all other LLCs to the Executive Director of Hi'ilei Aloha. CLA expects to receive the outstanding documents the week of September 16th.

E. Other Work Performed

The focus of CLA's work during the period covered by this status report was to review the supporting documentation related to the sample selection for OHA and the LLCs; therefore, there are no other work steps to report.

by contract and disbursement sample number, the questions and additional documents needed. This Excel schedule was then used by OHA to provide responses to CLA's questions and the status of any additional documents requested.

F. Next Steps

1. **OHA Sample – Review Additional Documents and Responses to Questions:** CLA will review the additional documents and responses to questions provided by OHA from September 6th through 9th. CLA expects to have this review completed by Friday, October 4th. By Monday, October 7th, CLA will communicate to OHA (a) any documents not received to confirm that they do not exist or are not available and (b) any additional questions that may result from the review of the additional documents.
2. **LLCs Sample – Obtain and Review Additional Documents:** Based on communications with the LLCs, CLA expects to receive all outstanding documents the week of September 16th. CLA will review the additional documents by Friday, October 4th. By Monday, October 7th, CLA will communicate to the LLCs (a) any documents not received to confirm that they do not exist or are not available and (b) any additional questions that may result from the review of the additional documents.
3. **Discussion/Meeting with RM Committee Leadership:** As documented in the timetable dated April 2, 2019, CLA anticipated briefing the RM Committee Leadership during the week of September 9, 2019 on CLA's findings from the testing performed, which was contingent on getting the outstanding documents and information needed from OHA. As communicated above, from September 6th through September 9th, OHA provided additional documents and responses to CLA's questions. CLA requires additional time to review the additional documents and information provided by OHA. Additionally, CLA is waiting for outstanding documents from the LLCs and will need time to review these additional documents. To ensure the briefing of the RM Committee Leadership is productive, CLA recommends having the briefing after October 4th, which is the date by which CLA expects to have all available documents reviewed. CLA is available for the briefing with the RM Committee Leadership on either October 9th or 10th. As the briefing will be high-level, CLA recommends the briefing take place via video conference.
4. **Prepare Draft Report:** CLA will begin an outline of the report on or around September 13, 2019. The results of the testing performed will not be finalized until all documents provided by OHA and the LLCs have been reviewed and CLA has had an opportunity to inquire about any follow-up questions.

G. Project Obstacles

Currently, there are no project obstacles, and we are on schedule to complete the project and issue our report by December 16, 2019.

H. Items of Notable Mention

There are no new items to report.

I. Total Hours & Costs Incurred and Billed through August 31, 2019

Table 1 summarizes the total hours and costs incurred and billed to OHA for professional services and travel-related costs through August 31, 2019. Based on the total estimated budget and the work completed to date, CLA is over the dollar amount budgeted for the categories "Project oversight, meetings, status briefings" and "Travel: 50% of actual travel time." This is due to the time incurred by CLA in updating the new Resource Management Committee

leadership on the scope of work, historical work performed, and project obstacles. Additionally, CLA attended an in-person meeting with the Resource Management Committee leadership on March 12, 2019. CLA will not bill OHA in excess of the approved \$500,000 contract cost to complete the approved scope of work.

Table 1: Summary of Total Hours and Cost

Description	Total Budgeted Hours	Total Budgeted Costs	Hours Through 08/31/19	Costs Through 08/31/19
Testing of OHA transactions*	861.00	\$ 246,580.00	1,001.25	\$ 228,302.38
Testing of LLC transactions*	354.00	81,090.00	366.55	78,758.80
Project oversight, meetings, status briefings	180.00	49,840.00	185.15	57,397.75
Report of findings and recommendations	346.00	86,360.00	-	-
Travel: 50% of actual travel time	130.00	38,773.00	160.20	45,031.00
Travel: Out-of-pocket costs	N/A	31,470.00	N/A	42,572.30
Total	1,871.00	\$ 534,113.00	1,713.15	\$ 452,062.23
Less estimated Professional Discount		(34,113.00)		(10,000.00)
OHA's Not-to-Exceed Cost		\$ 500,000.00		\$ 442,062.23

*These categories broadly represent the work being conducted related to OHA and its LLCs, including reviewing documents and financial data, performing data analytics on the financial data, preparing for and conducting the process and risk assessment interviews, review of internal controls over the reporting to the OHA Board of Trustees, and the contract and disbursement testing.

As of the date of this status report invoice #2216196 is outstanding; however, CLA has been informed that the invoice has been submitted for payment processing. The invoice for costs incurred from July 31, 2019 through August 31, 2019 is being prepared and will be sent to OHA within the next few days (the costs for this invoice are included in Table 1 above).

DRAFT

**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 N. Nimitz Hwy, Suite 200
HONOLULU, HI 96817**

**Committee on Resource Management
Minutes**

January 22, 2020 10:00 am

ATTENDANCE

Trustee Dan Ahuna, Chairperson
Trustee Leina'ala Ahu Isa
Trustee Kalei Akaka
Trustee Keli'i Akina
Trustee Carmen Hulu Lindsey
Trustee Brendon Kalei'aina Lee
Trustee Colette Machado
Trustee Robert Lindsey
Trustee John Waihe'e, IV

Guest and Community:

None.

STAFF PRESENT:

Sylvia Hussey	Nietzsche Ozawa
Raina Gushiken	Phyllis Ono-Evangelista
Carol Ho'omanawanui	Sterling Wong
Dayna Pa	Kama Hopkins
Lehua Itokazu	
Alyssa Kau	Robert Klein
Hihina Ahsing	
Anuheia Patoc	
Paul Harleman	
Maria Calderon	
Brandon Mitsuda	
Kauikeaolani Wailehua	
Zuri Aki	
Lei Ann Durant	
Nathan Takeuchi	
Everett Ohta	
Gloria Li	
Jim McMahon	
Jocelyn Doane	
Lisa Watkins-Victorino	
Maile Luuwai	

I. CALL TO ORDER

Gavel sounds.

Chair Ahuna – Thank you for being here. Today is the Committee on Resource Management for Wednesday, January 22nd, its 10:00am. To begin this meeting I'd like to start off with a roll call.

Roll call taken.

	Present	Excused	Comments
TRUSTEE LEI AHU ISA	x		
TRUSTEE KALEI AKAKA	x		
TRUSTEE KELI 'I AKINA	x		
TRUSTEE BRENDON KALEI 'AINA LEE	x		
TRUSTEE HULU LINDSEY	x		
TRUSTEE ROBERT LINDSEY	x		
TRUSTEE COLETTE MACHADO	x		
TRUSTEE JOHN WAIHE'E			Arrives at 10:07am
CHAIRPERSON DAN AHUNA	x		
TOTAL	8		
At the Call to Order, there are (8) Trustees present.			

Chair Ahuna – Mahalo. For II, is there anyone in the audience who'd like to give public testimony? Is there anyone here? No. I don't see anyone so with that, III – were going to have some changes.

II. PUBLIC TESTIMONY

NA

III. NEW BUSINESS

A. Approval of Minutes

- 1. July 31, 2019**
- 2. September 4, 2019**
- 3. November 27, 2019**
- 4. December 4, 2019**

Chair Ahuna - On the approval of minutes, July 31st has already been approved in November so we're going to delete 1. And 4. December 4th, I'm going to defer those minutes because they're not ready yet. And I'd like to request a 72 hour waiver for September 4th and November 27th. With that, is there a motion to approve minutes?

Trustee Bob Lindsey – So moved, Mr. Chair.

Trustee Hulu Lindsey – Oh second.

Chair Ahuna – It has been moved by Trustee Bob Lindsey and seconded by Trustee Hulu Lindsey. Is there any questions or concerns? If not –

Trustee Machado – So Mr. Chair, were approving September 4th and November 27th?

Chair Ahuna – That's it.

Trustee Machado – Thank you.

Chair Ahuna – September 4th and November 27th, yes. Any discussion? If there's no discussion, roll call please.

Trustee Bob Lindsey, MOVED, SECOND by Trustee Hulu Lindsey. Motion to approve 9/4/2019 and 11/27/2019 minutes.						
	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON LEE			X			
TRUSTEE HULU LINDSEY		x	X			
TRUSTEE ROBERT LINDSEY	x		X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E						Excused
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			8			
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED Motion passes with eight (8) YES votes.						

III. NEW BUSINESS

B. Presentation by Administration of its DRAFT Recommendations Implementation Plan on the recommendations contained in the final report prepared by CliftonLarsenAllen LLP (CLA).

Chair Ahuna – Thank you. For III. B. I'm going to be calling up our Ka Pouhana, Sylvia Hussey to present administration's draft recommendations.

KP Sylvia Hussey – Good morning trustees. Everybody got their books?

Trustee Akaka – Kala mai, the camera.

Chair Ahuna – Sorry. *meeting goes in to recess to tend to technical issues.

Chair Ahuna – *gavel sounds. Thank you. Meeting convenes and calls on Ka Pouhana Sylvia Hussey for the III. B.

KP Sylvia Hussey – Thanks staff who helped put information together, refers to report received and discusses processes and implementation of CLA recommendations.

Chair Ahuna – Asks if there are any other questions.

Trustee Hulu Lindsey – Requests a timelier schedule to receive meeting info.

KP Sylvia Hussey – acknowledges

Trustee Hulu Lindsey – Thank you.

Trustee Machado – Mr. Chairman?

Chair Ahuna – Trustee Machado.

Trustee Machado – Asks if Sylvia can discuss the executive summary of the report.

KP Sylvia Hussey – acknowledges and discusses the executive summary of the report including references, definitions, and the responses. All 110 recommendations are addressed. LLC responses are also included.

Chair Ahuna – Calls on Trustee Lindsey, followed by Trustee Ahu Isa to share.

Trustee R. Lindsey – expresses thanks to staff and acknowledges that this is a positive for the people.

Trustee Ahu Isa – Asks about position recommendations in the summary

KP Sylvia Hussey – discusses and explains to clarify

Chair Ahuna – calls on Trustee Akina

Trustee Akina – Thanks KP. Agrees with internal audit function and further discusses the mentioned independent audit function that should fulfill CLA's recommendation.

KP Sylvia Hussey – explains how the RM Committee can function as this.

Trustee Akina – would like to further discuss this before we take action. He recommends a segregation of duties.

KP Sylvia – refers to board by laws and scope to better clarify which will be discussed tomorrow at board meeting.

Chair Ahuna – explains that prior to this audit, he was not the RM chair and that it was not his recommendation.

Trustee Akina – acknowledges and would still like KP to consider his current recommendation, which is one independent of the board.

Trustee Ahu Isa – discusses her work at UH and how it relates to the item being discussed.

Trustee Akina – explains that there were two audit functions there.

Trustee Lee – asks and discusses why, if we are mandated by law to be audited by the state, we would expend our own funds for another audit. And internal audit would make more sense to help us in between those mandated audits.

KP Sylvia Hussey – acknowledges, discusses and explains that there are a number of audits.

Trustee Lee – asks if the function of the internal audit is best practice.

KP Sylvia Hussey – yes.

Chair Ahuna – calls on Trustee Akina

Trustee Akina – thanks Trustee Lee and shares that the state audits are helpful but not sufficient to meet the recommendations of CLA.

Trustee Lee – questions Trustee Akina on how he is speaking to this.

Trustees Akina – says the state auditor explained his scope of work and shared from the last quadrennial audit.

Trustee Lee – asking for clarification and asks what his expertise in making that justification because he spoke with a CPA.

Trustee Akina – explains that he is a trustee who was here when the state auditor explained.

Trustees Lee and Akina – further discuss their points and thank each other.

Trustee Machado – questions internal auditor vs independent auditor and administrations recommendations and responses to CLA.

KP Sylvia Hussey – references and discusses report to clarify processes and procedures in relation to the audit functions.

Chair Ahuna – calls on Trustee Machado

Trustee Machado – discusses that we need to move forward in this matter.

Chair Ahuna – calls on Trustee Ahu Isa

Trustee Ahu Isa – gives another example of her experience with UH.

Chair Ahuna – calls on Trustee Akina

Trustee Akina – thanks KP. Discusses a possible hotline program option for employees.

KP Sylvia Hussey – calls on Raina. Discusses anonymity and HR roles to speak to Trustee Akina's points.

Trustee Lee – point of clarification questioning where the backlog of complaints are and engages in discussion to Trustee Akina's points.

Trustee Akina – continues discussion on his concerns re: transparency portal with KP. Adds that in the interest of time maybe it should be outside of this meeting.

Chair Ahuna – agrees. Calls on Trustee Lee.

Trustee Lee – discusses appendix C and notes.

Sterling Wong – requests we discuss this in executive session to Trustee Lee's points.

Judge Klein – clarifies that answers to certain questions can take place in executive session.

Chair Ahuna – calls on Trustee Akina

Trustee Akina – withdraws a previous statement on ethics commission's backlog (it's the office of information practice)

KP Sylvia Hussey – reiterates that this is a draft.

Chair Ahuna – calls on Trustee Hulu Lindsey

Trustee Hulu Lindsey – asks KP about appendix c matters and expresses concerns.

Sterling Wong – addresses Trustee Hulu Lindsey's concerns and explains.

Trustee Hulu Lindsey – has more concerns regarding items on fraud and abuse.

Sterling Wong – suggests executive session for further discussion on the matter. KP supports.

Trustee Hulu Lindsey – moves to go into executive session.

Trustee Lee – second.

Chair Ahuna – recognizes motion and second by trustees.

Trustee Akina – wants hand acknowledged but has nothing to say to the current motion.

Chair Ahuna – asks if there is any further discussion. There is none. Calls for roll call vote.

Trustee Hulu Lindsey, MOVED, SECOND by Trustee Lee. Motion to move into Executive Session.						
	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON LEE		2	X			
TRUSTEE HULU LINDSEY	1		X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E			X			
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			9			
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED						
Motion passes with seven (9) YES votes.						

The committee resolved into Executive Session at 10:50am.

The committee returned to Open Session at 11:45am.

Chair Ahuna – calls on Trustee Akaka

Trustee Akaka – Mahalo to staff.

IV. ANNOUNCEMENTS

None.

V. ADJOURNMENT

Chair Ahuna calls for motion to adjourn. It has been motioned by Trustee Hulu Lindsey.

Trustee Lee – second.

Chair Ahuna - calls for roll call vote.

Trustee Hulu Lindsey, MOVED, SECOND by Trustee Lee. Motion to adjourn.						
	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON LEE		2	X			
TRUSTEE HULU LINDSEY	1		X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E			X			
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			9			
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED						
Motion passes with seven (9) YES votes.						

Chair Ahuna adjourned meeting at 11:47am.

Respectfully Submitted,

Anuheia Patoc, Trustee Secretary
Committee on Resource Management

Dan Ahuna, Chairperson
Committee on Resource Management

Approved: RM Committee meeting _____

Attachment(s):

- DRAFT Recommendations Implementation Plan on the recommendations contained in the final report prepared by CliftonLarsenAllen LLP (CLA).



OHA & LLCs Contract and Disbursement Review

Recommendations Implementation Report

January 2020

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APPENDICES

A	Implementation Plan for 73 OHA Recommendations
B	Implementation Plan for 30 LLCs Recommendations
C	OHA Addressing Possible Fraud Waste Abuse Flagged Test Items (32)
D	LLCs Addressing Possible Fraud Waste Flagged Test Items (6)
E	Recommendations Implementation Plan Monitoring and Reporting Dashboard
F	3.28.19 OHA Response to Audit Report 18-03 Status of Implementation
G	8.30.19 OHA Response to Audit Report 18-08 Status of Implementation

I. EXECUTIVE SUMMARY

A. Scope, Background and Context

In 2018, the Office of Hawaiian Affairs (OHA) contracted CliftonLarsonAllen (CLA) to review for a period of five (5) years, specifically fiscal years (FY) 2012, FY 2013, FY 2014, FY 2015, and FY 2016 and to include both OHA and the Limited Liability Company(ies) (LLCs). For OHA, the scope of work called for CLA to select eighty (80) contracts and fifty (50) other financial disbursements of funds for testing and review. For the LLCs, the scope of work called for CLA to select thirty (30) contracts and twenty-five (25) other financial disbursements of funds for testing and review. The scope of services specified all contracts and financial disbursements tested would be selected by CLA based on CLA's understanding of OHA's and LLC's policies and procedures and data analytics performed on the financial activity of the organizations.

The overall scope of work and approach was conducted utilizing standards in accordance with the Statement on Standards for Consulting Services, Consulting Services: Definitions and Standards (codified as CS Section 100 in AICPA Professional Standards) of the American Institute of Certified Public Accountants (AICPA). The report did not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA did not express such an opinion.

The results of the review was reported to the Board of Trustees (BOT) Committee on Resource Management (CRM) on December 4, 2019 and after full and free discussion, recommended approval of the following action to the BOT:¹ *Move to recommend that: 1) the Board of Trustees receive the final report on OHA & OHA's LLCs Contract & Disbursement Review prepared by CliftonLarsonAllen LLP and commissioned by the Board under [Contract] 3284, as amended; and 2) direct Administration to review and analyze the recommendations contained in the final report and report back to the RM Committee with its analysis and plan to implement the recommendations at the first Resource Management Committee meeting in January 2020.* The BOT approved the action at its meeting on December 5, 2019 and this report by Administration is in response to that action and directive.

B. Activities Completed by CLA – Review, Analyses, Observations and Recommendations²

In executing the engagement, CLA completed reviews and analyses of data gathered from: preliminary information gathering and document review; process interviews of OHA and LLCs staff; documents requested; test items; selected sample of contracts and disbursements; interviews with OHA Trustees; inquiries with OHA and LLCs staff; assessments of Board of Trustees oversight; and status updates and communications with the Resources Management Committee (RMC).

In the final report, CLA provided both observations and recommendations for OHA and the LLCs separately. For OHA: Seventy-three (73) recommendations based on the results of contracts and financial disbursements testing as well as measures concerning the internal controls in place to ensure

¹ Committee on Resource Management Committee Report dated December 4, 2019

² CLA report, p 18

the integrity of the performance indicators in the OHA annual report to the BOT; and six (6) recommendations pertaining to the BOT's general oversight and governance of OHA and the LLCs. CLA also made thirty (30) recommendations based on the results of contracts and financial disbursements testing as well as measures concerning the internal controls in place to ensure the integrity of the performance indicators in the LLC's Quarterly reports to the BOT. In addition the CLA Report strongly encouraged the Trustees to delegate to OHA's Administration the development of a "Recommendations Implementation Plan".

C. Fraud, Waste and Abuse

Administration noted the CLA Report definitions of fraud³, waste⁴ and abuse⁵ in responding to the observations, recommendations and implementation plan. In addition, there are two limitations⁶ that should be noted, CLA's procedures were designed to: 1) Detect and identify possible fraud, waste, and abuse; however, CLA cannot provide absolute assurance that all instances of possible fraud, waste, and abuse were identified; and 2) Detect red flags of fraud and transactions that appeared questionable. The CLA Report noted, **"However, if during the performance of our services other matters had come to our attention suggesting possible financial improprieties and/or irregularities, we would have communicated such matters to the Resource Management Committee of the Office of Hawaiian Affairs."**⁷ [emphasis added] To Administration's knowledge, no such communication was made to the Resource Management Committee.

D. Recommendation Implementation Plan Development Activities

In preparing this response to the Committee on Resources Management directive, in addressing the recommendations⁸ provided by CLA (Recommendations), Administration completed the following: 1) Reviewed in detail, the related testing criteria, methodology, results and observations; 2) Compared the recommendations to policy, procedure and practice actions taken by the organization since FY2016; 3) Contacted prior employees, vendors and other stakeholders, reviewed

³ "A type of illegal act involving the obtaining of something of value through willful misrepresentation. Whether an act is, in fact, fraud is a determination to be made through the judicial or other adjudicative system and is beyond the auditor's professional responsibility."---CLA Report, page 24.

⁴ "Involves not receiving reasonable value for money in connection with any government funded activities due to an inappropriate act or omission by actors with control over or access to government resources (e.g., executive, judicial, or legislative branch employees, grantees, or other recipients). Importantly, waste goes beyond fraud and abuse and most waste does not involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight."---CLA Report, page 24

⁵ "Involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or others of an immediate or close family member or business associate. Abuse does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement."---CLA Report, page 24.

⁶ CLA Report, page 28

⁷ CLA Report, Page 2

⁸ Refers to 73-OHA, 30-LLC and 7-BOT recommendations, collectively "Recommendations"

internal systems and sources and located documents and deliverables that CLA noted were not available at the time of field work; 4) Assessed implementation status (e.g., full, partial); 5) Determined corrective action and related implementation actions; and 6) Designed implementation monitoring and reporting activities.

In addition to addressing the CLA Recommendations, Administration also focused on transactions flagged by CLA as “potential” for fraud waste and abuse in both OHA and the LLCs. Appendices C and D reflect Administration’s comments and notes to the 32 and 6 items flagged for OHA and the LLCs, respectively.

E. Responses by LLCs Leadership

Implementation responses to the 30 Recommendations and six (6) test items flagged for possible fraud, waste and abuse, were provided by LLC Management (e.g., Chief Operating Officer, Executive Director). Administration reviewed and discussed the LLC implementation plan responses (e.g., implemented, partially implemented, not implemented) and included LLC Management in the recommendations and implementation quarterly monitoring and reporting responsibilities.

F. CLA Report to the Committee on Resource Management, Dated December 4, 2019

The CLA report to the Committee on Resource Management, dated December 4, 2019 (CLA Report), is incorporated herein by reference and used as the basis for Administration’s Recommendations Implementation Plan (RIP). Restating of certain sections of the CLA Report verbatim is done when deemed by Administration to be important for context, clarity and emphasis.

G. Reporting and Monitoring of Recommendations Implementation Plan

Administration developed a CLA Report Recommendations Implementation Plan dashboard that will be used to report the progress of the implementation at Appendix E. Administration plans to update the dashboard and report to the CRM on a quarterly basis----no later than April 30, 2020 for the third quarter ending March 31, 2020; and no later than July 31, 2020 for the fourth quarter and year ended June 30, 2020. Administration anticipates that all Recommendations will be addressed no later than fiscal year ended June 30, 2020, with the exception of OHA Recommendation #55 related to a records management system, implementation activities are scheduled for completion by June 30, 2021.

II. SUMMARY OF RECOMMENDATIONS

The recommendations served many purposes including tending to: improve the overall financial internal control efficiencies and effectiveness of the financial processes of OHA; minimize the risk of fraud, waste, and abuse; and overall strengthen the BOT's fiduciary, general oversight and governance of OHA. In addition, **"the recommendations for both OHA and the LLCs comprise a few central themes, including: 1) Written policies to align with current procedures and ensure best practices are followed; 2) Increasing documentation of the decision-making process, authorizations, and monitoring and oversight of contracts and grants; 3) Employee training and development; 4) Increasing transparency; and 5) Oversight and governance of the organizations."**⁹ [emphasis added]

In preparing this response to the Committee on Resources Management and in addressing the Recommendations, Administration completed the following: 1) Reviewed in detail, the related testing criteria, methodology, results and observations; 2) Compared the recommendations to policy, procedure and practice actions taken by the organization since FY2016; 3) Contacted prior employees, vendors and other stakeholders, reviewed internal systems and sources and located documents and deliverables that CLA noted were not available at the time of field work; 4) Assessed implementation status (e.g., full, partial); 5) Determined corrective action and related implementation actions; and 6) Designed implementation monitoring and reporting activities.

A. OHA RECOMMENDATIONS (73)

Appendix A details the 73 OHA recommendations, including cross referenced responses to the State Audit Recommendation Responses^{10 11}, implementation status and comments including implementation or targeted implementation date. CLA recommendations impacted the Grants, Procurement and Financial Services programs as well as recommendations that jointly involved two programs (e.g., Grants/Procurement, Procurement/Financial Services), Corporate Counsel/Records Management, Community Engagement and the Board of Trustees. The Grants and Procurement programs combined and Financial Services comprise 66.4% and 13.7%, respectively of the CLA recommendation areas.

B. LLCs RECOMMENDATIONS (30)

Appendix B details the 30 LLC recommendations, implementation status and comments including implementation or targeted implementation date as determined by LLC Management. Sixty-seven percent (67%) of the 30 LLC recommendations pertained to Hi'ilei Aloha LLC, 30% to Hi'ipaka LLC and one recommendation related to Ho'okipaipai LLC.

⁹ CLA Report, p. 18

¹⁰ Report No. 18-08, June 2018, Audit of the Office of Hawaiian Affairs' Competitive Grants and Report on the Implementation of 2013 Audit Recommendations, <http://files.hawaii.gov/auditor/Reports/2018/18-08.pdf>

¹¹ Report No. 18-03, February 2018, Audit of the Office of Hawaiian Affairs, A Report to the Governor and the Legislature of the State of Hawaii, <http://files.hawaii.gov/auditor/Reports/2018/18-03.pdf>

C. BOARD OF TRUSTEES OVERSIGHT OF OHA AND THE LLCs (7)

In addition to the OHA (73) and LLC (30) recommendations, CLA “...also developed observations and recommendations pertaining to the Board of Trustees oversight of OHA and the LLCs.” The governance related recommendations are: 1) Development of Permitted Interaction Group on Organizational Guidance; 2) Transparency and Financial Reporting; 3) Internal Audit; 4) Hotline; 5) Employee Training; and 6) Audit Committee. An additional recommendation made by CLA was related to the development of a Recommendations Implementation Plan (this document). Some of the governance related recommendations have been addressed in OHA’s responses to the State Auditor for, Report No. 18-08, June 2018 and Report No. 18-03, February 2018.

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III. RECOMMENDATIONS IMPLEMENTATION PLAN

A. OHA 73 Recommendations Implementation Plan

Appendix A details the 73 OHA recommendations, including cross referenced responses to the State Audit Recommendation Responses^{12 13}, implementation status and comments including implementation or targeted implementation date. When the implementation of the recommendations involve two operating units, the unit status is split between A and B to reflect the different implementation status for the one recommendation. For example, for recommendation 26—the Procurement Services Program status is ‘partially implemented’ and the Grants Program is ‘implemented’, therefore, 26A is in the ‘partially implemented’ row and 26B is in the ‘implemented’ row in Table 1 below.

Table 1 - Summary of Implementation Plan for 73 OHA Recommendations by Implementation Status

Implementation Status	Total	Recommendation Numbers
Implemented	45 (61.6%)	1, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 25A, 26B, 27, 30, 32B, 33, 34B, 35B, 37, 39, 41, 42, 44, 46, 48, 51, 52, 53, 54, 58, 59, 61, 62, 63, 66, 68B, 71, 72
Partially Implemented	18 (24.7%)	6, 23A, 26A, 28, 29, 31, 32A, 34A, 35A, 36, 38, 40, 43, 45, 47A, 47B, 50, 55, 57, 60, 68A, 69
Not Implemented	0	
Not Implemented, N/A	7 (9.6%)	23B, 24, 25B, 49, 56, 64, 65, 70
Not Implemented, Disagree	3 (4.1%)	2, 67, 73
Total	73 (100%)	

¹² Refer to Appendix G for OHA Response to Report No. 18-08, June 2018, Audit of the Office of Hawaiian Affairs’ Competitive Grants and Report on the Implementation of 2013 Audit Recommendations, <http://files.hawaii.gov/auditor/Reports/2018/18-08.pdf>

¹³ Refer to Appendix F for OHA Response to Report No. 18-03, February 2018, Audit of the Office of Hawaiian Affairs, A Report to the Governor and the Legislature of the State of Hawaii, <http://files.hawaii.gov/auditor/Reports/2018/18-03.pdf>

Table 2 - Summary of Implementation Plan for 73 OHA Recommendations by Operating Unit

Implementation Status	Total	Joint ¹⁴	Grants	Procurement	Financial Services	Executive Office, Organization Wide	CC, Rec Mgmt	CE	BOT
Implemented	45	1, 12, 14, 27	3, 4, 5, 7, 8, 9, 10, 11, 13, 15, 16, 17, 18, 19, 20, 21, 22, 26B, 32B, 33, 34B, 35B, 59, 62, 72	25A, 37, 39, 41, 42, 44, 46, 51, 53, 54	30, 48, 52, 58, 63, 66, 68B	61		71	
Partially Implemented	18	38		23A, 26A, 28, 32A, 34A, 36, 40, 43, 45, 47A, 50, 68A	29, 47B	35A, 31, 69	6, 55		57, 60
Not Implemented	0								
Not Implemented, N/A	7		23B, 25B	24, 49, 64, 70	65				56
Not Implemented, Disagree	3		2, 73		67				
Total	73 (100%)	5 (6.8%)	26 (35.6%)	22.5 (30.8%)	10 (13.7%)	3.5 (4.8%)	2 (2.7%)	1 (1.4%)	3 (4.2%)

¹⁴ Joint recommendation implementation activities (e.g., Grants/Procurement, Grants/Financial Services, Corporate Counsel/Procurement)

B. LLCs 30 Recommendations Implementation Plan

Appendix B details the LLCs' 30 recommendations, implementation status and comments including implementation or targeted implementation date; with 87% of the recommendations implemented to date and two recommendations to be implemented by June 2020.

Table 3 - Summary of Implementation Plan for 30 LLC Recommendations by LLC Entity¹⁵

		Recommendation No.		
Implementation Status	Quantity	Hi`ilei Aloha LLC	Hi`ipaka LLC	Ho`okipaipai LLC
Implemented	26 (87%)	1-11,13,16,23, 26-29	12,14,15,17,18, 19,20,25	
Partially Implemented	2 (7%)	30	21	
Not Implemented	0			
Not Implemented, N/A	1 (3%)			22
Not Implemented, Disagree	1 (3%)	24		
Total	30 (100%)	20 (67%)	9 (30%)	1 (3%)

¹⁵ LLCs are calendar year entities whose operating year begins on January 1st and ends on December 31st

C. Board of Trustees Oversight of OHA and the LLCs

1. Governance: Development of Permitted Interaction Group on Organizational Guidance

Summarized Recommendation. CLA’s recommendation noted the “excellent process” of the Permitted Interaction Group (PIG) to effect Board governance work; suggested reference tools from the Government Finance Officers Association and American Institute of Certified Public Accountants; and recommended addressing conflict of interest codes violations (from June 2019 minutes).

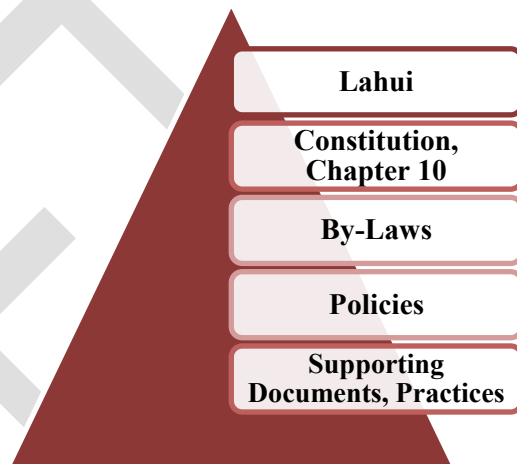
Implementation Plan. In January 2019, the Board approved the formation of a Permitted Interaction Group (PIG) to: Investigate various elements of governance frameworks and models, including but not limited to cultural, indigenous, native, national and international contexts. Via Action Item BOT# 19-04, the Board was asked to approve the five elements of OHA’s Board Governance Framework: 1) Identity; 2) Values and Mana; 3) Statutory Basis; 4) Policies; and 5) Supporting Documents and Practices (Operations).

Included in the final report, the PIG recommended implementation of the Board Governance Framework elements via the following sequenced, subsequent, newly formed, approved and executed PIGs:

1. Development of L-Lahui level policies;
2. Alignment and update of existing BOT By-Laws;
3. Development of T-Trustee level policies;
4. Development of C-CEO level policies¹⁶; and
5. Alignment and update of existing Board governance documents (e.g., Executive Policy Manual, BOT Operating Manual).

Implementation of the Board’s Governance Framework, is “in flight” and progressing well.

Targeted Implementation Date: June 2020.



¹⁶ The development of C-CEO level policies work has since been determined to be Administration (vs. Board) level work and a Permitted Interaction Group will not be formed by the Board to address.

2. Governance: Transparency and Financial Reporting

Summarized Recommendation: CLA believes "...that when RM #18-2 is fully implemented, financial reporting and transparency will be adequately addressed."¹⁷ In the meantime, to improve transparency, it is recommended that additional financial reporting be provided to the Board regarding: 1) Contracts awarded; 2) Expenditures incurred, and 3) Grant submissions. It is recommended that a list of grantees be provided on a monthly basis to the Board.

- a. Implementation Plan re RM #18-12 Recommendation:** On October 11, 2018 (2nd rdg), the Board approved RM #18-12, amendments to the OHA BOT Executive Policy Manual and BOT Operations Manual relating to budget preparation, format and budget reporting requirements (PPB approach). The amendments were aimed at improving fiscal management, transparency, reporting, and accountability as well as to address the 18-03 Audit recommendations 1.d., 1.e., and 1.f. Under the approved amendments, "Administration is delegated authority to approve budget adjustments that fall within the lesser of \$100,000 or 5% between each program. Budget adjustments in and out of grants and sponsorships appropriations are prohibited." Furthermore, under the amendments, the authority of the CEO to approve Grants in an amount up to \$25,000 under paragraph 2.2.d. of the OHA EPM was eliminated, meaning that the CEO will no longer have any authority to approve any Grants regardless of amount without Board approval. The effective date of these approved amendments is deferred until submission of the FY2022-2023 Biennium Budget to allow Administration sufficient time for process implementation. Thus, starting July 1, 2021, the Board policies will require Board approval for all Grants and Sponsorships. Currently, and until the new policy goes into effect on July 1, 2021, the organization operates under the approved amendments.

Implementation Date: October 2018

- b. Implementation Plan re Other Financial Reporting Recommendations:** Administration recommends further discussion with the Board regarding the granularity, form and frequency of the additional suggested reports by CLA (e.g., contracts, expenditures, grants).

Targeted Implementation Date: June 2020

¹⁷ CLA Report, page 295

3. Governance: Internal Audit

Summarized Recommendation. CLA’s recommendation is to establish an Internal Audit Division with Internal Auditors reporting to the Audit Committee or Governing Board. The internal audit function should assist management with: 1) Control Environment (e.g., policies, procedures, organizational structure, management philosophy and ethical values; 2) Fraud Risk Assessment; 3) Control Assessments (e.g., design and operating effectiveness of internal controls including assessing the risk for fraud or misconduct); 4) Communication and Training; and 5) Monitoring (e.g., assessing monitoring activities related to computer software and security, and conducting investigations as required through normal monitoring and as requested by the audit committee (or governing board) as needed.

Internal auditors often perform proactive fraud audits and tests, investigations when needed, and provide remediation for findings. In addition, management’s fraud risk assessment and help in identifying and testing risks (e.g., high risk transactions, transactions involving suppliers, contracts and related parties) can be performed. Internal auditors can also assist management with assessing the effectiveness of information, systems and practices, and provide support for fraud-related training initiatives.

Implementation Plan Initial (March 2019). An internal audit division or function, also described as a quality assurance function, was contemplated and documented by OHA in March 2019 when providing a response to the State Auditor’s Formal Request for Information on Status of Implementation of Audit Recommendations, Report No. 18-03 (refer to **Appendix F**). Implementation of a quality assurance function with a Senior Internal Auditor position was anticipated to begin July 1, 2019, included in the FY 20-21 biennium budget and applied to the Grants Department (fka Transitional Assistance Program).

The March 2019 response also contemplated the implementation of an internal control framework¹⁸ for the organization modeled after the COSO framework.

What Does COSO Stand For?

In 1992, the [Committee of Sponsoring Organizations of the Treadway Commission \(COSO\)](https://info.knowledgeleader.com/bid/161685/what-are-the-five-components-of-the-coso-framework) developed a model for evaluating internal controls. This model has been adopted as the generally accepted framework for internal control and is widely recognized as the definitive standard against which organizations measure the effectiveness of their systems of internal control.



Figure 1.
COSO Framework

¹⁸ <https://info.knowledgeleader.com/bid/161685/what-are-the-five-components-of-the-coso-framework>, retrieved 2/24/2019

What Is The COSO Framework?

The **COSO** model defines internal control as “a process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance of the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations”

In an “effective” internal control system, the following five components work to support the achievement of an entity’s mission, strategies and related business objectives.

1. Control Environment

- Integrity and Ethical Values
- Commitment to Competence
- Board of Directors and Audit Committee
- Management’s Philosophy and Operating Style
- Organizational Structure
- Assignment of Authority and Responsibility
- Human Resource Policies and Procedures

2. Risk Assessment

- Company-wide Objectives
- Process-level Objectives
- Risk Identification and Analysis
- Managing Change

3. Control Activities

- Policies and Procedures
- Security (Application and Network)
- Application Change Management
- Business Continuity/Backups
- Outsourcing

4. Information and Communication

- Quality of Information
- Effectiveness of Communication

5. Monitoring

- Ongoing Monitoring
- Separate Evaluations
- Reporting Deficiencies

These components work to establish the foundation for sound internal control within the company through directed leadership, shared values and a culture that emphasizes accountability for control. The various risks facing the company are identified and assessed routinely at all levels and within all functions in the organization. Control activities and other mechanisms are proactively designed to address and mitigate the significant risks. Information critical to identifying risks and meeting business objectives is communicated through established channels up, down and across the company. The entire system of internal control is monitored continuously and problems are addressed timely. OHA's Trustees and Administration were in the process of designing and implementing an internal control framework using the COSO framework as an exemplar to be completed no later than June 30, 2019.

Implementation Plan Updated (January 2020). As the organization completed its biennium budget construction process (Spring of 2019 for fiscal year beginning 7/1/2019) fiscal and related policy constraints (e.g., lapsed funds, freeze on fiscal reserve, sunset of Kaka'ako Makai policy, no cash management policy), hampered the ability for the organization to implement staffing and strategic functions in the biennium budget for FY 20-21; and therefore, the biennium budget for FY 20-21 approved by the Trustees in June 2019, did not include new personnel positions and functions, including the Senior Internal Auditor position.

In late Spring of 2019, Administration commissioned a white paper study that recommended, "OHA should focus on improving its internal controls to ensure that it has the proper environment and framework. Once internal controls are improved, OHA could consider appointing an internal compliance officer to ensure compliance with its mission and legal requirements. In OHA's current condition, these steps would serve OHA better than an internal audit function. Without a properly designed and monitored internal control system, an internal audit function can do little to promote efficiency or prevent fraud or other illegal acts."¹⁹ Administration concurred with the recommendation. The FY 20-21 biennium budget was subsequently realigned in September 2019 and a Compliance Officer was included in the budget instead of a Senior Internal Auditor position. Recruitment began in early October and continued through November, the position remains unfilled and active recruitment continues, including the use of 89-day employee hires.

It is Administration's intent to continue active recruitment for a Compliance Officer, supplement with 89-day employee hires, eventually build and skill up to develop and implement a formal internal audit function, and implement the COSO framework at OHA. The targeted date noted below is to hire and onboard a Compliance Officer to begin to develop and strengthen the internal control environment at OHA. The Board's By-Laws identified the following responsibility for the Committee on Resource Management (CRM): The committee shall: handle all fiscal and budgetary matters and ensure proper management, planning, evaluation, investment and use of OHA's trust funds. Therefore, the CRM can function as an audit committee (governing board).

Targeted Implementation Date: June 2020 for Compliance Officer; to be considered for the internal audit function

¹⁹ SPIRE, OHA Internal Audit White Paper, July 2019

4. Governance: Hotline

Summarized Recommendation. CLA recommended OHA consider the implementation of a hotline for anonymous reporting of fraud and abuse. “This is an important and essential part of a successful ethics and compliance program in any organization. Hotline programs can be operated internally, especially if an internal audit division is in place, or can be outsourced to a reputable company offering such services. CLA’s recommendation including details to establishing a hot line (e.g., planning, communication, responding).

Implementation Plan. Administration acknowledges CLA’s observation that “This (hotline) is one of the most effective and cost efficient tools available to organizations. As reported in the ACFE’s²⁰ Report to the Nations: 2018 Global Study on Occupational Fraud and Abuse²¹, tips are the by far the most common means of detecting fraud. The report explains further that more than half of the tips were provided by employees of the victim organizations.”²² A hotline is essentially a systems implementation requiring purchase of software, possibly hardware and implementation services, including training. At this point in OHA’s strategic and tactical priorities, resourcing in dollars and time will need to be prioritized considering other priorities.

BUILDING COMMUNITY

BOARD OF TRUSTEES MEETINGS Snippet

DC INTERNSHIPS

EMPLOYMENT OPPORTUNITIES

GRANTS

HAWAIIAN REGISTRY

LEASING OPPORTUNITIES

LOANS

SCHOLARSHIPS

SOLICITATIONS & AWARDS

FINANCIAL TRANSPARENCY

However, based on observations and experiences, Administration believes there are mitigating mechanisms and processes to provide avenues for “tips” for fraud and waste, including: a) Internal/HR policies and processes for employees to raise and escalate concerns to supervisors, managers, director and senior leadership (e.g., CFO, COO, CEO) without fear of retaliation; b) the Hawaii State Ethics Commission; c) State of Hawai‘i Attorney General’s office; d) Trustees (e.g., directly, via “Community Concerns” on Board agendas, via organizations and communities); e) Administration; f) Trustees’ engagement and meeting(s) in the community; and g) Beneficiaries engagement; to name a few. OHA’s current website also provides a “Financial Transparency” section which will take readers to OHA’s annual reports, financial statements and audits, Trustee protocol allowance and the CLA report.

Not Implemented: January 2020

²⁰ Association of Certified Fraud Examiners

²¹ <https://s3-us-west-2.amazonaws.com/acfe-public/2018-report-to-the-nations.pdf> , retrieved 1/15/2020

²² CLA Report, page 298

5. Governance: Employee Training

Summarized Recommendation. CLA's recommendation is to provide robust and consistent employee training as part of an effective anti-fraud program. Such training should include expectations of employees in regards to their duty to communicate certain matters, a list of such matters, including actual or suspected fraud and information on how to communicate such matters.

Implementation Plan. In April 2019, the Board approved **Element 2: Values and Mana** as part of the Board Governance Framework.



Element 2: Values and Mana

A Permitted Interactin Group recommended that the Board Governance Framework acknowledge the surrounding intangible, yet invaluable role of values and mana in governance.

Effecting the operating values of kūlia, kākou, pono, ho'omau and aloha,

begins with Trustees and Board work as exemplars for Administration and the Organization as a whole. *O ke kahua mamua, mahope ke kūkulu*, the site first, and then the building, learn all you can, then practice, 'ōlelo no'eau 2459²³.

The concept of mana²⁴, often oversimplified as "power", belies the complexity of the concept and its acquisition, development and maintenance toward OHA enabling capital. As the organization builds out the various business processes and internal control framework, related and applicable employee training will be conducted organization wide.

²³ Pukui, 'Olelo No'eau, Hawaiian Proverbs & Poetical Sayings, p. 268

²⁴ Na Puke Wehehe, Supernatural or divine power, mana, miraculous power; a powerful nation, authority; to give mana to, to make powerful; to have mana, power, authority; authorization, privilege; miraculous, divinely powerful, spiritual; possessed of mana, power, <http://weheweh.org>, retrieved 3/26/2019

Mana as Capital. The acquisition, development and maintenance of mana toward strengthening OHA's influence capital, cultural capital and financial capital.

THE OFFICE OF HAWAIIAN AFFAIRS
Empowering Hawaiians, Strengthening Hawai'i



Mana – OHA will:



- Build upon the wisdom of our ancestors;
- Build upon the patriots who came before us; and
- Acquire and grow its mana as it strives to serve for the betterment of Hawaiians.

Targeted Implementation Date: June 2021

DRAFT

6. Governance: Audit Committee

Summarized Recommendation. CLA noted a key attribute of an effective anti-fraud program is the audit committee. An audit committee can help to reinforce management's commitment to creating a culture with "zero tolerance" for fraud. OHA should consider establishing an audit committee that could include: evaluating management's identification of fraud risks; implementation of anti-fraud measures; creating an appropriate "tone at the top"; ensuring senior management implements appropriate fraud deterrence and prevention measures to better protect stakeholders; work with independent auditors regarding the external audit; evaluating the financial reporting process, especially considering the potential for management to override-controls; assuring there is a mechanism in place to report concerns; ability to authorize and oversee alleged or suspected wrongdoing; assuring there is a mechanism in place to report concerns about unethical behavior, actual or suspected fraud, or violations of OHA policies and procedures.

Implementation Plan. As noted earlier, the Board's By-Laws identified the following responsibility for the Committee on Resource Management (CRM): The committee shall: handle all fiscal and budgetary matters and ensure proper management, planning, evaluation, investment and use of OHA's trust funds. Therefore, the CRM can function as an audit committee (governing board). Administration is committed to working with the CRM to more explicitly support the definition and implementation of an Audit Committee.

Targeted Implementation Date: June 2020

IV. POSSIBLE FRAUD, WASTE AND ABUSE – APPENDICES C & D

In addition to addressing the Recommendations, Administration also focused on test items that were flagged by CLA as “possible” fraud, waste and abuse in the context of the following limitations on the identification of possible fraud, waste, and abuse stated in the CLA Report²⁵, bolded emphasis added:

“C. Limitations on the Identification of Possible Fraud, Waste, and Abuse

The following limitations regarding the identification of possible fraud, waste, and abuse were included in the scope of work approved by OHA.

- 1) *CLA’s procedures were designed to detect and identify possible fraud, waste, and abuse; however, CLA cannot provide absolute assurance that all instances of possible fraud, waste, and abuse were identified. **If indicators of potential fraud were identified, the scope of this engagement did not include investigative procedures into these matters. Rather, CLA will communicate such matters to you.** Examples of investigative procedures, which were not performed as part of this engagement, may include, but are not limited to, undercover procedures, interviews of vendors or other third-parties/individuals external to the OHA/LLCs, review of vendor files solely in the possession of a vendor (such as payroll files), etc. **To the extent that information was identified during the scope of this engagement that indicates a possibility of fraud, waste or abuse, CLA has included in this report the information identified.***
- 2) *CLA’s procedures were designed to detect red flags of fraud and transactions that appeared questionable. However, CLA cannot render an opinion as to the existence of fraud. Additionally, fraud and irregularities by their very nature are most often hidden, and no absolute assurance can be given that all such matters were detected. CLA’s engagement cannot be relied upon to disclose any irregularities or illegal acts, including fraud, which may exist.”*

Appendix C - Detailed Responses Addressing 32 Flagged Test Items of Possible Fraud Waste Abuse summarizes test items flagged by CLA related to OHA, including notes from Administration.

²⁵ CliftonLarsonAllen LLP OHA & LLCs Contract and Disbursement Review report, dated December 4, 2019, page 28

Table 4 - Summary of Responses Addressing 32 OHA Flagged Test Items of Possible Fraud Waste Abuse by Process Area

Type	Items	Amount	Flagged Test Items No.
Grants	5	\$3,948,000	1-5
Competitive Sealed Bid (RFP)	2	\$3,110,752	6,7
Professional Services	3	\$843,496.24	8,9,10
Exempt Purchase	10	\$1,274,162.50	11-20
CEO Sponsorship	5	\$129,999	21-25
Exempt Non-Grants, Small Purchase	7	\$850,797.08	26-32
Total	32	\$10,157,206.82	

Appendix D – Detailed Responses Addressing 6 Flagged Test Items of Possible Fraud Waste Abuse summarizes test items flagged by

Table 5 - Summary of Responses Addressing 6 LLC Flagged Test Items of Possible Fraud Waste Abuse by Process Area

Type	Total Items	Total \$	Response No.
Contracts	2	\$11,960	1, 2
Disbursements	4	\$103,367	3,4,5,6
Total	6	\$115,327	

V. MONITORING AND REPORTING

Appendix E provides dashboards to track all of the ‘partially implemented’ recommendations. Sample tables below are for OHA and LLC quarterly tracking.

Table 6 – Sample Dashboard for OHA Partially Implemented (18) Recommendations

OHA PARTIALLY IMPLEMENTED (18)				
ITEM NO	REC NO	SUMMARY	Q3 (MARCH 2020 ²⁶)	Q4 (JUNE 2020 ²⁷)
1	6	<p>Corporate Counsel: The primary responsibility to identify and disclose conflicts of interest will remain with the individual staff involved in decision-making. A certification by the contract signator, will be included as part of the standard OHA contract signature line, to attest that he/she has no conflicts of interests related to the contract. An additional step to screen for potential conflicts during the processing of contracts by staff in OHA Grants, Procurement, and Corporate Counsel, will utilize a list of publicly disclosed entities from the Hawai'i State Ethics Commission Short Form Disclosures of Financial Interests.</p> <p>Targeted Implementation Date: June 2020</p>		

Table 7– Sample Dashboard for LLCs Partially Implemented (16) Recommendations

LLC PARTIALLY IMPLEMENTED (2) – APPENDIX B				
ITEM NO	REC NO	SUMMARY	Q3 (MARCH 2020)	Q4 (JUNE 2020)
1 (HI'ILEI ALOHA LLC)	L-30	<p>Consider formatting the quarterly financial reports to mirror the format of the audited financial statements.</p> <p>To be implemented upon confirmation from OHA of preferred format.</p>		

²⁶ Reported no later than April 30th

²⁷ Reported no later than July 31st

LLC PARTIALLY IMPLEMENTED (2) – APPENDIX B				
ITEM NO	REC NO	SUMMARY	Q3 (MARCH 2020)	Q4 (JUNE 2020)
		Targeted Implementation Date: No later than June 30, 2020		

DRAFT

VI. CONCLUSION AND NEXT STEPS

CLA's closing statement is important to emphasize regarding OHA and LLCs staff engagement: "CLA is extremely appreciative of the outstanding efforts by the OHA and LLC staff throughout the course of this engagement. The staff of OHA and the LLCs were cooperative throughout this engagement, responsive to CLA's requests, and provided documents and information within the updated timetable request by CLA in order to complete this engagement. CLA recognizes the increased demand and pressure this engagement has put on the staff in addition to their day-to-day duties and responsibilities."²⁸

Administration acknowledges the improvements in people, processes, policies, procedures and practices post CLA review period (e.g., 2016+); values the recommendations provided by CLA; and is committed to implementation of the recommendations and strengthening of the overall organizational control environment.

²⁸ CLA Report, Page 18

VII. APPENDICES

- A Implementation Plan for 73 OHA Recommendations**
- B Implementation Plan for 30 LLCs Recommendations**
- C OHA Addressing Possible Fraud Waste Abuse Flagged Test Items (32)**
- D LLCs Addressing Possible Fraud Waste Flagged Test Items (6)**
- E Recommendations Implementation Plan Monitoring and Reporting Dashboard**
- F 3.28.19 OHA Response to Audit Report 18-03 Status of Implementation**
- G 8.30.19 OHA Response to Audit Report 18-08 Status of Implementation**

I. Summary of Implementation Plan for 73 OHA Recommendations by Implementation Status

Implementation Status	Total	Recommendation Numbers
Implemented	45 (61.6%)	1, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 25A, 26B, 27, 30, 32B, 33, 34B, 35B, 37, 39, 41, 42, 44, 46, 48, 51, 52, 53, 54, 58, 59, 61, 62, 63, 66, 68B, 71, 72
Partially Implemented	18 (24.7%)	6, 23A, 26A, 28, 29, 31, 32A, 34A, 35A, 36, 38, 40, 43, 45, 47A, 47B, 50, 55, 57, 60, 68A, 69
Not Implemented, N/A	7 (9.6%)	23B, 24, 25B, 49, 56, 64, 65, 70
Not Implemented, Disagree	3 (4.1%)	2, 67, 73
Total	73 (100%)	

II. Summary of Implementation Plan for 73 OHA Recommendations by Operating Unit

Implementation Status	Total	Joint ¹	Grants	Procurement	Financial Services	Executive Office, Organization Wide	Corporate Counsel, Records Management	Community Engagement	Board of Trustees
Implemented	45	1, 12, 14, 27	3, 4, 5, 7, 8, 9, 10, 11, 13, 15, 16, 17, 18, 19, 20, 21, 22, 26B, 32B, 33, 34B, 35B, 59, 62, 72	25A, 37, 39, 41, 42, 44, 46, 51, 53, 54	30, 48, 52, 58, 63, 66, 68B	61		71	
Partially Implemented	18	38		23A, 26A, 28, 32A, 34A, 36, 40, 43, 45, 47A, 50, 68A	29, 47B	35A, 31, 69	6, 55		57, 60
Not Implemented	0								
Not Implemented, N/A	7		23B, 25B	24, 49, 64, 70	65				56
Not Implemented, Disagree	3		2, 73		67				
Total	73 (100%)	5 (6.8%)	26 (35.6%)	22.5 (30.8%)	10 (13.7%)	3.5 (4.8%)	2 (2.7%)	1 (1.4%)	3 (4.2%)

¹ Joint recommendation implementation activities (e.g., Grants/Procurement, Grants/Financial Services, Corporate Counsel/Procurement)



APPENDIX A - IMPLEMENTATION PLAN FOR 73 OHA RECOMMENDATIONS

III. Details of Implementation Plan for 73 OHA Recommendations by Recommendation Number

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
01)	Update policies and procedures to require that all vendors hired by OHA complete the Standards of Conduct Declaration form and retain the completed form in the contract files.		Procurement Services Program: X Implemented Grants Program: X Implemented	Procurement Services Program: The Procurement Services Program (PSP) contract template revision in 2012 included the Standards of Conduct Declaration form as page 6. These documents are retained according to OHA's records retention policy. Implementation Date: June 2012 Grants Program: All grant agreements, with the exception of 'Ahahui grant agreements, were updated in May 2019 to include the Provider's Standard of Conduct Declaration. Effective January 1, 2020, the Provider's Standard of Conduct Declaration has been added to the 'Ahahui grant agreements. Implementation Date: May 2019 and January 2020, for all and 'Ahahui grant agreements, respectively.
02)	Require grant applicants to disclose on the grant application form any previous or existing financial relationships that any of the grantee's governing board or executives had or have with OHA, the LLCs, or its employees. Additionally, grant applicants should be required to disclose any personal relationships with OHA staff that may be perceived as a potential conflict of interest. This information should be reviewed and used by OHA in making its assessment on whether to award a grant to the applicant.		Grants Program: X Not Implemented, Disagree Disagree with the use by OHA in making its assessment on whether to award a grant to the applicant (or not) based on potential conflicts. There are four process areas to address conflicts in the granting process.	Grants Program: Grant applicants are not required to disclose actual or potential conflicts. Existence of previous or current personal or financial relationships of grant applicants with OHA Board, Administration or staff is not an awarding criteria. OHA processes address potential or perceived conflicts in several ways: 1) OHA employee; 2) Grants Staff; 3) Internal or External reviewers; and 4) Board of Trustees. During the grant application phase, conflict disclosures are required by grant application reviewers (submission of a form) and disclosure requirements are mandated for OHA employees by the Hawai'i State Ethics Code and OHA's Employee Handbook . Grants staff are not assigned to grants wherein a staff member may have an actual or potential conflict. The recommendation is not implemented because conflict disclosure requirements at the grant application phase are addressed through processes and OHA staff mandated disclosure requirements. <i>See also CLA Recommendation #03, Comments.</i>

² Refer to Appendix G for OHA Response to Report No. 18-08, June 2018, Audit of the Office of Hawaiian Affairs' Competitive Grants and Report on the Implementation of 2013 Audit Recommendations, <http://files.hawaii.gov/auditor/Reports/2018/18-08.pdf>

³ Refer to Appendix F for OHA Response to Report No. 18-03, February 2018, Audit of the Office of Hawaiian Affairs, A Report to the Governor and the Legislature of the State of Hawaii, <http://files.hawaii.gov/auditor/Reports/2018/18-03.pdf>

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
				Implementation Date or Targeted Implementation Date: N/A
03)	Provide training to OHA grants staff to ensure that they document any apparent or perceived conflicts of interest between OHA staff and a grant applicant or grantee. Grants files should maintain documentation of how the grants staff reached its determination of whether the conflict existed and/or how the conflict was resolved prior to awarding a grant.		Grants Program: X Implemented	Grants Program: OHA processes address potential or perceived conflicts in several ways: 1) OHA employee; 2) Grants Staff; 3) Internal or External reviewers; and 4) Board of Trustees. Conflict of interest disclosures for OHA employees are mandated by the Hawai'i State Ethics Code and OHA's Employee Handbook. The Grants Program conducts internal conflict assessments before assigning staff to facilitate the grant application review processes. If an apparent or perceived conflict exists, the employee is not assigned to the application review process or to monitor a grant. All employees who are assigned as grant application reviewers are required to submit conflicts disclosure forms in the grants information management system (OHA Grants Portal). Prior to Board of Trustee grant award decision making, the Grants Program provides the Board with a list of the grant applicant's governing board and executive staff names and the Board conducts its own conflicts checks prior to its awarding decision. Implementation Date: July 2019
04)	Require any OHA employee that has an existing relationship with a grantee, or had a relationship with a grantee in the prior two years, to disclose whether he or she is receiving compensation for his or her involvement with the grantee and its activities. OHA employees with an existing relationship (personal or professional) with a grant applicant should abstain from making any decisions pertaining to the grant award.		Grants Program: X Implemented	Grants Program: Conflict of interest disclosure and policy requirements for OHA employees are mandated by the Hawai'i State Ethics Code and OHA's Employee Handbook. <i>See CLA Recommendation #03, Comments.</i> Implementation Date: July 2019
05)	Grantees should be required to communicate and report to OHA any time that it intends to change or alter the intended purpose and outcome of the activities for which the grant is awarded. Changes or alterations to the grants purpose and outcome should be documented on a grant contract amendment, which should clearly state what the new purpose and outcome of the grant is and an updated budget to reflect how grant funds will be used. Any additional supporting documentation that reflects how OHA and the grantee resolved the change should be retained in the grant file. OHA must review and approve the revised purpose and outcome and document its decision to continue funding the grant.		Grants Program: X Implemented	Grants Program: The current Grants Program Standard Operating Procedures (SOP) requires that a grant amendment be executed for grant agreement revisions. Amendments document the grant changes and are retained in the Grantee's file. Implementation Date: April 2019



APPENDIX A - IMPLEMENTATION PLAN FOR 73 OHA RECOMMENDATIONS

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
06)	Implement a process whereby the Hawai'i State Ethics Commission Short Form Disclosure of Financial Interests filed by OHA's officers are reviewed to ensure there are no potential conflicts with OHA vendors or grantees. Copies of the disclosure forms and documentation of the internal review should be retained according to OHA's document retention policy.		Corporate Counsel: X Partially Implemented	Corporate Counsel: The primary responsibility to identify and disclose conflicts of interest will remain with the individual staff involved in decision-making. A certification by the contract signator, will be included as part of the standard OHA contract signature line, to attest that he/she has no conflicts of interests related to the contract. An additional step to screen for potential conflicts during the processing of contracts by staff in OHA Grants, Procurement, and Corporate Counsel, will utilize a list of publicly disclosed entities from the Hawai'i State Ethics Commission Short Form Disclosures of Financial Interests. Targeted Implementation Date: June 2020

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
07)	Ensure that the OHA grant contract and procurement forms are compliant and clearly document that the grantee is meeting the conditions for awarding grants as described in HRS §10-17(b). There should be documentation in the procurement forms that OHA verified if the grantee had applied or received all applicable licenses and permits and that OHA verified the grantee's insurance was sufficient to provide indemnification, when requested by OHA. OHA should require the grantee submit copies of the applicable licenses and insurance certificates and retain them in the grantee file. If the grantee was not required to obtain licenses, permits, or insurance, the grant documentation should indicate so with an explanation for why the grantee was exempt.	18-08 Recommendation No. 1.a.	Grants Program: X Implemented	<p>Grants Program: All Grants (except 'Ahahui): The current grant agreement incorporates mandated performance requirements and grantee's compliance with HRS 10-17 pertaining to applicable federal, state and county licensing and entertainment and perquisites disallowed costs. The grant agreement requires the submission of a certificate of liability to meet minimum state standards and the certificate is retained in the Grantee's file. The grant agreement also includes an indemnification provision. Effective December 2019, the grant agreement template was revised to include that the grantee has applied for or received all applicable licenses and permits and a provision that the grantee confirms that it has sufficient funds to support grant activities.</p> <p>'Ahahui Grants: Current 'Ahahui grant agreements require that the grantee have current licenses and permits to conduct grant activities and comply with all applicable federal, state, and county statutes and ordinances. The 'Ahahui grant agreement also has an indemnification provision. 'Ahahui Grants are awards of \$10,000 or less for community events. OHA does not mandate the purchase and a submission of insurance certificates for 'Ahahui Grants. Effective January 2020, the 'Ahahui grant agreement was revised to include provisions for: 1) records retention and access; 2) entertainment and perquisites disallowed costs; and 3) sufficient funds compliance. Contrary to the CLA audit recommendation, HRS §10-17(b) does not require OHA to request and retain copies of Grantee's licenses and permits in Grantee's files.</p> <p>Implementation Date: December 2019 and January 2020 for all grants (other than 'Ahahui) and 'Ahahui grants, respectively</p>
08)	Ensure that the OHA grant contract and procurement forms are compliant and clearly document that the grantee is meeting the conditions for grantees as described in HRS§10-17(c). There should be documentation in the procurement forms that OHA verified the composition of the grantee's governing board, the governing board does not receive compensation, the grantee has bylaws that address conflicts of interest and nepotism, and the grantee does not employ or contract with two or more family members. OHA should retain in the grant files all related documentation obtained during this verification process.	18-08 Recommendation No. 1.a. 18-08 Recommendation No. 1.b. 18-08 Recommendation No. 2.e. 18-08 Recommendation No. 3.a.	Grants Program: X Implemented	Grants Program: All current grant applications (competitive and noncompetitive grants) include a Board Governance Certification submission requirement. The certification provides that the grant applicant is in compliance with HRS 10-17(c)(2) pertaining to Board compensation and has policies that govern conflict of interest/nepotism for board members and employees. The certification also provides that if a grant applicant employs or contracts with two or more members of a family or kin, the grant applicant confirms that it has policies that govern nepotism and potential conflict of interest situations that may arise. Contrary to the



APPENDIX A - IMPLEMENTATION PLAN FOR 73 OHA RECOMMENDATIONS

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
		18-08 Recommendation No. 3.d.		CLA audit recommendation, HRS §10-17(c) does not require OHA to certify the composition of the grantee's governing board. Implementation Date: July 2019
09)	Ensure that OHA grants are consistently executed on the most current OHA templates, including Memorandum of Agreements and Fiscal Sponsorship Agreements. The same language from the OHA grant contract should apply to all OHA grants awarded. Add a revision date to the bottom of all grant templates so that grant staff are able to easily identify the most current version.	18-08 Recommendation No. 1.a. 18-08 Recommendation No. 1.b.	Grants Program: X Implemented	Grants Program: Effective January 2020, all grant agreement and form templates include revision dates on the bottom of each template and are included in the Grants Program G Drive Templates Folder. Implementation Date: January 2020
10)	Ensure that the grants staff is conducting grant monitoring and evaluation in accordance with HRS §10-17(d). Grants are required to be evaluated annually to determine whether the grant attained the intended results in the manner contemplated. Documentation of the evaluation must be retained in the grant file. OHA should consider whether the development of a standard annual evaluation form will assist in this process.	18-08 Recommendation No. 1.a. 18-08 Recommendation No. 1.b. 18-08 Recommendation No. 2.a. 18-08 Recommendation No. 2.b 18-08 Recommendation No. 2.c. 18-08 Recommendation No. 2.d. 18-08 Recommendation No. 2.e. 18-08 Recommendation No. 3.a. 18-08 Recommendation No. 3.a. 18-08 Recommendation No. 3.b. 18-08 Recommendation No. 3.c. 18-08 Recommendation No. 3.d.	Grants Program: X Implemented	Grants Program: The current Grants Program standard operating procedures include policies and procedures to ensure that grants are consistently monitored and assessed. The Grants staff utilizes the current grants information management system (OHA Foundant Grants Portal) to ensure grants are monitored and assessed on a consistent basis. The system: a. Electronically tracks and retains grant pre-award, award and post-award documents; b. Verifies submission of and retains system emails and required grant documents (e.g., grant agreements, support documents, OHA Staff Attendance Reports, Grantee Final Reports, and Grant Monitor Closeout Reports, expenditure, reports, and payment information); and c. Provides 'real time' status updates to verify that grantee reports, program assessments and monitoring have been completed and submitted. This includes system generated automatic reminders and past due notifications for reports that are emailed to the grantee, grant monitor and assigned Grants Program staff. The Grants Manager and assigned staff are also able to check OHA Grants Portal dashboards in 'real time' to determine if reports have been submitted and completed on a timely basis by the grantee and staff. The foregoing process ensures that each grant, at minimum, is evaluated on an annual basis in compliance with HRS §10-17 to determine whether the grant attained the intended results in the manner contemplated. Implementation Date: July 2019

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
11)	Implement a process whereby the Grant Monitor reviews the grant file to ensure that Purchase Requisitions have been prepared and approved in an amount equal to the total grant award. The Grant Monitor should also notify procurement of multi-year awards to ensure that a Purchase Requisition is prepared and approved for the grant award for each fiscal year.		Grants Program: X Implemented	Grants Program: Purchase requisitions (PR) are submitted by Grants Specialists to the Grants Manager and Line of Business Director for review and approval to ensure PRs match grant awards. At the beginning of each calendar year, the Procurement Department issues an organization-wide notification to all programs to complete PRs for multi-year grants. Implementation Date: July 2019
12)	CLA observed that certain grants that were not fully spent contained a Request to Close a Purchase Order; however, CLA did not observe a policy regarding this in the Fiscal Procedures Manual. Update the Fiscal Procedures Manual to indicate when a Request to Close a Purchase Order should be used in the grant process, train staff accordingly, and enforce the use of this form and process		Grants Program: X Implemented Financial Services Program (FSP): X Implemented	Grants Program: The Grants Program SOP requires that the Grants Specialist check the final payment box on the Payment on Contract form when submitting a final payment request. The checked box initiates the closeout of the grant purchase order. The Grants Manager and the Line of Business Director review and approve prior to final submission. After submission of the form, it is then Financial Services Program's process to close the purchase order (PO). Implementation Date: July 2019 Financial Services Program (FSP): In instances where contract monitors/requestors did not check the appropriate box or submit for "final" payment resulting in unspent funds, FSP requires a <u>Request to Close a Purchase Order</u> form to be completed, which includes the reason for closing the PO and the proper approval signatures. FSP then files the form for any future inquiries. Implementation Date: June 2008
13)	Implement a review process whereby each grant contract file is reviewed to ensure that each of the documents required for the monitoring and evaluation of grants is appropriately completed and retained in the grant file. This should include all monitoring and evaluation documents required by HR\$ §10-17, OHA's Fiscal Procedures Manual, and OHA's Grants Standard Operating Procedures.	18-08 Recommendation No. 1.a. 18-08 Recommendation No. 1.b. 18-08 Recommendation No. 2.a. 18-08 Recommendation No. 2.b 18-08 Recommendation No. 2.c. 18-08 Recommendation No. 2.d.	Grants Program: X Implemented	Grants Program: The current Grants Program SOP incorporates a monitoring and evaluation process for all grants. Progress reports completed by Grants Specialists are subject to review and approval by the Grants Manager. This approval process is mandated and required prior to grant payment approval. The current grants information management system (OHA Foundant Grants Portal) includes a retention system for required grant documents (grant agreements, support documents, OHA Staff Attendance Reports, Grantee Final Reports, and Grant Monitor Closeout Reports, expenditure reports, and payment information). The system also provides 'real time' status updates to verify that grantee reports, program assessments and monitoring

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		18-08 Recommendation No. 2.e. 18-08 Recommendation No. 3.a. 18-08 Recommendation No. 3.a. 18-08 Recommendation No. 3.b. 18-08 Recommendation No. 3.c. 18-08 Recommendation No. 3.d.		<p>have been completed and submitted.</p> <p>The Grants Manager and assigned staff can check and monitor OHA Foundant Grants Portal dashboards in 'real time' to determine if reports have been submitted and completed on a timely basis by the grantee and staff.</p> <p>Implementation Date: July 2019</p>
14)	A check should never be issued for an amount different than what was approved on the Request for Payment on Contract or Request for Check Issuance. Implement a policy and train staff to ensure this practice does not continue. If the amount requested for payment must be modified, a new or revised Request for Payment on Contract (or Request for Check Issuance) should be prepared and approved and supporting documentation should be retained to document the reason for the change.		Grants Program: X Implemented	<p>Grants Program: Requests for Payment on Contract and Requests for Check Issuances are reviewed against grantee invoices by the Grants Specialist and forwarded to the Grants Manager and Line of Business Director for review, approval and final submission.</p> <p>Implementation Date: July 2019</p> <p>Financial Services Program (FSP): FS currently has multiple layers of review to ensure that the approved amounts requested for payment are properly supported and that checks issued are for the same amounts.</p> <p>Implementation Date: June 2008</p>
15)	Implement a process to mark digital and hard copies of grant applications with the date the grant was received so that grant staff that review the application can verify that the application was received before the solicitation deadline.		Grants Program: X Implemented	<p>Grants Program: All grant applications are now submitted electronically through the current grants information management system (OHA Grants Portal) which provides a digital stamp of receipt upon application submission.</p> <p>Implementation Date: July 2019</p>

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16)	Ensure that the grant committee scoring and recommendation documentation is retained in the grant file to provide evidence that the review and recommendation processes occurred.	18-08 Recommendation No. 1.b.	Grants Program: X Implemented	Grants Program: The current grants information management system (OHA Foundant Grants Portal) retains grant committee scoring as evidence that the review process occurred. The OHA Grants Portal electronically tracks each grant pre-award phase, i.e., application, evaluation & scoring process. Effective <i>Jan. 15, 2020</i> , the system was updated to include all recommendation and award documents for each process cycle in the OHA Grants Portal (i.e., Action Items, BOT minutes, CEO / BOT Memos) Implementation Date: January 2020
17)	Ensure that attachments and schedules to BOT minutes are retained in the grant file to provide evidence that the grant was reviewed and approved by the BOT.	18-08 Recommendation No. 1.b.	Grants Program: X Implemented	Grants Program: <i>See Rec. CLA #16, Comments Section (supra)</i> Implementation Date: January 2020
18)	Enforce the requirement that Kulia Initiative grant files contain a statement explaining why the grant requests and awards were not made through the Community Grants Program. Ensure that the Certificate of Vendor Compliance and IRS letter of determination are retained in the grant files.	18-03 Board Recommendation No.2.a. 18-03 Board Recommendation No.2.b. 18-03 Board Recommendation No.2.d. 18-08 Recommendation No. 1.a. 18-08 Recommendation No. 1.b.	Grants Program: X Implemented	Grants Program: Kūlia Grants Guidelines & Processes were approved by the Board of Trustees on July 26, 2018. Beginning with the FY20 Kūlia Grant Solicitation, Kūlia Grant applications require that applicants confirm the basis for their grant request submitted as a Kūlia Grant request and not through the Community Grants Program. Certificate of Vendor Compliance and IRS determination letters are retained in each grant applicant's grants information management system (OHA Foundant Grants Portal) Letter of Intent file. Implementation Date: December 2019

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19)	Ensure that Kulia Initiative grants are assessed using the Kulia Initiative Review Form and that a copy of the form is retained in the grant file.	18-03 Board Recommendation No.2.a. 18-03 Board Recommendation No.2.b. 18-03 Board Recommendation No.2.d. 18-03 Adm Recommendation No. 2.a. 18-03 Adm Recommendation No. 2.b. 18-08 Recommendation No. 1.a. 18-08 Recommendation No. 1.b.	Grants Program: X Implemented	Grants Program: Beginning with the FY19 Kūlia Grants Solicitation, Kulia Grant applications are assessed based on the grant solicitation and scoring system. The review and scoring process is documented in the grants information management system (OHA Grants Portal). The OHA Grants Portal electronically tracks Kūlia Grant pre-award phase (i.e., application, evaluation & scoring process). This process replaces the Kūlia Initiative Review Form which was used for Kulia grants prior to 2018. Implementation Date: November 2018
20)	Implement a process whereby the grant staff, when reviewing a new grant application for award, conduct research to determine whether the grant applicant has received prior grants from OHA or has other historical business relationships with OHA. For example, if a grant applicant has previously received grants from OHA, and the purpose or intended results of the grant were not attained, OHA should consider this information in the review process for the new grant application. This information should be documented in the grant file and used by the grant staff to determine whether the grant applicant is in good standing with OHA as required by the Grants SOP.	18-03 Board Recommendation No.1.f. 18-03 Board Recommendation No. 1.g. 18-08 Recommendation No. 1.b.	Grants Program: X Implemented	Grants Program: The current Grants SOP includes a noncompliance and ineligibility process. The Grant Closeout Report has a provision in which the Grants Specialist confirms (checks a box) and provides a justification if a grantee is found ineligible for future OHA funding. The Grants Manager reviews, confirms the eligibility determination and signs the Closeout Report. Eligibility determinations are tracked in the grants information management system (OHA Grants Portal) wherein a list can be retrieved and used to identify ineligible grantees during the grant application process. Implementation Date: November 2019
21)	Provide all grants department staff with ongoing training to ensure all policies and procedures are being followed and necessary documentation is being retained in the grant files.		Grants Program: X Implemented	Grants Program: Grants Program staff training is conducted for current employees and all new employees. Implementation Date: July 2019

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22)	<p>Implement the use of a software program for tracking all grant applications and awards. OHA currently uses Excel spreadsheets to track and monitor grants awarded. To ensure that there is one reliable source of information for grants, OHA should implement the use of a software program that allows the following:</p> <ul style="list-style-type: none"> a. Input of all grant applications with applicant information b. Uploading of all applicable grant documents for each application and award c. Status of grant applications, including those that were not awarded d. Grant awards with total dollar amount, time period, and award per year e. Tracking of all monitoring activities, including uploading electronic copies of evaluation and monitoring reports f. Customization of reports <p>Using a software program for tracking grants will assist OHA in retaining grant information on a long-term basis and prevent the accidental loss of information. Additionally, the program will result in a comprehensive database that OHA can use when assessing future grant applications for award.</p>	<p>18-03 Board Recommendation No.1.f. 18-03 Board Recommendation No. 1.g. 18-08 Recommendation No. 1.b.</p>	<p>Grants Program: X Implemented</p>	<p>Grants Program: The grants information management system (OHA Foundant Grants Portal) serves as the grants comprehensive database and tracks all Grants Program grants.</p> <p>Tracking By Phases. Reports can also be generated for all phases of a grant lifecycle:</p> <ul style="list-style-type: none"> a. Pre-Award: applications submitted/ineligible/denied, email notifications, application evaluations/scores. b. Award: email notifications, grant agreements, support documentation-insurance certificates. c. Post-Award: email notifications, reports (progress, monitoring and closeout) with specific report data such as date due/date submitted/submitter name, and award amount/payments made (amount expended)/award balance. <p>The OHA Foundant Grants Portal ensures that grant files are complete. All mandated reports for each grant are on a dashboard, which serves as a checklist for each grant. The system electronic file includes system emails and all grant documents (e.g., grant agreements, support documents, OHA Staff Attendance Reports, grantee Final Reports, and Grant Monitor Closeout Reports, expenditure reports, and payment information). The system emails include auto generated emails and emails from Grants Program staff to the grantees. The system serves as the system of record for all grant information and documents. Grants Program staff can access the system to provide customized grant reports.</p> <p>Implementation Date: July 2019</p>
23)	<p>Establish a process to ensure that all documentation related to the RFP process is retained in the contract procurement file. This documentation should include (1) written determination on the use of the RFP method, (2) appointment of the evaluation committee, (3) a copy of the RFP, (4) a copy of the published notice, (5) a copy of the registry of proposals received by OHA, (6) copies of the acknowledgment of receipt of proposal (7) a copy of the evaluation documents, (8) a copy of the evaluation matrix, (9) a copy of the evaluation committee recommendation to hire, and (10) any other documents relevant to the RFP process.</p>		<p>A. Procurement Services Program (PSP): X Partially Implemented</p>	<p>Procurement Services Program (PSP): Effective 2016, the Procurement Services Program contract file is comprised of three sections: 1) all solicitation documents, including the appointment of the evaluation committee, evaluation documents, and copy of recommendation to award; 2) the executed contract documents; 3) all original proposals and any other documents relevant to the RFP process. The solicitation section includes all seven items noted by the CLA recommendation required for an RFP. To maintain the integrity of the contract file, Procurement does not permit original proposals to be loaned out for any type of review. Only copies of</p>

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				<p>the proposals submitted are loaned out for reviewing purposes. Currently, one hard copy of each proposal is maintained in the contract file. Procurement plans to scan all solicitation documents for efficient document retrieval. The entire procurement contract file is retained throughout the term/life of the contract. Once the contract has expired, the contract file comprised of the three parts is archived according to OHA's records retention policy. This process will be included in the current draft of the Procurement Services Program SOP which is pending review and approval. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p> <p>Grants Program: Effective FY2019, the Grants Program no longer uses the RFP process, a solicitation process is used.</p> <p>Implementation Date or Targeted Implementation Date: N/A</p>
24)	Ensure that in accordance with OHA policy, a written determination is made by the Administrator that a competitive sealed proposal is the more appropriate method of contracting rather than competitive sealed bidding.		<p>Procurement Services Program (PSP): X Not Implemented, N/A</p> <p>Grants Program: X Not Implemented, N/A</p>	<p>Procurement Services Program (PSP): HRS 103D-301, as amended by Act 239 (2013), no longer requires that procurements begin with a competitive sealed bidding. Pursuant to Act 239, the designated procurement official has the authority to choose the appropriate source selection to meet the circumstances of each procurement. The Procurement Services Program documents in the contract file the written justification for the selection of the procurement method, which is approved by the Procurement Manager, the designated procurement official.</p> <p>Implementation Date or Targeted Implementation Date: N/A</p> <p>Grants Program: The Grants Program does not use this process.</p> <p>Implementation Date or Targeted Implementation Date: N/A</p>



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25)	Implement the requirement for a review of the RFP draft by legal counsel prior to publication, and document this review on the Procurement Solicitation Routing form.		<p>A. Procurement Services Program (PSP): X Not Implemented, N/A</p> <p>B. Grants Program: X Not Implemented, N/A</p>	<p>Procurement Services Program (PSP): There is no statutory requirement that legal counsel must review an RFP prior to publication. Notwithstanding, the Corporate Counsel office conducts reviews of the RFPs provided by Procurement prior to publication. If the Procurement staff have any substantive questions or issues at any time during the procurement process, they seek guidance from Corporate Counsel and/or State Procurement Office (SPO).</p> <p>Implementation Date or Targeted Implementation Date: N/A</p> <p>Grants Program: Effective FY 2019, the Grants Program no longer uses the RFP process.</p> <p>Implementation Date or Targeted Implementation Date: N/A</p>
26)	Conduct a review of each contract to ensure that each of the documents required for the establishment of a contract is appropriately completed and retained in the contract file. See also recommendation 47.		<p>A. Procurement Services Program (PSP): X Partially Implemented</p> <p>B. Grants Program: X Implemented</p>	<p>Procurement Services Program (PSP): Effective 2016, all procurement contract documents are uniformly organized into the procurement contract file with three dividers. The three dividers create six sections as follows: 1) Solicitation document (other than IFB Or RFP); 2) Primary contract, supplemental and completed PAC forms; 3) Supplemental contracts and completed Procurement Authorization Checklist (PAC) forms; 4) PO and all PO revisions; 5) internal communications; and 6) external communications. The procurement contract files for the IFB and RFP have two sections: 1) Solicitation, approval forms, and documents; and 2) the Final IFB and RFP. This process will be included in the current draft of the PSP's SOPs which is pending review and approval. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020.</p> <p>Grants Program: The Grants Program grant agreement process requires that documents required for the establishment of a contract are submitted and retained in the grants information management system (OHA Foundant Grants Portal). The Grants Program routing form requires that initial documents are secured prior to routing the agreement for Grants Manager, LOB Director, and Legal review.</p>



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				Implementation Date: July 2019
27)	Ensure that whenever an amendment is executed for an existing contract, the amendment document is retained in the contract file.		Procurement Services Program (PSP): X Implemented Grants Program: X Implemented	Procurement Services Program (PSP): Effective 2016, the Procurement Services Program files all primary contracts and supplemental contracts in Section 2 of the Procurement Contract File. Implementation Date: January 2016 Grants Program: The Grants Program maintains grant agreement amendments in the grant files in the grants information management system (OHA Foundant Grants Portal). Implementation Date: July 2019
28)	Ensure that the senior staff attorney performs a review of the contract file prior to signing the contract. The senior staff attorney must ensure compliance with State Procurement Laws for purchases of more than \$2,500 and document the review on the Procurement Document Checklist as indicated by OHA Policies and Procedures Manual. See also recommendations 48 and 52.		Procurement Services Program (PSP): X Partially Implemented	Procurement Services Program (PSP): It is the responsibility of the Procurement Services Program to ensure compliance with the State Procurement Laws for purchases of more than \$2,500. The Procurement Manager reviews and signs for approval of the source selection on the PAC form. The Procurement Document Checklist is no longer used. The Procurement Services Program submits to Corporate Counsel the procurement contract file for review and approval of a contract as to form. This process has been included in the current draft of the PSP's SOP, which is pending review and adoption. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System. Targeted Implementation Date: June 2020
29)	Provide training to OHA staff, especially accounts payable staff, to ensure that once a payment is processed for a vendor, the payment is mailed or otherwise delivered directly to the vendor. It is not a best practice to deliver a prepared check to the staff requesting the payment. This practice heightens the risk of an employee not mailing or otherwise delivering the payment to the intended vendor.		Financial Services Program (FSP) X Partially Implemented	Financial Services Program (FSP): Processed check payments are being sent directly to vendors via mail or in person. While the current fiscal procedures allow for checks to be released to the requestors for delivery to vendors/grantees, with the control over the practice the signature of receipt (by the requestor) as indicated on the check transmittal; procedures to be updated to discontinue this practice. Targeted Implementation Date: June 2020

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30)	Ensure that individuals in the accounts payable department are trained to double check their work to reduce the risk of overpayment in error.		Financial Services Program (FSP) X Implemented	Financial Services Program (FSP): FS has multiple layers of review to reduce the risk of overpayment in error. Staff pre-audits requests for correct amounts, charge codes and authorized signatures before inputting into the accounting system. The Accounting Manager reviews the Invoice Register against the individual requests for accuracy of data entries and validity of billings. The Controller conducts final review and approval of invoices for payment issuance. Accounting staff have been reminded to double check their work prior to approval. Implementation Date: June 2008
31)	Implement a process whereby record of the deliverables submitted by the vendor are retained in the contract file. If the deliverable by the vendor consists of verbal updates or meetings, ensure that some type of documentation is included in the contract file as reference for the deliverable.		Executive Office, Organization Wide: X Partially Implemented	Executive Office, Organization Wide, Contract Management: Once a good or service has been procured through the PSP, the Program (e.g. Land, Community Engagement, Research) is responsible for contract administration. PSP is not responsible for maintaining a record of the deliverables submitted by the vendor or for keeping a record of the deliverable in the contract file. The Program communicates and works directly with the contractor or vendor to ensure the deliverables are met, received, and/or otherwise maintained. An organization wide process for contract administration will be developed and implemented that complements and is integrated with OHA's Oracle Fusion processes. Targeted Implementation Date: June 2020
32)	Ensure that OHA staff and administration are aware that it is not a best practice to execute a contract for which the effective date precedes the execution date. There may be certain instances when a contract must be executed in this manner; however it should be only in rare occasions and a note should be included in the contract file to indicate the reason for this.		A. Procurement Services Program (PSP): X Partially Implemented B. Grants Program: X Implemented	Procurement Services Program (PSP): This is an exception to the normal practice. Only in rare occasions, and in instances concerning emergencies, will contracts with an effective date that precedes the execution date be reviewed for consideration by Corporate Counsel. A memo to file will be included with the contract to document the reason for Corporate Counsel's granting of the exception, consistent with state practice (Comptroller's Memorandum no. 2009-14). Targeted Implementation Date: June 2020 Grants Program: The grant agreement review and contract execution process includes administrative oversight (Grants Manager) to ensure that contracts do not have effective dates that precede execution dates. Implementation Date: July 2019



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33)	OHA must retain, within the contract file, the invoice and other supporting documents for all payments made on a contract. OHA should consider the risk of payment a vendor upon the execution of a contract and before the vendor has performed any work. If at all possible, OHA should avoid executing contracts that require a payment upon execution. If this type of arrangement continues to be used, it should be infrequent, and payment should not be made to the vendor without first obtaining an invoice.		Grants Program: X Implemented	Grants Program: The Grants Program retains invoices and support documents for payments made on a grant agreement. The Grants Program provides an initial payment on grant agreements with an invoice. Since most grant agreements are reimbursement contracts, the initial payment is necessary for the grants start-up processes. There is no payment upon execution, however, most Community Grant, Kulia and other grantees are allowed to bill for 10% of the contract during the initiation of the grant for grant start up costs. Implementation Date: July 2019
34)	If additional fees must be paid to a vendor on an existing contract, a contract amendment should be processed. Clear documentation must be included in the contract amendment language to describe the reasons for the amendment. If additional funds are needed for the vendor to complete work that was already accounted for within the original contract, there should be documented evidence of what prevented the vendor from accomplishing the deliverable within the original contract price. For example, if the vendor encountered delays that were outside of its control but within OHA's control, then a case could be made of the need for additional funds to be added as an amendment to the contract.		A. Procurement Services Program (PSP): X Partially Implemented B. Grants Program: X Implemented	Procurement Services Program (PSP): A Program's request to extend and/or add funds to an existing contract must be submitted in writing to the Procurement Services Program. The Procurement Specialist will request justification in writing for the amendment, and it will be retained in the contract file under Section 5: "Internal Communications of the Procurement Services Program (PSP)." However, justification for the amendment will not be drafted into the contract amendment. The PSP SOP is pending review and approval. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System. Targeted Implementation Date: June 2020 Grants Program: For Grantee initiated amendments, grantees are required to submit a formal amendment request on a Grant Amendment Request form to the Grants Program. The request describes the basis for an amendment and must be approved by the Grants Specialist and Grants Manager. Grant agreement amendments specify the basis for the amendments. Support documentation is also included in grantee's files, if needed. Implementation Date: July 2019

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35)	Implement a process for all contracts whereby the contract manager reviews all contracts no less than 60 days prior to the termination of the contract to assess whether there is a need for a contract amendment to document an extension in the effective period and, if applicable, an increase in contract fees. The contract manager, LOB Director, CFO, or any other OHA staff should never approve for payment an invoice that includes time or costs incurred after the contract period has expired for which no amendment has been executed. See also recommendation L10.		A. Executive Office, Organization Wide, Contract Management X Partially Implemented B. Grants X Implemented	Executive Office, Organization Wide, Contract Management: Once a good or service has been procured through the PSP, the Program (e.g. Land, Community Engagement, Research) is responsible for contract administration. PSP is not responsible for maintaining a record of the deliverables submitted by the vendor or for keeping a record of the deliverable in the contract file. The Program communicates and works directly with the contractor or vendor to ensure the deliverables are met, received, and/or otherwise maintained. An organization wide process for contract administration will be developed and implemented that complements and is integrated with OHA's Oracle Fusion processes. Targeted Implementation Date: June 2020 Grants Program: Current Grants Program practice includes Grants Specialist and Grants Manager ongoing review of grantee progress and proactive determinations by the Grants Program regarding contract extensions. Implementation Date: July 2019
36)	Establish a process whereby the contract procurement file maintains the names of the persons serving on a professional services review committee and selection committee and the following documents providing evidence that an appropriate selection process was completed: (1) Memorandum to CEO to appoint the Selection Committee, (2) evidence that the Procurement Officer ensured the impartiality and independence of committee members, (3) the Selection Committee individual scoring sheets, (4) the Selection Committee Scoring Matrix, (5) Memorandum to CEO recommending the top three ranked candidates with the CEO's approval.		Procurement Services Program (PSP): X Partially Implemented	Procurement Services Program (PSP): Effective 2016, the Procurement Services Program retains the approved review and selection committee members' names in the procurement contract file. The following documents that evidence completion of an appropriate selection process are kept in Section 1 of the procurement contract file: (1) Memorandum to CEO to appoint the Selection Committee, (2) evidence that the Procurement Officer ensured the impartiality and independence of committee members, (3) the Selection Committee individual scoring sheets, (4) the Selection Committee Scoring Matrix, and (5) Memorandum to CEO recommending the top three ranked candidates with the CEO's approval. The approval memos and evaluation conducted by the Review committee are kept in a separate file with the corresponding fiscal year's Statement of Qualifications and Notice of Interest. This process will be included in the current draft of the Procurement Services Program Standard Operating Procedures, which is pending review and approval. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System Targeted Implementation Date: June 2020



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37)	Consistently require a process is in place to ensure the impartiality and independence of committee members. This process may include requiring that persons serving on a professional services review committee and selection committee complete and sign an affidavit attesting to having no personal, business, or any other relationship that would influence their decision.		Procurement Services Program (PSP): X Implemented	Procurement Services Program (PSP): Effective 2016, the Procurement Services Program requires that the SPO-024 “Attestation Serving on an Evaluation, Review or Selection Committee” form is completed, signed, and dated by all persons serving on an evaluation, review, or selection committee. The SPO-024 form is kept in the solicitation file, and this form documents the following: 1) identifies a committee member as a governmental employee or non-governmental employee; 2) states the purpose of the committee; and 3) requires the committee member to attest: <ul style="list-style-type: none">• I have no personal, business, or any other relationship that will influence my decision in the applicable evaluation, review, or selection process.• I agree not to disclose any information on the applicable evaluation, review, or selection process; and• I agree that my name will become public information upon award of the contract. Implementation Date: January 2016
38)	Ensure that, in accordance with HRS §84-18(c) and (e), no former employee of OHA who was employed for more than 181 days in the prior year, is hired for compensation nor any other consideration to perform the same type of work the person had performed while employed by OHA.		Corporate Counsel: X Partially Implemented	Corporate Counsel: The CLA statement is over-broad. The Hawaii State Ethics Commission (HSEC) provides the following guidance on post-employment ethics laws: There are three basic provisions of the post-employment law, which apply to anyone who works for OHA for more than 180 days (HRS § 84-18(e)): 1. There’s a confidentiality provision (HRS § 84-18(a)), so former OHA employees are still prohibited from using or disclosing any confidential information obtained while with OHA. That prohibition applies as long as the information is confidential. 2. There’s a one-year ban on representing any private entity before OHA. HRS 84-18(c). That is, the former OHA employee cannot

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				<p>communicate with OHA personnel on behalf of the employee’s new employer. (The former employee can, of course, testify to the Board of Trustees as an individual member of the public; s/he could not do so on behalf of her/his new employer, however.)</p> <p>3. There’s a one-year ban on representing any private entity before <u>any</u> state agency on <u>any matter</u> the former OHA employee worked on at OHA. HRS 84-18(c). For example, if the OHA employee worked on a project to promote kalo production, the former OHA employee would be prohibited from lobbying the Legislature on that same matter on behalf of a private entity.</p> <p>One note for #2 and #3: In this context, “represent” means to communicate directly with OHA. So the former OHA employee could work with a new employer behind the scenes (as long as they don’t use or disclose any confidential information), but they can’t be communicating directly with OHA on any matter (#2), nor can they communicate with any state agency regarding any matter they worked on while with OHA (#3).</p> <p>There is another provision in the Contracts law, HRS § 84-15, which applies if a former OHA employee is helping her/his new company obtain a contract from OHA. If the former OHA employee worked on some matter at OHA, and then goes to work for a private employer, there is a <u>two</u>-year ban on the employee assisting the new employer in trying to get a contract (such as a grant) from OHA on the same matter. If, within that two-year period, the former OHA employee helps the new private employer apply for that contract, then OHA would be prohibited from entering into the contract with the private employer. In other words, a violation of this particular provision doesn’t result in penalties against the former employee; instead, it results in OHA being prohibited from entering into the contract with the private employer. Furthermore, this isn’t just a ban on direct communication between the former OHA employee and OHA - instead, the former OHA employee is prohibited even from <i>assisting</i> her/his new employer in getting the contract.</p>

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
				<p>With this guidance from HSEC, if during the contracts or grants process, OHA staff becomes aware that a former OHA employee is working for a prospective vendor, contractor, or grantee, then OHA staff should inform Corporate Counsel. Corporate Counsel can confirm with Human Resources the separation date of the former employee and follow-up with the former OHA employee or his/her current employer on the former OHA employee's role or responsibilities with respect to the contract or grant being considered by OHA. Corporate Counsel can make a determination on whether OHA or the vendor, contractor, or grantee can proceed further. If there are any questions, Corporate Counsel or the former OHA employee can contact HSEC for guidance.</p> <p>Targeted Implementation Date: June 2020</p>
39)	Provide training and education to all levels of OHA employees involved in the execution of contracts. It must be clear to them that completed documentation and approvals must be in place, such as the completed Authorization to Proceed with Contract, before a contract is actually executed.		Procurement Services Program (PSP): X Implemented	<p>Procurement Services Program (PSP): All Procurement Services Program staff involved in the execution of a contract are required to complete training and SPO webinars documented on the Procurement Unit Checklist. Any required documentation and approvals are obtained before the execution of a contract. All construction contracts have the requisite Notice to Proceed, and all other service contracts are sent with the information to proceed, executed contract, and PO numbers.</p> <p>The Procurement Services Program has provided onboarding training to all levels of OHA staff for the past several years. The first level of basic procurement training consisted of 4-5 classes and was provided twice a month during new hire onboarding.</p> <p>Implementation Date: January 2014</p>
40)	Ensure that the contract procurement process is followed as dictated by current OHA policies and procedures without circumvention and without completing the required steps in the wrong order. For example, a contract should never be executed prior to all of the necessary steps being completed. See also recommendation 51.		Procurement Services Program (PSP): X Partially Implemented	<p>Procurement Services Program (PSP): Currently, to process a procurement request from solicitation to an executed contract requires the PAC form to be completed. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. The PAC form includes: the PR number and relevant information; approval for solicitation method; compliance documents; and approvals as required by program managers, directors, CFO, COO and/or CEO.</p>

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				<p>This process has been included in the current draft of the Procurement Services Program Standard Operating Procedures, which is pending review and approval. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p>
41)	<p>Consistently follow the process outlined by HRS §103D-304 and by OHA's policy for the selection of Professional Service providers from the approved list when the need arises during the year for a specific service.</p> <p>a. An administrator should designate a Selection Committee to evaluate the Statements of Qualification submitted by the approved professional service providers and rank at a minimum three providers using the selection criteria.</p> <p>b. Professional service providers should not be selected without written documentation of the process followed and reason for selection.</p> <p>c. The vendors approved for inclusion on the list of approved professional service providers must have submitted a Statement of Qualification and Expression of Interest for the year applicable to the contract for which they are being considered. The Statement of Qualifications and Expression of Interest should not be carried forward from one year to the next.</p>		<p>Procurement Services Program (PSP):</p> <p>X Implemented</p>	<p>Procurement Services Program (PSP): Past and current Procurement Services Program practice has been to follow the process outlined by HRS §103D-304 and OHA's policy for the selection of Professional Service (PS) providers from the approved list when the need arises during the year for a specific service. Effective 2016, the Procurement Services Program has retained the documentation for the approvals to conduct the professional services review and selection, in the procurement contract file according to OHA's records retention policy. The names of the individuals serving on the professional services review committee and the selection committee are also maintained in the procurement contract file. The following documents that evidence completion of an appropriate selection process are kept in Section 1 of the procurement contract file: (1) Memorandum to CEO to appoint the Selection Committee, (2) evidence that the Procurement Officer ensured the impartiality and independence of committee members, (3) the Selection Committee individual scoring sheets, (4) the Selection Committee Scoring Matrix, and (5) Memorandum to CEO recommending the top three ranked candidates with the CEO's approval.</p> <p>The approval memos and evaluation conducted by the review committee are kept in a separate file with the corresponding fiscal year's Statement of Qualifications and Notice of Interest.</p> <p>All Procurement Services Program staff conducting a procurement for Professional Services (PS), complete the SPO training webinar SPO 115, and are required to read HRS §103D -304 and HAR §3-122-62. The procurement staff conducting the PS is required to use the forms provided by SPO and OHA Memos created for PS.</p> <p>Prior to each new fiscal year, the Procurement Services Program conducts its annual solicitation for the various Professional Services Categories needed for OHA. A Statement of Qualifications and Expressions of Interest are solicited for as well.</p>



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Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
				Implementation Date: January 2016
42)	Ensure that a copy of the published Notice to Providers of Professional Services is included in the Professional Service Providers binder for reference along with evidence that the notice was published. This may include a newspaper clipping or screenshot of the Procurement Notices System to provide evidence that the notice was posted.		Procurement Services Program (PSP): X Implemented	Procurement Services Program (PSP): The publication of solicitations is done electronically on the SPO website. Previously, only the Star Advertiser receipt for posting was kept with the file. The Procurement Services Program currently retains the SPO website publication confirmation, the OHA website posting, and the Star Advertiser receipt, with the respective fiscal years' Professional Services solicitation files. Implementation Date: September 2016
43)	Ensure that compliance documents are always obtained from the vendors prior to contract execution. It would be prudent to establish a policy that requires an explanation as to why compliance documents may not be required from a vendor whenever this designation has been listed on the Procurement Package Checklist for procurements that are not grants or purchases of less than \$25,000.		Procurement Services Program (PSP): X Implemented	Procurement Services Program (PSP): The Procurement Services Program currently requires a "Procurement Authorization Checklist" (PAC) form to be completed in order to process a procurement request from solicitation to an executed contract. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. If an exemption is applicable, procurement staff provides citation to the exemption with an explanation on the PAC form. The PAC form is then submitted to the PSP Manager for approval. The PAC form includes: the PR number and relevant information; approval for solicitation method; compliance documents; and approvals by program managers, directors, CFO, COO and CEO. This process will be included in the current draft of the Procurement Services Program Standard Operating Procedures, pending review and adoption. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System. Targeted Implementation Date: June 2020
44)	Ensure that a Purchase Requisition is always completed not only at the beginning of the procurement process for a new contract, but also when the need for a contract amendment is identified so that there is verification of availability of funds, encumbering funds, and for use in creating the Purchase Order. See also recommendations 47, 48, and 54.		Procurement Services Program (PSP): X Implemented	Procurement Services Program (PSP): Currently, the Procurement Services Program requires the completion of a Purchase Requisition for all new purchases, contract amendments, and encumbering the new FY funds. Funds are verified prior to creating a Purchase Order. Implementation Date: January 2016

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45)	In the event that a procurement violation is identified, ensure that the appropriate steps are taken to complete a Report of Procurement Violation on State Procurement Office (SPO) Form-016, which lists five steps including determining whether appropriate corrective action has been taken, and forwarding the form (request) to the CFO for after-the-fact payment approval if one has been requested. In addition to completing the appropriate documentation, ensure that a copy of the completed form is retained in the related contract file.		Procurement Services Program (PSP): X Partially Implemented	Procurement Services Program (PSP): Upon notice of a possible procurement violation, the Procurement Manager will gather information by requesting that the program complete the “Procurement Inquiry Form.” The Procurement Manager will use the information provided on the Procurement Inquiry Form to determine if a violation has occurred. If a violation has occurred, the Procurement Manager will request that the program complete Form SPO-016, Report of Procurement Violations: Finding and Corrective Actions and/or Request for After-The-Fact Payment Approval. Upon receipt of Form SPO-016 from the program, the Procurement Manager will review for completeness and submit to the HOPA and CPO for review and approval. All Procurement violations will be reported to SPO. This process will be included in the current draft of the Procurement Services Program Standard Operating Procedures, pending review and adoption. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System. Targeted Implementation Date: June 2020
46)	Implement a process to increase communication with the Board of Trustees with respect to the procurement of professional services, particularly when the services involve action items from the Board of Trustees. For any contract for which it is expected that the results of the work will require action or agreement by the Board of Trustees, it is prudent that discussions with the Board of Trustees take place prior to the commencement of the procurement process. This will help reduce possible waste from decisions made by the Board of Trustees not to proceed on an action item.		Procurement Services Program (PSP): X Implemented	Procurement Services Program (PSP): Effective 2016, the process to include the BOT in a professional services procurement has been done in accordance with HRS§103D-304 and HAR §§ 3-122-62 thru 69. The BOT has participated as advisors and selection committee members. Implementation Date: January 2016
47)	Perform revisions and updates to the OHA Fiscal Procedures Manual to ensure that it is complete and accurately reflects the policies and procedures as currently mandated by applicable Hawai'i Revised Statutes and as practiced by OHA. The manual should also be updated to reflect current titles and approval authorities. The review and update of this manual should take place at least every two years to ensure that current policies are reflected.		A. Procurement Services Program (PSP): X Partially Implemented B. Financial Services Program (FSP): X Partially Implemented	Resource Financial Management Assets: Financial Services Program (FSP) and Procurement Services Program (PSP): The updated FSP and PSP SOP is pending further revisions reflect automation of our processes and advancements achieved with the Oracle Fusion System. Targeted Implementation Date: June 2020



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48)	Consider implementing the process of stamping each invoice paid, indicating the check number on the invoice itself instead of, or in addition to, applying this stamp to the Request For Payment form. It is a best practice to apply this type of marking to the invoice itself to prevent the risk of the invoice being paid again should the invoice become separated from the Request for Payment form.		Financial Services Program (FSP): X Implemented	Financial Services Program (FSP): Current fiscal procedures require accounting staff to stamp “Paid” and write the check number on all invoices and Request for Payment forms. Implementation Date: June 2008
49)	Consider developing and implementing a policy and procedures that require the procurement office to obtain a minimum of three quotes, when feasible, when seeking services that qualify as exempt. Although obtaining quotes are not required for goods or services that qualify as exempt under HRS §103D-102(b), the statute states in subsection 102(d) that “[g]overnmental bodies making procurements which are exempt from this chapter are nevertheless encouraged to adopt and use provisions of this chapter and its implementing rules as appropriate ... ” Obtaining three quotes before awarding a contract for exempt goods or services will help ensure that OHA receives a fair price, increases competition, and helps reduce the risk of vendor favoritism or other unethical behavior in the procurement process. Documentation of the quotes received should be retained in the procurement files.		Procurement Services Program (PSP): X Not Implemented, N/A	Procurement Services Program (PSP): The process of obtaining minimum quotes for goods or services that qualify as exempt will not be implemented, as this is not applicable pursuant to Hawai’i Revised Statutes §103D-102 and Hawai’i Administrative Rules §3-120-4. The CLA recommendation did not include the complete text of HRS §103D-102(d). The complete text of HRS §103D-102(d) as provided below, does not require obtaining three quotes: “Governmental bodies making procurements which are exempt from this chapter are nevertheless encouraged to adopt and use provisions of this chapter and its implementing rules as appropriate; provided that the use of one or more provisions shall not constitute a waiver of the exemption conferred and subject the procurement or the governmental body to any other provision of this chapter.” Implementation Date or Targeted Implementation Date: N/A
50)	Require staff to use other procurement methods (e.g., Professional Services), whenever possible, prior to using the exempt procurement method. The exempt procurement method should be used only when the goods or services qualify under the statute and when other procurement methods are not feasible. The use of other procurement methods will provide more competition and ensure OHA is receiving a fair and competitive price for its purchases.		Procurement Services Program (PSP): X Partially Implemented	Procurement Services Program (PSP): The Procurement Services Program currently requires a “Procurement Authorization Checklist” (PAC) form to be completed in order to process a procurement request from solicitation to an executed contract. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. If an exemption is applicable, procurement staff provides citation to the exemption with an explanation on the PAC form. The PAC form is then submitted to the PSP Manager for approval. This process has been included in the current draft of the Procurement Services Program Standard Operating Procedures, pending review and



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				adoption. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System. Targeted Implementation Date: June 2020
51)	Consider seeking guidance from the State Procurement Office regarding the appropriate application of the exemptions under HRS §103D-102(b) and Hawai'i Administrative Rules Section 3-120-4 - Exhibit A. The State Procurement Office may be able to provide additional training or guidance to OHA staff, especially the procurement department, to ensure the proper interpretation and application of the list of exempt goods and services. Appropriate OHA staff should be sufficiently trained. If staff are unsure of whether a service or good qualifies as exempt, they should be encouraged to contact the State Procurement Office for guidance.		Procurement Services Program (PSP): X Implemented	Procurement Services Program (PSP): The Procurement Services Program and Procurement Manager has an open communication and active relationship with the State Procurement Office (SPO). The Procurement Manager encourages the Procurement Specialist to contact the SPO with any questions, concerns, and for guidance regarding procurements they are working on. The Procurement Manager also has an open communication and active relationship with the SPO. The OHA Procurement Services Program has participated in the annual Conference organized by the SPO office for the past four years. It is mandatory for all procurement staff to complete and pass SPO webinars prior to being assigned a method of solicitation. Implementation Date: January 2016
52)	Update the Operational Authority Delegation Hierarchy, Request for Payment on Contract, and Request for Issuance of Check to ensure that the approval signatures included on the request for payment/check align with the signatures required per the delegation hierarchy. If necessary, include a location on the payment request where the program, line of business, or other pertinent information is included so that staff can easily verify that the appropriate signatures were obtained.		Financial Services Program (FSP): X Implemented	Financial Services Program (FSP): The last updated Operational Authority Delegation Hierarchy is referenced when verifying approval signatures for all financial transactions. Implementation Date: June 2008
53)	Update the Procurement Document Checklist to include a location for the Procurement Manager to sign indicating that the form was reviewed.		Procurement Services Program (PSP): X Implemented	Procurement Services Program (PSP): Effective 2016, the "Procurement Document Checklist" was replaced by the "Procurement Authorization Checklist" (PAC) form. The Procurement Services Program requires the PAC form to be completed in order to process a procurement request from solicitation to an executed contract. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. The PAC form tracks and records approvals from the receipt of the Purchase Requisition to the approvals by the Procurement Manager for the solicitation method selected; Program Manager and/or LOB for content; Controller, CFO, Budget Analyst for availability of funds; and COO and/or CEO for execution of contract.

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				Implementation Date: January 2016
54)	Implement a process for obtaining and retaining documentation when signing authority is delegated to another member of OHA staff, such as the CFO giving signing authority to the Controller while the CFO is absent. Ensure that this documentation is kept with the procurement, contract, and payment files for later verification.		Procurement Services Program (PSP): X Implemented	Procurement Services Program (PSP): Effective 2015, the Procurement Services Program has retained an electronic file of the Delegation of Signing Authority. Effective early 2019, the Procurement Services Program also retains a hardcopy of the Delegation of Signing Authority in the contract file when the signing authority is delegated to another OHA staff member. Implementation Date: May 2015 Electronic, January 2019 Hard Copy
55)	Implement procedures to ensure that documents are retained according to OHA's document retention policy and the Hawai'i state requirements. Consider the implementation of a digital document repository that would allow OHA to easily scan, upload, and store all relevant documents. This could assist OHA in the retention of important documents on a long-term basis.		Records Management Program: X Partially Implemented	Records Management Program: OHA Administration has initiated the Records Management Redesign Project, which will effect a systematic, agency-wide review and update to OHA's records management policies and procedures that is tailored to the unique records produced by each OHA program, starting with programs in our Resource Management – Financial Assets Division. In addition to digital document retention systems that have since been implemented by individual programs, ISRM is currently redesigning OHA's internal SharePoint site and reviewing its function as a document management system. Targeted Implementation Date: February 2020 - Agency-wide project planning completed; June 2020 - updated records policies and procedures for Resource Management – Financial Assets Division implemented; June 2021 - agency-wide implementation completed.
56)	Update the Operational Delegation Authority Hierarchy regarding grants awarded to the LLC's. The Operational Delegation Authority Hierarchy should require the approval of the Board of Trustees, regardless of dollar amount, to ensure there is no conflict of interest in the grant award process.		Board of Trustees: X Not Implemented, N/A	Board of Trustees: OHA does not award grants to LLCs. In May 2019, the Board of Trustees approved: 1) the dissolution of LLCs ---Ho'okele Pono LLC, Hookipaipai, LLC and Hi'ikualono, LLC; and 2) the search and seating of non-OHA employee LLC managers for Hi'ilei Aloha LLC and Hiipaka LLC (dba Waimea Valley). During the FY20-21 budget and budget realignment actions (May and September 2019, respectively), operational winddown activities were projected and the related winddown, dissolution and termination activities were a part of the BOT approved LLC budget for FY20-21.

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				Implementation Date or Targeted Implementation Date: N/A
57)	Ensure that information on the sponsorship review forms are consistent with the grantees formal letter or application. Grantee information received by OHA that is not on the letter or application should be retained in the sponsorship file to ensure that a record of all relevant information is retained.	18-08 Recommendation No.1.a. 18-03 Board Recommendation No. 4.a. 18-03 Board Recommendation No. 4.b.	Board of Trustees: X Partially Implemented	Board of Trustees: On August 1, 2017, the Board approved the appointment of members to an Ad Hoc Committee on Grants and Scholarships to review and address Grants, including Kūlia Initiatives, Sponsorships, and the Trustee Sponsorship and Annual Allowance Fund (TSAAF). This program is still under review by the Ad Hoc Committee Targeted Implementation Date: June 2020
58)	Revise the Operational Authority Delegation Hierarchy to specify the departments or titles required to approve and sign Requests for Check Issuance. Currently, the delegation hierarchy simply states "Appropriate Budget Authority," and OHA was unable to identify for CLA who the "Appropriate Budget Authority" was for disbursements. If necessary, consider creating a budget authority document that identifies the appropriate budget authority by line of business, division, etc.		Financial Services Program (FSP) X Implemented	Financial Services Program (FSP): The Operational Authority Delegation Hierarchy for all approval signatures has been last updated 7/3/18. "Appropriate Budget Authority" is further defined as the manager or director for the program account being charged if different from manager's approval line. Implementation Date: July 2018
59)	Ensure that grants are issued only for the grant types established within the OHA Grants Program Standard Operating Procedures. Disbursements described as "Other" grants should be required to use another procurement method.		Grants Program: X Implemented	Grants Program: The Grants Program has two types of grants- Competitive and Noncompetitive Grants. Noncompetitive grants are initiated as an Administration and/or BOT initiative based on an identified need in the Native Hawaiian community that does not conform to the Competitive Grants Program process. Noncompetitive Grants conform to HRS §10-17 requirements. The Noncompetitive Grants process is included in the current Grants Program SOP. The Grants Program does not have "Other" Grants. Implementation Date: November 2019
60)	Ensure that sponsorships are not awarded for programmatic services. Grants awarded for programmatic services should use other grant methods (e.g., Community Grants Program).	18-03 Board Recommendation No. 4.a. 18-03 Board Recommendation No. 4.b.	Board of Trustees: X Partially Implemented	Board of Trustees: On August 1, 2017, the Board approved the appointment of members to an Ad hoc Committee on Grants and Scholarships to review and address Grants, including Kūlia Initiatives, Sponsorships, and the Trustee Sponsorship and Annual Allowance Fund (TSAAF). Administration is in the process of developing new organization wide Sponsorship processes, including processing of sponsorships formerly identified as "CEO Sponsorships" now known as "Kaiāulu Sponsorships".

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
				<p>The new process includes: 1) Board approval of overall Sponsorship biennium budget as an authorization control; 2) Aggregation of all Sponsorships throughout the organization; and 3) A single, consistent central processing function (i.e., Grants Department) regardless of the budget origination point, program or line of business. All sponsorship process activities of planning, solicitation, application, review, recommendation, contracting, monitoring & close out and evaluation will involve other areas of OHA (e.g., planning, marketing, awarding announcement, monitoring, evaluation), but the overall process is to be managed by the Grants Department, resulting in more standardized processing.</p> <p>Targeted Implementation Date: June 2020</p>
61)	Implement a process whereby the accounts used for a Budget Realignment to fund a sponsorship or grant are presented to the BOT for consideration and review.	<p>18-03 Board Recommendation No. 1.e</p> <p>18-03 Adm Recommendation No. 4.b.</p> <p>18-03 Board Recommendation No. 4.c.</p>	<p>Executive Office:</p> <p>X Implemented</p>	<p>Executive Office: On October 11, 2018 (2nd rdg), the Board approved RM #18-12, amendments to the OHA BOT Executive Policy Manual and BOT Operations Manual relating to budget preparation, format and budget reporting requirements (PPB approach). The amendments were aimed at improving fiscal management, transparency, reporting, and accountability as well as to address the 18-03 Audit recommendations 1.d., 1.e., and 1.f. Under the approved amendments, "Administration is delegated authority to approve budget adjustments that fall within the lesser of \$100,000 or 5% between each program. Budget adjustments in and out of grants and sponsorships appropriations are prohibited." Furthermore, under the amendments, the authority of the CEO to approve Grants in an amount up to \$25,000 under paragraph 2.2.d. of the OHA EPM was eliminated, meaning that the CEO will no longer have any authority to approve any Grants regardless of amount without Board approval. The effective date of these approved amendments is deferred until submission of the FY2022-2023 Biennium Budget to allow Administration sufficient time for process implementation. Thus, starting July 1, 2021, the Board policies will require Board approval for all Grants and Sponsorships. Currently, and until the new policy goes into effect on July 1, 2021, the organization operates under the approved amendments.</p> <p>Implementation Date: October 2018</p>



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62)	Enforce the requirement that sponsorships, and other awards and disbursements, not exceed the dollar limits established by OHA. All appropriate OHA staff (i.e., grants, procurement, and accounting) should be adequately trained to scrutinize the supporting documentation to ensure that amounts are not split to circumvent spending/award limits. Any request that exceeds such spending limits should not be awarded, approved, or paid.		Grants Program: X Implemented	Grants Program: Grant awards conform to a BOT approved budget and require BOT award approval. Given this process, the Grant Program would not contract an amount that exceeded the award amount. Implementation Date: July 2019
63)	Ensure that accounting staff are sufficiently trained to not pay requests for payment that do not contain sufficient supporting documentation. All disbursements should equal the approved requests for payment and supporting invoices. Any exceptions should be returned by accounting to the appropriate OHA staff for correction and resubmission.		Financial Services Program (FSP) X Implemented	Financial Services Program (FSP): Staff has been trained to pre-audit payment requests for sufficient supporting documentation and proper approvals. Any incomplete forms or signatures are given back to the requestor to complete. Implementation Date: June 2008
64)	Require that disbursements not exceed the amount approved on a Purchase Requisition. If it is determined that the amount approved on a Purchase Requisition is not sufficient for the required disbursement, issue a new Purchase Requisition for the full amount of the disbursement and not only for the incremental increase. Approval of Purchase Requisitions is based on the dollar amount; therefore, issuing disbursements based on incremental Purchase Requisitions could be used to circumvent appropriate approval requirements.		Procurement Services Program (PSP): X Not Implemented, N/A	Procurement Services Program (PSP): The Purchase Requisition is "how" programs request that the Procurement Services Program conduct a solicitation for a particular goods, service or construction needed by the program. The cost listed on the Purchase Requisition is only an estimate as an actual cost will not be known until the solicitation is completed. Should the actual cost be higher than stated on the PR once the solicitation is completed, the Procurement Authorization Checklist documents the original amount on the PR and provides for the actual cost to be approved by the LOB and the Budget Analyst. Implementation Date or Targeted Implementation Date: N/A
65)	Disbursements and other financial transactions should not be approved by individuals other than OHA staff and designated on the Operational Authority Delegation Hierarchy. If OHA desires an approval from staff working in the Native Hawaiian Roll Commission (NHRC) regarding a disbursement, there should be an additional approval required of the appropriate staff of NHRC; however, it should not replace the approval signatures required of OHA staff. The Operational Authority Delegation Hierarchy should be updated to include the additional approval signatures required of NHRC staff.		Financial Services Program (FSP) X Not Implemented, N/A	Financial Services Program (FSP): All financial transactions are processed and approved by authorized OHA personnel. The Native Hawaiian Roll Commission (NHRC) was administratively attached to OHA and OHA funded. The NHRC ceased its active operations in 2016, so no associated update to the Operational Authority Delegation Hierarchy is needed. Implementation Date or Targeted Implementation Date: N/A

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
66)	Ensure that OHA staff and administration are sufficiently trained on the appropriate order of documents that must be approved before purchasing goods or services. CLA observed instances in which a check request was prepared prior to or at the same time as other documents that require approval before requesting payment. Goods and services should not be purchased or paid for prior to obtaining adequate approval for the purchase.		Financial Services Program (FSP) X Implemented	Financial Services Program (FSP): Simultaneous preparation of various documents is acceptable in certain urgent/emergency instances to expedite processing. FS staff are trained to obtain sufficient supporting documentation and proper approvals for all payment requests. Implementation Date: June 2008
67)	Consider implementing a policy that requires all disbursements to be approved via a Request for Check Issuance or Request for Payment on Contract. These documents include information indicating that the approver has certified to the receipt of goods or services, which is an important step for approving all disbursements.		Financial Services Program (FSP) X Not Implemented, Disagree	Financial Services Program (FSP): The FS program disagrees with the recommendation of a policy requiring ALL disbursements be approved by the Check Issuance or Request for Payment on Contract. Other than the monthly recurring invoices (e.g. utilities, rent, etc.), the use of a “form” to request for payment is required. Encumbrances are setup in the beginning of the fiscal year for the recurring fixed expenditures, Program monitors review, verify and sign off on the monthly invoices acknowledging receipt of goods and services. FS staff processes the approved invoices in accordance with established fiscal procedures. Implementation Date or Targeted Implementation Date: N/A
68)	Implement a process to enforce the requirements that (1) the Request for Use of Procurement Card form is completed and appropriately signed before a pCard is used, (2) all receipts and other supporting documentation are retained within the disbursement file, (3) the Statement of Completed Travel form is submitted within the deadline, and (4) all forms are signed and dated. Provide additional staff training regarding the appropriate process for pCard approval, documentation, and use. Ensure that steps are taken to immediately address instances when the policy is not followed. Consider revoking pCard privileges for staff that consistently do not follow policy.		A. Procurement Services Program (PSP): X Partially Implemented B. Financial Services Program: X Implemented	Procurement Services Program (PSP): Addresses item number (3) Statement of Completed Travel Form is submitted within the deadline: OHA initiated the OHA Business Travel Process project team to help develop an efficient travel process for OHA Trustees and staff. Through the project management process, the project team plans to, among other things, address inefficiencies in the current travel process and to provide for clear accountability to the travel policy and procedures. Targeted Implementation Date: June 2020 Financial Services Program (FSP): Current pCard guidelines and procedures specify that cardholder is to obtain a completed Request for Use of Purchasing Card Form before charging, reconcile all charges on account and submit a bi-monthly billing statement supported by receipts and appropriate documentation for payment processing. Cardholder who consistently violates internal guidelines and procedures may be put on a corrective active plan including verbal or written warning, temporary



APPENDIX A - IMPLEMENTATION PLAN FOR 73 OHA RECOMMENDATIONS

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
				suspension, revocation of privileges, or other disciplinary action. <i>See</i> OHA's Purchasing Card Program Internal Guidelines and Procedures. Implementation Date: June 2016
69)	Implement a process to enforce the requirement that the Travel Allowance Authorization form is submitted within the deadline required for in-state and out-of-state travel. Provide additional staff training regarding the required process, and ensure that steps are taken to immediately address instances when the policy is not followed.		Procurement Services Program (PSP): X Partially Implemented	Procurement Services Program (PSP): OHA initiated the OHA Business Travel Process project team to help develop an efficient travel process for OHA Trustees and staff. Through the project management process, the project team plans to, among other things, address inefficiencies in the current travel process and to provide for clear accountability to the travel policy and procedures. Targeted Implementation Date: June 2020
70)	Implement a process whereby leases and long-term rentals are procured using the Exempt Procurement method for contracts. Using contracts for leases and long-term rentals will provide assurance that a contract manager is assigned, the contract has appropriate oversight and monitoring, and the invoice amounts and rates are compared to the rental or lease agreement.		Procurement Services Program (PSP): X Not Implemented, N/A	Procurement Services Program (PSP): Pursuant to HRS§103D-104 of the Hawai'i Public Procurement Code, leases of real property and office rentals are explicitly excluded from the definition of "goods" and it does not fall under the definition of "service." As such, leases of real property and office rentals do not fall under procurement. Properties which OHA leases and long-term rentals are managed by the Resource Management Land Assets, Commercial Property Program. Implementation Date or Targeted Implementation Date: N/A
71)	The Community Engagement department should retain in the department files the information provided by various OHA staff to prepare the annual report to the Board of Trustees. This information should be retained in accordance with OHA's standard retention policy to ensure that there is support for the information and numbers reported.		Community Engagement Program: X Implemented	Community Engagement Program: The Community Engagement (CE) program will retain in the Department files the information provided by various OHA staff to prepare the annual report to the Board of Trustees in accordance with OHA's standard retention policy to ensure that there is support for the information and numbers reported. CE begins to gather information for the annual report in August, submission deadlines for various sections of the report run from September 1 and the final deadline for submissions is October 31. The report is sent for printing in mid-November. Implementation Date: January 2020 for next annual report period fiscal year ended 6/30/2020

Rec No.	CLA Recommendation Description	State Audit Recommendation Response ^{2 3}	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
72)	The Community Engagement department should clarify with the grants department regarding whether the reported grant and sponsorship information is based on dollars awarded or disbursed. The report should be updated to clarify the nature of the dollars reported (awarded versus disbursed).		Grants Program: X Implemented	Grants Program: The Grants Program notified Community Engagement that grant and sponsorship information provided for the Annual Report are ‘awarded’ not ‘disbursed’ amounts. Implementation Date: December 2019
73)	Consider including information in OHA's annual report to the BOT that addresses the amount of grant awards disbursed. Currently, the annual report provides only grant awards. Providing disbursed dollars will help the BOT and other readers assess the overall results of the grant programs.		Grants Program: X Not Implemented, Disagree	Grant Program: Contrary to the audit recommendation, providing disbursement amounts for active grants in OHA’s annual report will not support an assessment regarding overall results of grants program. The current grant closeout process provides data on grant performance and actual disbursement amount for each grant. The grants information management system (OHA Foundant Grants Portal), which was launched in July 2019, can provide customized grant disbursement data for any requested grant period. Administration will consider how actual grant expenditures and other information can be reported to the Trustees, Administration, staff and beneficiaries on a quarterly basis. Implementation Date or Targeted Implementation Date: N/A

APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

I. Summary of Implementation Plan for 30 LLC Recommendations by LLC Entity¹

		Recommendation No.		
Implementation Status	Quantity	Hi'ilei Aloha LLC	Hi'ipaka LLC	Ho'okipaipai LLC
Implemented	26	1-11,13,16,23,26-29	12,14,15,17,18,19,20,25	
Partially Implemented	2	30	21	
Not Implemented	0			
Not Implemented, N/A	1			22
Not Implemented, Disagree	1	24		
Total	30	20	9	1

¹ LLCs are calendar year entities whose operating year begins on January 1st and ends on December 31st

APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

II. Detail of Implementation Plan for 30 LLC Recommendations by Recommendation Number

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
L01	Complete Financial Conflicts of Interest Disclosure Statements annually.	X - Implemented	Created a checklist of tasks to be completed annually at the end of every year (e.g., financial conflicts of interest disclosure) and added this to the list. Implementation Date: January 2020
L02	Retain proof of deliverables for established contracts in the contract file.	X - Implemented	Maintain an individual contract file folder for every contract and added "Proof of Deliverables" verbiage to Check Request forms to confirm receipt of goods and/or services. SOP ADMIN ACCT-009, SOP BUS-004, and CPM 005 have been updated. Implementation Date: January 2020
L03	Implement process to assign contract numbers.	X - Implemented	Created contract log with assigned contract number for all contracts. Added contract number to individual contract files and all forms related to each contract. Implementation Date: January 2020

APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
L04	Implement use of Purchase Request form.	X - Implemented	Created a Purchase Request form to be used for all purchases. Budget compliance check is included on the form. Hi'ipaka will use the form only for non-routine purchases and all purchases over \$500. SOP ADMIN-004 has been updated. Implementation Date: January 2020
L05	Document the contract cost or price analysis process to determine reasonableness, allocability and allowability.	X - Implemented	Created Cost & Price Analysis form to be used with all purchases and inserted into the contract file. Hi'ipaka will use the form for non-routine purchases, capital items, and internet purchases. SOP ADMIN-004 has been updated. Implementation Date: January 2020
L06	Update Hi'ilei Aloha's Fiscal Policies and Procedures manual to designate the contract execution and delegation of authority.	X - Implemented	Added section to Fiscal P&P manual on these provisions and added them on forms to be included in every contract file. Implementation Date: January 2020
L07	Document process for contract execution ensuring contract effective date occurs after the execution date.	X - Implemented	Added section to Fiscal P&P (1) requiring contract effective date to be after contract execution date, and (2) recommended process for facilitating

APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
			signatures. CPM-005 and SOP BUS-004 have been updated. Implementation Date: January 2020
L08	Train employees on established check issuance process.	X - Implemented	Added this provision in Fiscal P&P and added refresher training to Year End checklist. Implementation Date: January 2020
L09	Ensure complete and appropriate documentation is received to support completing a Request for Check Issuance form.	X - Implemented	Added section to Fiscal P&P requiring that payments may be processed only after receiving a detailed invoice from vendor. CPM and SOP have been updated. Implementation Date: January 2020
L10	Ensure services obtained are fully utilized for the benefit of the organization.	X - Implemented	Added section to Contract File Folder Checklist to document use of vendor's service or product (or explanation of why service or product was not used). Implementation Date: January 2020
L11	Guide and train individuals to ensure that contract payments submitted for payment should	X - Implemented	Added section to Contract Payment Balance Form that payments may never exceed the contract amount. If additional payments are required, staff

APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
	never exceed the total contract amount.		must execute a contract amendment. CPM and SOP updated. Implementation Date: January 2020
L12 (Hi'ipaka LLC)	Ensure appropriate contract monitoring is in place between Hi'ipaka and OHA.	X - Implemented	Hi'ipaka is working with OHA to ensure appropriate contract monitoring is in place when applicable. Implementation Date: January 2020
L13	Document consistently the verification of receipt of a product or service.	X - Implemented	Added section to Check Request Form to confirm goods and/or services were received. Implementation Date: January 2020
L14 (Hi'ipaka LLC)	Update and align Hi'ipaka's Standard Operating Procedures and existing Corporate Procedures Manual.	X - Implemented	Aligned CPM-005 and SOP BUS-004 and SOP ADMIN-004. Implementation Date: January 2020
L15 (Hi'ipaka LLC)	Obtain and verify and retain in contract files, vendor submitted contract related documentation (e.g., Certificates of Good Standing, certificates of insurance, contractor's license).	X - Implemented	Implemented a process to include all contract-related documents in hard copy file folder and digital files. Implementation Date: August 2019

APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
L16	Ensure appropriate steps are implemented to review contract drafts for accuracy.	X - Implemented	Added instruction to Fiscal P&P that all contracts must contain an effective date and execution dates. Implementation Date: January 2020
L17 (Hi`ipaka LLC)	Ensure changes to contracts are appropriately documented as a written contract amendment.	X - Implemented	This is already the practice for all contracts. Implementation Date: Inception
L18 (Hi`ipaka LLC)	Ensure invoice submitted for contract payment accurately reflects the terms of the contract.	X - Implemented	All contractors are required to include a schedule of payments made to date on their invoice with the outstanding contract balance that will then be verified by the contract monitor before payment is approved. Implementation Date: January 2020
L19 (Hi`ipaka LLC)	Train employees on established check issuance process.	X - Implemented	All employees preparing check request have been trained. Added annual refresher training on Fiscal P&P to Year End checklist. Implementation Date: January 2020
L20 (Hi`ipaka LLC)	Implement review process to ensure information in the general ledger accurately records payment	X - Implemented	Accountant has implemented this recommendation. Implementation Date: January 2020

APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
	information, such as payee name, check number, and date.		
L21 (Hi'ipaka LLC)	Consider requesting from the bank, images of the front and back of cancelled check with the monthly bank statements. On a sample basis, use images to compare payee information to the information in the general ledger and ensure Hi'ipaka's check signing policy is in compliance.	X Partially Implemented	Currently receive a copy of the front of the check with the monthly bank statement. Also have access to copies of both front and back of checks upon request. Will obtain sample copies (5% of checks written) on a monthly basis. Targeted Implementation Date: February 2020
L22 (Ho'okipaipai LLC)	Ensure three verbal quotations of rate or price are obtained as required by the Ho'okipaipai Fiscal Policies and Procedures manual.	X Not Implemented, N/A	Not implemented as Ho'okipaipai LLC is in the process of dissolving.
L23	Document in the contract file the basis for non-competitive negotiations when competitive negotiation becomes infeasible.	X - Implemented	Added section to Fiscal P&P that the basis for any non-competitive negotiations must be documented and placed in the contract file folder. Added confirmation of this to Cost & Price Analysis form. Implementation Date: January 2020

APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
L24	Consider OHA's procurement staff reviewing of LLC's "loans" and "grants" for compliance with the regulations of HRS 10-17.	X - Not Implemented, Disagree	Hi'ilei Aloha LLC is an independent Hawai'i organized limited liability corporation exempt from federal income tax under section 501(c)(3) and is not subject to the regulations of HRS 10-17 and related compliance. Implementation Date: N/A
L25 (Hi'ipaka LLC)	Implement procedures to ensure completeness of documents required for the disbursement and retaining such documents in the contract file.	X Implemented	Currently retain all contract-related and required documents in contract files. Implementation Date: August 2019
L26	Document and implement a transparent review and approval process when funding support to the benefit of a third-party organization.	X Implemented	Added section to Fiscal P&P that Capacity-Building disbursements with OHA funds for the benefit of a third party (i.e., strategic planning, grant writing, business plan writing, etc.) require adequate and equal consideration of OHA's beneficiaries, with transparent review and approval of requests for capacity-building support. Implementation Date: January 2020
L27	Ensure comprehensive quality review control in place for the	X Implemented	Created Quarterly Report form and initiated review process for OHA quarterly reports:

APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
	production of the LLCs quarterly reports to the Board of Trustees (BOT).		<p>a. Review draft & circulate to other LLC executive director(s)</p> <p>b. Address differences in reports</p> <p>c. Identify & correct mathematical errors</p> <p>d. Add footnotes with explanation of any legitimate differences</p> <p>e. Sign off by Hi'ipaka E.D., Hi'ilei accountant, and Hi'ilei COO.</p> <p>Implementation Date: January 2020</p>
L28	Consider adding footnotes or notes to the quarterly reports to the BOT; including reconciliation notes addressing recorded transactions after the quarterly reports provided to the BOT.	X Implemented	<p>Footnote disclaimer is already included in OHA Quarterly Reports per suggestion made by CLA staff earlier this year; next quarter for reporting is third quarter ending September 2019.</p> <p>Implementation Date: January 2020</p>
L29	Ensure strict quality control review process to ensure mathematical errors are identified and corrected prior to finalization.	X Implemented	<p>Initiated process outlined in L27 above; next quarter for reporting is third quarter ending September 2019.</p> <p>Implementation Date: January 2020</p>

APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
L30	Consider formatting the quarterly financial reports to mirror the format of the audited financial statements.	X - Partially Implemented	To be implemented upon confirmation from OHA of preferred format. Targeted Implementation Date: No later than June 30, 2020

Individual Contract File folder for each contract will contain:

1. Contract number, contract manager, and delegation of contract execution and/or management from COO/ED to contract manager (if applicable);
2. Purchase Request Form
3. Cost & Price Analysis form with attachments
 - Copies of all quotations
 - Include basis for non-competitive negotiations
4. Certificate of Good Standing, Certificate of Insurance, contractor license, and/or any other vendor certifications that are required.
5. Executed contract (execution date must be prior to effective date).
6. Contract amendments (if any are required).
7. Invoice(s) from vendor (must be detailed)
8. Contract Payment Balance form
9. Check Request Form(s) with proof of deliverables
10. Copy of checks

I. Summary of Responses Addressing 32 Flagged Test Items of Possible Fraud Waste Abuse by Process Area

Type	Items	Amount ¹	Flagged Test Items No.
Grants	5	\$3,948,000	1-5
Competitive Sealed Bid (RFP)	2	\$3,110,752	6,7
Professional Services	3	\$843,496.24	8,9,10
Exempt Purchase	10	\$1,274,162.50	11-20
CEO Sponsorship	5	\$129,999	21-25
Exempt Non-Grants, Small Purchase	7	\$850,797.08	26-32
Total	32	\$10,157,206.82	

II. Detailed Responses Addressing 32 Flagged Test Items of Possible Fraud Waste Abuse

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
1	Contract	Grants	K-11	2726 (12/01/2011-11/30/2013)	I Ola Lāhui, Inc.	\$ 500,000.00	72	Contract monitor no longer employed by OHA and was not interviewed by CLA	Contract Purpose: Community Grant to provide evidence-based health interventions Observations: <ul style="list-style-type: none"> Contractor's Executive Director of contractor and CEO may be acquaintances; CEO in position to review and approve grants recommended by the review 	<ul style="list-style-type: none"> CLA found that "there does not appear to be any financial benefit to an OHA employee." Request for Final Payment on Contract of \$1,000 was found in the files provided to CLA. Contract monitor is no longer employed with OHA.

¹ Based on contract \$ (vs. disbursed \$)

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									<p>committee before sending to BOT;</p> <ul style="list-style-type: none"> Grant period overlapped with K-25; Backdating of contract K-11; K-11 grant file missing Purchase Requisition for first year and final Request for Payment on Contract for \$1,000 Does not appear to be financial benefit to OHA employee; but there is a possibility of preferential treatment to this grantee; <p>Any mishandling of grant awards or perceived favoritism could pose a risk to OHA of possible fraud, waste, abuse</p>	
2	Contract	Grants	K-25	2887 (07/01/2013-06/30/2015)	I Ola Lāhui, Inc.	\$ 500,000.00	72	Former Grants Manager was interviewed; still at OHA in another role	<p>Contract Purpose: Community Grant for Kūlana Hawai‘i Weight Management Program</p> <p>Observations:</p> <ul style="list-style-type: none"> Contractor’s Executive Director of contractor and CEO may be acquaintances; CEO in position to review and approve grants recommended by the review committee before sending to BOT; Grant periods overlapped with K-11; Purchase Requisition for second year for \$250,000 missing from grant file. 	<ul style="list-style-type: none"> CLA found that "there does not appear to be any financial benefit to an OHA employee." Contract monitor is no longer employed with OHA.



APPENDIX C – OHA ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (32)

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									<ul style="list-style-type: none"> Does not appear to be financial benefit to OHA employee; but there is a possibility of preferential treatment to this grantee; <p>Any mishandling of grant awards or perceived favoritism could pose a risk to OHA of possible fraud, waste, abuse</p>	
3	Contract	Grants	K-39	2953 (02/01/2014-05/31/2014)	Native Hawaiian Education Association on behalf of World Indigenous Peoples Conference on Education (WIPCE)	\$ 150,000.00	73	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Grant for WIPCE Conference</p> <p>Observations:</p> <ul style="list-style-type: none"> Former OHA CEO was keynote speaker at Grant event; CLA could not determine if Dr. Crabbe received compensation for the speech and if there was any financial interest at stake; CEO makes final decision on recommendations to BOT for Kūlia; Grant file missing: grant application, monitoring and eval reports, Grant Assessment Form, on-site monitoring report, Grant Closeout Report. <p>Potential for personal benefit to the former CEO combined with missing documents are indicators of possible fraud, waste or abuse</p>	<ul style="list-style-type: none"> According to NHEA President (phone call, 1/7/2020): Former OHA CEO was not compensated for his keynote speech. Contract monitor is no longer employed with OHA.
4	Contract	Grants	K-57	3026	Akamai Foundation on behalf of Na‘i Aupuni	\$ 2,598,000.00	73	Contract monitor no longer	<p>Contract Purpose: To facilitate election of delegates, election and referendum monitoring, a governance</p>	

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
				(05/04/2015-08/03/2016)				employed by OHA and was not interviewed by CLA	<p>‘Aha, and a referendum to ratify any recommendation of the delegates arising out of the ‘Aha</p> <p>Observations:</p> <ul style="list-style-type: none"> Potential conflict of interest between Native Hawaiian Roll Commission Executive Director and his wife, who was a board member of Na‘i Aupuni, No disclosure in the grant file of potential conflict of interest Appearance of abuse of OHA’s disbursement process <p>Because all funds were disbursed and the election was canceled, the intended results of the grant were not recognized, which is an indication of waste of funds</p>	
5	Contract	Grants	K-76	2785 (06/15/2012-07/15/2012)	‘Aha Kāne	\$ 200,000.00	75	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Grant for ‘Aha Kāne Conference 2012</p> <p>Observations:</p> <ul style="list-style-type: none"> Grantee was founded by former OHA CEO before he was employed by OHA Documentation shows the former OHA CEO served as an advisory chair to ‘Aha Kāne at time it received grant Grant file contained no disclosure of this information Grant executed day prior to event so funds dispersed after event began 	<ul style="list-style-type: none"> CLA found that "there is no evidence of a personal financial benefit" to the OHA CEO. Contract monitor is no longer employed with OHA.

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									<ul style="list-style-type: none"> Association between former OHA CEO and organization indicate possible conflict of interest in the awarding of this grant <p>There is no evidence of a personal financial benefit to the former OHA CEO</p>	
6	Contract	Competitive Sealed Proposals (RFP)	K-52	3007 (12/11/2014-12/10/2016)	WCIT Architecture	\$ 2,925,752.00	93	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Contract for conceptual master plan and prepare for an RFP to select developer</p> <p>Observations:</p> <ul style="list-style-type: none"> Deliverable(s) not provided to CLA, however, it may exist. Plans may have changed however rendering work performed under contract obsolete. <p>Raises concern for possible waste</p>	<ul style="list-style-type: none"> Conceptual Master Plan was presented in Executive Session to Board on 11/4/2015 and remains confidential. OHA paid approximately \$1.86 million of the total contract. <p>Payment was for work relating to contract deliverables for the conceptual master plan, design guidelines and initial stages of EIS scoping meetings and draft EIS preparation.</p>
7	Contract	Competitive Sealed Proposals (RFP)	K-77	2847 (01/01/2013-09/30/2014)	Absolute Plus Advisors	\$ 185,000.00	94	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Provide investment advisory services</p> <p>Observations:</p> <ul style="list-style-type: none"> None of documents related to RFP were provided to CLA. No Purchase Requisition for original contract provided. Evidence of a deliverable was not provided. Backdating of contract amendment. 	<p>Deliverable identified: ARM Agendas indicate Absolute Plus Advisors Presented at these meetings:</p> <ul style="list-style-type: none"> 1/23/2013 – presented: Summaries of Hawaii Direct Investments and Ending Market Value of 2012, Growth Asset of Sep. 2012, Short Term Liquidity Account 7/10/2013 – presented: Quarter Portfolio Overview 10/2/2013 – presented: Native Hawaiian Trust Fund 2013 Risk Management Evaluation 4/16/2014 – presented: Native Hawaiian Trust Fund 4th Quarter 2013 Performance



APPENDIX C – OHA ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (32)

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									<ul style="list-style-type: none"> Invoices approved past expiration of original contract and prior to amendment. <p>Lack of documentation raises concern that this contract was not procured properly, lack of evidence of a deliverable raises concern contract was not managed properly</p>	Review <ul style="list-style-type: none"> 6/4/2014 – presented: Native Hawaiian Trust Fund Annual Review - hard copy of this report found 7/9/2014 – presented: Native Hawaiian Trust Fund 1st Quarter 2014 Performance Review 9/3/2014 – presented: Native Hawaiian Trust Fund 2nd Quarter 2014 Performance Review - hard copy of this report found
8	Contract	Professional Services	K-17	2828 (05/11/2012-08/31/2015)	Mid-Continent Research for Education and Learning	\$ 349,527.00	121	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Kūkulu Hou assessment framework project (Mana Scale)</p> <ul style="list-style-type: none"> No names of selection committee members or a signed affidavit by the selection committee members. No evidence of contract being awarded to 1st ranked contractor. No evidence that contract was reviewed by purchasing agency. Missing purchase requisition for original contract. First contract amendment made effective before execution date. No deliverable found by current OHA staff for vendor's work. Redacted email content from Procurement Manager to CEO's special assistant day before execution. <p>Lack of deliverable combined with other observations raise concern that contract not handled properly and</p>	<p>Deliverable identified: According to OHA staff for project: McRel's work under this contract contributed to Chapters 1-5 and bibliography of the Mana Lāhui Kānaka book. Contractor is named as one of the "Partners and Facilitators" of the book on page 447 of the online version (oha.org/mana) and cited throughout the book as Mid-Continent Research for Education and Learning and "McRel"</p>

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									OHA did not receive benefit for which it paid	
9	Contract	Professional Services	K-55	3022 (04/01/2015-03/31/2017)	Stryker Winer & Yokota Public Relations, Inc.	\$ 293,969.24	122	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Develop an Integrated Marketing Communications Plan</p> <p>Observations:</p> <ul style="list-style-type: none"> Selection committee documentation not included in file. No verification documentation to confirm contract was awarded to first-ranked person. No Procurement Document Checklist. <p>OHA ultimately never used a portion of the product produced by this vendor and paid for by OHA, which is an indication of possible waste</p>	OHA continues to use the integrated communication plan(s) created by Stryker Winer & Yokota Public Relations under this contract.
10	Contract	Professional Services	K-56	3025 (09/07/2014-until services no longer needed)	Reed Smith LLP	\$ 200,000.00	124	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Provide legal services regarding Native Hawaiians</p> <p>Observations:</p> <ul style="list-style-type: none"> Pro-bono work within the year after Ms. Nu‘uhiwa’s departure from OHA, then contracted under Reed Smith -- unsure if this pro-bono work was in exchange for receiving contract. Evidence that Professional Services Committee could not be impartial or remain independent. 	Contract monitor is no longer employed with OHA.

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									<ul style="list-style-type: none"> Documents suggest that the procurement process did not occur in the proper order, suggesting OHA had already made a decision to hire Reed Smith prior to any of the procurement steps being undertaken for FY14-15 Inconsistent documentation in the procurement file. No compliance documents from vendor. 	
11	Contract	Exempt Purchase	K-09	2721 (12/01/2011-06/30/2012)	The Kalaimoku Group LLC	\$ 50,000.00	152	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Public relations and messaging services related to the proposed Kaka‘ako settlement</p> <p>Observations:</p> <ul style="list-style-type: none"> Appears that this contract should not have been executed as exempt contract. Vendor was established in 2011, same year this contract was executed. Effective date was before the time contract was executed by OHA. Invoices dated six weeks apart. Unknown whether OHA paid a fair price for the services, potential indication for waste. Contractor was formed in the same year that the contract was executed and invoices are sequentially numbered, 	Contract monitor is no longer employed with OHA.



APPENDIX C – OHA ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (32)

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									<p>indicates OHA may be (or was) its only customer/client. This could be an indication that the company was formed solely to provide services to OHA.</p> <p>Combined with possible inappropriate use of the exempt contract method, raises question of whether contract was handled properly, which could be an indication of favoritism to vendor.</p>	
12	Contract	Exempt Purchase	K-18	2857 (12/03/2012-09/30/2014)	Native Hawaiian Education Association	\$ 99,600.00	153	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Hold 36 scholarship ‘aha</p> <p>Observations:</p> <ul style="list-style-type: none"> • Appears that this contract should not have been processed as an exempt contract, but instead as a grant or sponsorship • OHA could not provide documentation to support NHEA provided documents or reports required in contract. • Contract executed after effective date. • Questions of whether full scope of contract and amendment was fulfilled. <p>Combination of exempt procurement method and OHA’s inability to provide deliverables are an indication of possible waste and abuse.</p>	<ul style="list-style-type: none"> • NHEA provided a 4/20/2013 Prezi report to OHA detailing the 18 scholarship aha held in FY13 with 3,308 people attending. • Contract monitor is no longer employed with OHA.

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
13	Contract	Exempt Purchase	K-20	2879 (06/01/2014-06/30/2016)	Kuauli 'Āina-Based Insights LLC	\$ 435,000.00	154	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Inventorying, digitization, and analysis of the sales and transfers of the former Hawaiian Kingdom Government and Crown Lands</p> <p>Observations:</p> <ul style="list-style-type: none"> • Appears contract should not have been processed as an exempt contract. • Partial evidence showed that Kuauli completed the work required within scope of contract. • Contractor formed in same year contract was executed and the invoices are sequentially numbered indicate that OHA may be (or was) its only customer/client • Petition in support of CEO has listed the name of Kuauli's owner, during the time that work was being performed by Kuauli. • Raises question whether contract was handled properly and could be an indication of possible favoritism to vendor, posing a risk for possible fraud, waste, abuse <p>Exemption method raises question whether OHA paid a fair price for services, an indication of possible waste</p>	Contract monitor is no longer employed with OHA. Administration previously provided information about Contract 2879 and its amendments to the Board.

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
14	Contract	Exempt Purchase	K-44	2967 (04/01/2014-07/31/2014)	Rider Levett Bucknall, LTD	\$ 10,000.00	155	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Present management and development framework on the Kaka‘ako Makai parcels</p> <p>Observations:</p> <ul style="list-style-type: none"> • Scope of previous contract with vendor appears duplicative or similar to the scope covered by this contract. • Invoice related to this contract identified the \$10,000 as “additional fees” for a total of \$160,000. • OHA did not provide information about dates of presentation by contractor. • No explanation of why this contract was processed as new and exempt rather than an amendment to the initial contract <p>Additional payment for similar services could be an indication of possible waste</p>	According to staff, Rider Levett Bucknall presented the “management and development framework on Kaka‘ako Makai land parcels” to the OHA Board of Trustees on November 21, 2013
15	Contract	Exempt Purchase	K-47	2979 (05/01/2014-04/30/2016)	David Keanu Sai, Ph.D.	\$ 25,000.00	156	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Providing memorandums and lectures regarding political science perspective under the framework of international law</p> <p>Observations:</p> <ul style="list-style-type: none"> • Possible that this contract should not have been processed as an exempt contract. 	A Sept. 16, 2014 memo from OHA CEO to the OHA Board indicated that “Dr. Sai has met all terms of this contract, upon submission of his memorandum dated, May 27, 2014, titled: <i>Memorandum for Ka Pouhana, CEO of the Office of Hawaiian Affairs regarding Hawaii as an Independent State and the Impact it has on the Office of Hawaiian Affairs.</i> ”

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									<ul style="list-style-type: none"> OHA did not provide evidence that lectures were requested by OHA or provided by Dr. Sai. Contract was executed by OHA on June 23, 2014, when effective date was May 1, 2014. Letter and memo were dated before the Purchase Order was approved and contract was executed. <p>Use of procurement exemption raises the question whether this contract was handled properly and could be an indication of possible favoritism to this particular vendor</p>	
16	Contract	Exempt Purchase	K-54	3019 (01/05/2015 – until services no longer needed)	McCorriston Miller Mukai MacKinnon LLP	\$ 150,000.00	157	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Legal defense of OHA in <i>Ka Piko O Waimea v. OHA</i></p> <p>Observations:</p> <ul style="list-style-type: none"> Processed as an exempt contract when it does not appear to qualify as an exempt procurement. <p>Exempt procurement method removes ability to ensure contracts are awarded fairly and best value is obtained, and raises concerns of favoritism or conflicts of interest</p>	<p>This contract pertained to the lawsuit captioned, <i>Ka Piko O Waimea v. Office of Hawaiian Affairs</i>. Insurance defense counsel is provided consistent with OHA's applicable insurance policy providing coverage for the lawsuit. The law firm was listed on the Choice of Counsel Endorsement to the policy and selected therefrom to provide legal representation and defense of OHA.</p> <p>HAR §3-120-4, Ex. A, No. 5. exempts the purchase of insurance, to include insurance broker services. OHA's insurance broker helps the agency obtain appropriate insurance coverage for OHA's assets and activities. For OHA's POL/EPL policy, the insurance carrier has an approved panel of counsel and/or the agency can obtain a Choice of Counsel endorsement.</p>

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
17	Contract	Exempt Purchase	K-69	3072 (08/13/2015- until services no longer needed)	McCorriston Miller Mukai MacKinnon LLP	\$ 250,000.00	157	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Legal defense of OHA <i>Akina, et al. v. State of Hawaii, et al.</i></p> <p>Observations:</p> <ul style="list-style-type: none"> Processed as an exempt contract when it does not appear to qualify as an exempt procurement. <p>Exempt procurement method removes ability to ensure contracts are awarded fairly and best value is obtained, and raises concerns of favoritism or conflicts of interest</p>	<p>Under this contract, Contractor represented and defended OHA in the lawsuit captioned <i>Akina et al. v. The State of Hawai'i et al.</i>, bearing Case No. 1:15-cv-00322, filed in the United States District Court for the District of Hawai'i.</p> <p>The Contractor was selected because it was on the Choice of Counsel Endorsement to the policy, had performed satisfactory in the past, possessed the requisite qualifications, legal expertise, and capacity to render the services required to OHA and was familiar with the history and background of OHA.</p> <p>HAR § 3-120-4, Ex. A, No. 5. exempts the purchase of insurance, to include insurance broker services. OHA's insurance broker helps the agency obtain appropriate insurance coverage for OHA's assets and activities. For OHA's POL/EPL policy, the insurance carrier has an approved panel of counsel and/or the agency can obtain a Choice of Counsel endorsement.</p>
18	Contract	Exempt Purchase	K-70	3073 (08/27/2015- until services no longer needed)	McCorriston Miller Mukai MacKinnon LLP	\$ 179,500.00	157	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Legal Representation of OHA for mediation and litigation regarding Mauna Kea</p> <p>Observations:</p> <ul style="list-style-type: none"> Processed as an exempt contract when it does not appear to qualify as an exempt procurement. <p>Exempt procurement method removes ability to ensure contracts are awarded</p>	<p>On August 27, 2015, pursuant to HRS 92-5(a)(4), the Board met in Executive Session to consult with its attorney re: questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities regarding the Board of Land and Natural Resources Rules for Mauna Kea. The disclosure of executive session minutes is subject to review and approval by the OHA Board counsel. Nevertheless, the Board discussed with its counsel, its powers, duties, privileges and liabilities regarding the State of</p>

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									fairly and best value is obtained, and raises concerns of favoritism or conflicts of interest	Hawaii's proposed rules relating to Mauna Kea. Following this meeting, the McCorriston law firm was engaged to provide legal services to OHA, including but not limited to, a mediated effort to resolve existing disputes between OHA, the State of Hawaii, the University of Hawai'i and other interested parties relating to Mauna Kea.
19	Contract	Exempt Purchase	K-73	3101 (01/15/2016-07/08/2016)	Ayda Aukahi Austin Seabury	\$ 30,062.50	158	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Contract Purpose: Transcription and facilitation services</p> <p>Observations:</p> <ul style="list-style-type: none"> • Appears that should not have been processed as an exempt contract. • Two payments made required Ms. Seabury to provide specific deliverables, which OHA did not provide -- no evidence that Seabury completed the work. • Contract was executed after the effective date. • Based on timing of interviews in the contract, it appears services were supposed to begin prior to when contract was executed. • OHA did not receive competitive bids so it's unknown whether OHA paid a fair price because an exemption was used 	<p>Deliverable located: 23 transcribed (including translating Hawaiian to English) interviews (totaling 1,400 pages) of individuals and at least one group discussion were submitted to OHA. Ms. Seabury's work under this contact contributed to Chapter 4 of Mana Lāhui Kānaka book.</p>



APPENDIX C – OHA ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (32)

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									Combined with lack of deliverables led to red flag for possible fraud, waste, or abuse	
20	Contract	Exempt Purchase	K-75	3110 (03/08/2016-06/30/2016)	Raedeem M. Keahiolalo LLC	\$ 45,000.00	159	Contract monitor no longer employed by OHA and was not interviewed by CLA	Contract Purpose: Provide writing and editing services to the Kūkulu Hou Assessment Project Observations: <ul style="list-style-type: none"> Appears that contract should not have been processed as an exempt contract. OHA did not provide evidence of deliverables required by contract.	Deliverable located: Ms. Keahiolalo’s work under this contract related to the editing (three full passes of line-by-line editing) of the Mana Lāhui Kānaka book. She is given editing credit on the cover of the book for her work under this contract.
21	Disbursements	CEO Sponsorships	D-09	26307 (04/20/2012)	University of Hawai‘i, Office of Research Services	\$ 30,000.00	173	CEO no longer employed by OHA and was not interviewed by CLA	Disbursement Purpose: Sponsor the GEAR UP Hawai‘i Public Awareness Campaign Observations: <ul style="list-style-type: none"> CEO sponsorship awards seem to have been split to avoid restrictions on maximum amount of CEO sponsorships. Split into two components; \$24,950 for grants in aid and \$5,050 for services on a fee basis. Raises the question of whether it was handled properly, which could be an indication of possible abuse of the grant award process to benefit the grantee.	The grantee was University of Hawaii, which is a state entity. The grant arguably should have gone through the procurement process as an exempt contract with another state entity under §103D-102(b)(3).

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
22	Disbursements	CEO Sponsorships	D-19	27638 (01/03/2013)	Supporting the Language of Kauaʻi	\$ 25,000.00	174	CEO no longer employed by OHA and was not interviewed by CLA	<p>Disbursement Purpose: To help cover operational start-up costs</p> <p>Observations:</p> <ul style="list-style-type: none"> Confidential business plan was not provided by OHA. Notes within the procurement document indicate that it was a "rush" request. Lack of documentation to support that the confidential business plan was properly reviewed and approved <p>Raises question of whether it was handled properly, which could be an indication of possible abuse of the grant award process to benefit the grantee</p>	<ul style="list-style-type: none"> OHA Board approved Action Item BOT #07-05, which approved and authorized the formation of a limited liability company, as subsidiary of Hiʻilei Aloha LLC, to acquire the assets and operate Makaweli Poi Mill. BOT #07-05 indicates the purpose of purchasing the assets of the poi mill was "to preserve and promote Hawaiian culture and create economic opportunities for Native Hawaiians by encouraging taro farming and the production of high quality poi." The OHA Board received updates on poi mill operations from Hiʻipoi on May 3, 2012 and August 2, 2012. From 2008 to 2012, poi mill operations netted a loss of almost \$450,000, according to OHA Board meeting minutes. On May 15, 2012, OHA announced in a press release that it would "transition ownership and management" of the mill to a "Kauaʻi community organization". Over the next two days (May 16 and 17), OHA held a Board and Board community meetings on Kauai, during which the poi mill was a major topic of discussion with the community. On Dec. 26, 2012, OHA issued a press release stating that the agency was "transferring Makaweli Poi" to Supporting the Language of Kauai Inc (SLK). The Request for Check Issuance was submitted the same day as the press release and marked "rush"



APPENDIX C – OHA ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (32)

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
										<p>as noted by CLA. The press release stated that "OHA had previously been working with Ka Piko o Waimea on the transfer of Makaweli Poi since May, and recently began accepting business proposals from other nonprofit community groups."</p> <p>The press release said that ultimately OHA accepted the business plan of SLK, and would transfer the poi mill assets by the beginning of 2013 and would also "provide seed money to help with start-up costs" to SLK.</p>
23	Disbursements	CEO Sponsorships	D-30	30149 (05/19/2014)	Smithsonian National Museum of the American Indian	\$ 25,000.00	174	CEO no longer employed by OHA and was not interviewed by CLA	<p>Disbursement Purpose: Sponsorship of Living Aloha Event honoring Sen. Daniel K. Inouye, May 2014</p> <p>Observations:</p> <ul style="list-style-type: none"> OHA forms were not completed in chronological order. <p>Duplicates of three documents in the file, indicating a simultaneous procurement and disbursement process was taking place.</p>	Individuals with knowledge about this disbursement are no longer employed with OHA.
24	Disbursements	CEO Sponsorships	D-31	30190 (05/27/2014)	The Nature Conservancy	\$ 24,999.00	175	CEO no longer employed by OHA and was not interviewed by CLA	<p>Disbursement Purpose: Sponsorship of the Marine Fellowship Program</p> <p>Observations:</p> <ul style="list-style-type: none"> OHA knew the purpose of the sponsorship was to support a programmatic service. CEO Sponsorships were intended to be used for one-day 	



APPENDIX C – OHA ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (32)

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									events. Sponsorship should have been submitted under a grant process for programmatic services, such as Community Grants or Kūlia Grants Sponsorship raises the question of whether it was handled properly, which could be an indication of possible abuse of the grant award process to benefit the grantee.	
25	Disbursements	CEO Sponsorships	D-43	33539 (04/21/2016)	The Edith Kanakaʻole Foundation	\$ 25,000.00	176	CEO no longer employed by OHA and was not interviewed by CLA	Disbursement Purpose: To support research towards Kanawai o Mauna a Wākea stewardship Observations: <ul style="list-style-type: none">Email indicated that the grant award was a rush at the request of the CEO.Appears that the CFO approved the Request for Check Issuance before Purchase Requisition was approved.Grant file was missing a formal funding request letter or application and Procurement Document Checklist, required by Grants SOP and Fiscal Procedures Manual, and a copy of the Purchase Order.CEO rushing the award may have resulted in circumventing the Grants Program Standard Operating Procedure.	Individuals with knowledge about this disbursement are no longer employed with OHA.

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									Sponsorship raises question of whether it was handled properly, could be an indication of possible favoritism to the grantee.	
26	Disbursements	Exempt Non-Grants Small Purchase	D-02	28535 (06/17/2013)	David R. Sanborn	\$ 5,000.00	193	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p>Disbursement Purpose: Develop a Native Hawaiian Organization consultation policy development handbook</p> <p>Observations:</p> <ul style="list-style-type: none"> Contractor was paid entire amount he invoiced OHA OHA could not locate deliverable document. <p>Possible waste.</p>	Individuals with knowledge about this disbursement are no longer employed with OHA.
27	Disbursements	Exempt Non-Grants Small Purchase	D-04	25498 (11/30/2011)	ABW Holdings, LLC	\$ 150,000.00	193	Individuals with knowledge about this disbursement are no longer employed by OHA and were not interviewed by CLA	<p>Disbursement Purpose: To pay for a lease guaranty OHA had signed on behalf of Kauhale LLC, which defaulted on its commercial lease at the Waikiki Beach Walk</p> <p>Observations:</p> <ul style="list-style-type: none"> \$150,000 was split into two separate Purchase Requisitions No evidence that legal counsel reviewed the disbursement before the payment was issued Disbursement did not contain vendor's invoice or evidence that indicated that Kauhale defaulted on its lease. Not sufficient transparency because disbursement lacked a single PR for the total 	<ul style="list-style-type: none"> CLA was provided Action Item ARM/BAE #06-09, which was approved with five votes by the OHA Board in open session on 10/05/06. In response to CLA's question of "why OHA was involved in guarantying commercial leases for a non-profit business," ARM/BAE #06-09 explains "OHA's economic development agenda includes stimulating Native Hawaiian entrepreneurship and expanding profitability and sales for Native Hawaiian artisans and producers by building substantial marketing opportunities [...] This action proposes that OHA facilitates small business development and growth by helping Native Hawaiian owned businesses locate in [...] prime

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									<p>\$150,000, and there was no Procurement Document Checklist (although not required)..</p> <p>Combined with fact that OHA did not retain copy of vendor invoice or file an explanation as to why it was in the business of providing a lease guaranty, these factors could be an indication of possible waste or abuse.</p>	<p>retail space at the Waikiki Beach Walk [...] With OHA's [lease] guarantee, these businesses are able to secure a lease at discounted lease rates, which would have otherwise been inaccessible to these firms on their own."</p> <ul style="list-style-type: none"> • Board action on 10/05/06 approved a lease guarantee not to exceed \$250,000. • File sent to CLA contained a Procurement Package Checklist <p>Request for Check Issuance Form for \$150,000 was initiated by Corp Counsel and signed by Corp Counsel, indicating that legal counsel did in fact "review the disbursement before the payment was issued."</p>
28	Disbursements	Exempt Non-Grants Small Purchase	D-22	28442 (05/31/2013)	Hu'ena Power, Inc.	\$ 600,000.00	194	N/A	<p>Disbursement Purpose: Investment Purchase</p> <p>Observations:</p> <ul style="list-style-type: none"> • BOT Agenda that indicates there was BOT Action in Executive Session. • OHA did not give the copy of the Action Item because it was in Executive Session and confidential. • No evidence of public vote by BOT that approved the investment. • Public Record shows that Hu'ena Power was not selected by HELCO to develop geothermal stations and as a 	<p>OHA Action Item ARM 13-02 entitled "Consideration by the Board of Trustees of an investment in Hu'ena Power Consortium ("HPC")" was placed on the 4/18/13 OHA Board of Trustees meeting agenda in Executive Session and remains confidential.</p>

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									<p>result OHA did not recover its \$600,000 investment in the venture.</p> <p>Highly risky investment with no return, loss of initial investment led to red flag for waste of funds and possibility of fraud.</p>	
29	Disbursements	Exempt Non-Grants Small Purchase	D-33	28949 (09/09/2013)	The Kalaimoku Group, LLC	\$ 28,115.17	195	Individuals with knowledge about this disbursement are no longer employed by OHA and were not interviewed by CLA	<p>Disbursement Purpose: Produce Native Hawaiian Roll Commission Concert Series, August 31, 2013</p> <p>Observations:</p> <ul style="list-style-type: none"> Several inconsistencies re: dates of procurement documents. Invoice for the concert production was dated 19 days before the concert, with no explanation provided by OHA. Purchase order was issued by OHA and dated nine days after the concert with no explanation for why it was created after services were rendered. Check was issued same day as OHA prepared the Purchase Order, but the request for Check Issuance was dated three days before the Purchase Order was created. CLA determined that this disbursement did not qualify as an exempt procurement 	Individuals with knowledge about this disbursement are no longer employed with OHA.

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									Indicators that procurement was not handled properly which could indicate possible favoritism to this vendor	
30	Disbursements	Exempt Non-Grants Small Purchase	D-34	30921 (10/28/2014)	Hi‘ilei Aloha LLC	\$ 50,000.00	196	Individuals with knowledge about this disbursement are no longer employed by OHA and were not interviewed by CLA	<p>Disbursement Purpose: To hire a grant writer for Hi‘ilei Aloha</p> <p>Observations:</p> <ul style="list-style-type: none"> No documentation that the grant writer position was advertised or filled. OHA did not provide any documentation to show that position was advertised or filled. OHA was unable to demonstrate the purpose of the disbursement met its intended use. <p>Indicator for possible fraud, waste or abuse.</p>	
31	Disbursements	Exempt Non-Grants Small Purchase	D-47	30659 (08/29/2014)	Kualoa Ranch Hawaii, Inc.	\$ 9,198.58	196	Individuals with knowledge about this disbursement are no longer employed by OHA and were not interviewed by CLA	<p>Disbursement Purpose: To rent facilities to entertain staff and their families at a tourist attraction</p> <p>Observations:</p> <ul style="list-style-type: none"> Used to rent facilities to entertain OHA staff and families, indication of possible use of public funds for entertainment and could be considered wasteful. HRS 103D may broadly apply because it prohibits unethical use of state funds. 	Individuals with knowledge about this disbursement are no longer employed with OHA.

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes
									<ul style="list-style-type: none"> HRS 84 fair treatment statute may apply; CLA interpreted the statute to mean that no OHA employee can use their position to grant unwarranted privileges to others. <p>Indicators of possible waste include lack of documentation to support that the activities undertaken qualified as an exempt disbursement.</p>	
32	Disbursements	Exempt Non-Grants Small Purchase	D-48	28834 (08/14/2013)	Wet ‘N’ Wild Hawaii	\$ 8,483.33	197	Individuals with knowledge about this disbursement are no longer employed by OHA and were not interviewed by CLA	<p>Disbursement Purpose: To entertain OHA staff and their families at a water theme park</p> <p>Observations:</p> <ul style="list-style-type: none"> Used to rent facilities to entertain OHA staff and families, indication of possible use of public funds for entertainment and could be considered wasteful. HRS 103D may broadly apply because it prohibits unethical use of state funds. HRS 84 fair treatment statute may apply; CLA interpreted the statute to mean that no OHA employee can use their position to grant unwarranted privileges to others. <p>Indicators of possible waste include lack of documentation to support that the activities undertaken qualified as an exempt disbursement.</p>	Individuals with knowledge about this disbursement are no longer employed with OHA.

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APPENDIX D – LLCs ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (6)

I. Summary of Responses Addressing 6 Flagged Test Items of Possible Fraud Waste Abuse by Process Area

Type	Total Items	Total \$	Response No.
Contracts	2	\$11,960	1, 2
Disbursements	4	\$103,367	3,4,5,6
Total	6	\$115,327	

II. Detailed Responses Addressing 6 Flagged Test Items of Possible Fraud Waste Abuse

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
1	Contract	Hi'ilei Aloha Contracts	LK-26		Peter Hanohano, Jr.	\$ 1,960.00	245
<p>CLA Observation (Summarized): A \$500 payment was issued to vendor as a stipend that was not included in contract. Travel costs exceeded contract amount by \$100.68</p>							
<p>LLC Management: The contract manager for this contract is no longer a Hi'ilei employee. Peter Hanohano, Ph.D., was one of Hi'ilei's capacity-building managers and had recently left Hi'ilei's employment. Capacity-Building had a full schedule of workshops to conduct on various islands. Because of that, Peter offered to help, and Hi'ilei agreed to cover his travel costs. A contract was written based on estimated travel costs, which turned out to be \$100 more than estimated. Hi'ilei also provided Peter a \$500 stipend for his time. He spent several days</p>							

APPENDIX D – LLCs ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (6)

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
teaching workshops and traveling on his own time. It would have cost much more to use a consultant. If Peter did not assist, some of the workshops would had to have been canceled, which would inconvenience Hi'ilei clients and OHA beneficiaries.							
2	Contract	Hi'ilei Aloha Contracts	LK-28		HAHCBED Hi Alliance	\$ 10,000.00	245
CLA Observation (Summarized): Payments to vendor exceeded contract amount by \$406 for out-of-pocket expenses that were invoiced to Hiilei Aloha but for which no receipt was provided							
LLC Management: The contract manager for this contract is no longer a Hi'ilei employee. The Department of Hawaiian Home Lands (DHHL) contracted with Hi'ilei to do convention planning and to provide capacity-building services to homestead associations. Some of those services were contracted to Hawai'i Alliance for Community Based Economic Development (HACBED), a well-known nonprofit organization that focuses on community economic development. HACBED had been one of DHHL staff's preferred vendors. When services were contracted out, capacity-building staff did not require vendors to attach copies of receipts as long as the services were performed and verified. All services under this contract were performed and verified.							
3	Disbursements	Hi'ilei Aloha Disbursements	LD-03	003687	Lehua Poi Company	\$ 20,000.00	270

APPENDIX D – LLCs ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (6)

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
<p>CLA Observation (Summarized): Purpose of disbursement is questionable since Hiilei Aloha was not involved with poi mill operations and Hiipoi had already transferred poi mill on 12/31/12. No indication in Hiilei Aloha's Fiscal Policies and Procedures manual that its purpose is to make loans to 3rd parties. \$20,000 loan was not repaid and eventually written off in Oct. 2015. Raises question of whether this disbursement adhered to mission and goals of Hiilei Aloha, which could indicate possible waste of funds. In addition, lack of documentation surrounding transaction and method of how handled are possible indicators of fraud, waste, abuse.</p>							
<p>LLC Management : This and the next three transactions relate to Hi'ipoi LLC and Makaweli Poi Mill.</p> <p>CLA questions whether this disbursement adhered to Hi'ilei's mission and goals. It absolutely was in line with Hi'ilei's mission to preserve Hawaiian culture and provide educational opportunities as outlined in detail below. CLA states the disbursement is questionable because Hi'ilei was not involved with poi mill operations. This is incorrect. Hi'ilei was very involved with poi mill operations from 2010 forward. Hi'ilei provided capacity-building assistance, grant writing assistance, and technical assistance onsite plus marketing, sales, and delivery support on O'ahu.</p> <p>Following is the background information on reasons for acquiring the Poi Mill and details about Hi'ilei's mission.</p> <p>In 2006, the owner of Makaweli Poi Mill (John Aana) approached OHA and asked OHA to buy the mill because he wanted to devote all of his time to taro farming. He agreed to double his taro production to help the poi mill become self-sustainable and profit-making. After much discussion, OHA Trustees agreed to buy the Poi Mill in 2006 with all Trustees voting to keep it in operation for the cultural and economic benefit of the westside Kaua'i community. This would preserve the making of Makaweli-style poi, which is thicker and more tart than other poi varieties, and is favored by Niihauans who live on the west side. There would also be economic benefit to the taro farmers of Waimea and Makaweli valleys. It was contemplated that the Poi Mill and surrounding taro lo'i would serve as education projects for students and the community at large to learn Hawaiian culture and the practice of planting and harvesting taro and making Makaweli-style poi. All of these points are discussed at length in the Business Plan that was prepared to support the purchase of Makaweli Poi Mill.</p>							

APPENDIX D – LLCs ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (6)

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OHA Trustees approved purchasing the mill from Aana for \$185,000 and gave him a consulting contract in the amount of \$25,000 for the first year to help the mill succeed. Trustees created a nonprofit organization, Hi'ipoi LLC, to take ownership of the mill and manage it. Trustees formed another nonprofit organization, Hi'ilei Aloha LLC, as the parent company of Hi'ipoi.

The mission of the parent company, Hi'ilei Aloha LLC, is:

- To study the history and culture of the Hawaiian people, including ancestral lifestyles, traditions, customs, practices, values and beliefs including, by way of example, agricultural, farming, language, religion, economy, trade, and social practices.
- To educate the Hawaiian people and all people on the history and culture of the Hawaiian people, including through educational models, demonstrations, employment opportunities, and scientific studies.
- To educate the Hawaiian people and all people as to the plants, land, and water resources, and other wildlife and ecosystems endemic to the Hawaiian Islands along with their role in Hawaiian history, civilization and culture.
- To educate, train, assist, and prepare Hawaiians for leadership in business and community affairs.

The mission of Hi'ipoi LLC was:

- To preserve, protect, enhance, develop and promote Hawaiian culture, customs and practices through the production of poi and/or other taro products and by supporting and encouraging the farming of taro in Makaweli Valley and surrounding communities.
- To create educational and business opportunities for Hawaiians related to taro farming and production of poi and other taro products.

The Poi Mill struggled financially from the beginning of OHA's acquisition of it. Aana did not double his taro production as committed to, and there were not enough poi sales to become self-sustaining as projected in the Business Plan. Hi'ipoi LLC constantly requested more

APPENDIX D – LLCs ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (6)

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
							<p>funds from OHA to sustain operations. The financial struggles are documented in many reports given to OHA and Trustees. At one point, Trustees instructed Hi'ipoi managers not to come back and ask for more funding.</p> <p>Within a few years, OHA ended up putting more than \$500,000 into the Mill to keep it operating. Upon close review of site management at the Mill, Hi'ipoi learned that Aana was undermining OHA's acquisition by redirecting the staff and questioning decisions made by Hi'ipoi LLC managers. Aana blamed the financial struggles on OHA for hiring a full-time executive director, incurring accounting costs for fiscal reporting, purchasing insurance, and incurring other costs that he did not have as a mom-and-pop operation.</p> <p>Knowing that Trustees would not approve additional funding and that OHA could not successfully manage the Mill from off-island, Hi'ipoi LLC managers looked at exit strategies to transfer ownership of the Mill to a community-based nonprofit organization on Kaua'i. The Trustees' original goals of purchasing the Mill still remained in place: to support cultural practices and education and to keep the Mill operational as an economic and cultural resource for the westside Kaua'i community.</p> <p>When Hi'ipoi LLC managers announced that it would be transferring ownership of the Mill to a community-based organization, Aana and the poi mill's onsite manager (Brynna Storch) objected, stating that OHA had an obligation to continue funding the mill and make it successful. Later they agreed to a transfer in ownership provided that they were allowed to form their own nonprofit organization to take over the mill. They asked Hi'ipoi managers to give them \$1,000 to form their organization (Ka Piko). The Managers approved the expense and directed Ka Piko to submit a Business Plan for review.</p> <p>After six months of requests for Ka Piko's business plan, but not receiving it, Hi'ipoi managers decided to look for another community organization to acquire the Mill. A call went out for proposals, and Supporting the Language of Kaua'i (SLK) submitted a Business Plan with their proposal. SLK is the nonprofit arm of Kawaikini Public Charter School located on the grounds of Kaua'i Community College. SLK intended to contract with a Waimea business owner (Nākulu Arquette) to run the Mill. Arquette had many years of experience of growing taro, making poi, and running a successful snack business. Part of the profits of the Mill would go to SLK for scholarships for its students.</p>

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#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
<p>Hi'ipoi managers selected SLK as the community-based organization to take over the Mill. When they informed Ka Piko that they were proceeding to work with another community organization because Ka Piko had not produced a Business Plan, members of Ka Piko became enraged. They started a hostile media and community campaign against OHA, Hi'ilei, Hi'ipoi, and the managers. They undermined the success of the mill, calling for a boycott by taro farmers and employees, and spreading lies in the community about OHA, Hi'ilei, Hi'ipoi, SLK and Arquette. They eventually sued OHA, Hi'ilei Aloha LLC, and Hi'ipoi LLC, and lost the lawsuit.</p> <p>Through all of this, the goal still remained to help the Poi Mill survive and preserve it as a resource for the community as initially directed by OHA Trustees. Hi'ilei's capacity-building program helped the poi mill under SLK and Arquette many times the same way Hi'ilei helped any Native Hawaiian business or nonprofit organization that requested assistance. Under SLK/Arquette, the poi mill still continued to struggle financially and was still in danger of closing. Arquette eventually asked OHA for a loan, which the LLC Managers approved. The hostility from Ka Piko continued. The mill continued to struggle and eventually Arquette was not able to repay the loan. The LLC Managers approved write-off of the loan.</p> <p>Although the Mill was struggling financially, Arquette kept the mill running while he looked for someone else to take over. The Mill was producing poi, purchasing taro from farmers, and continuing the practice of making thick, tart Makaweli-style poi. OHA Trustees' original goal of preserving the Mill as a cultural and economic resource for the community was being achieved in spite of all the hostility.</p>							
4	Disbursements	Hi'ilei Aloha Disbursements	LD-05	004597	Supporting the Language of Kaua'i, Inc. (SLK)	\$ 60,000.00	270
<p>CLA Observation (Summarized): Lehua Poi Co. is an independent organization separate from Hiilei Aloha and OHA, yet Hiilei Aloha is providing it funding to stay in operation and subsidize its losses. Raises question of whether this disbursement adhered to mission and goals of</p>							

APPENDIX D – LLCs ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (6)

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
							<p>Hiilei Aloha, which could be an indication of possible waster of funds. In addition, lack of documentation surrounding transaction and method of how handled are possible indicators of fraud, waste, abuse.</p> <p>LLC Management : CLA states that assistance to SLK was outside of Hi‘ilei Aloha’s mission. But this is incorrect. It is absolutely part of Hi‘ilei’s mission to preserve Hawaiian culture and provide educational opportunities as outlined in detail above. In addition, Hi‘ilei had a responsibility to find solutions to growing losses of sub-entity Hi‘ipoi with the knowledge of OHA Trustees’ initial goal to preserve the Mill as a cultural and economic resource for the community and admonition not to come back and ask for more funding.</p> <p>Arquette decided to stop managing the mill for SLK because of mounting financial losses and continual hostility from Ka Piko. Arquette looked for buyers of the business at \$125,000 to pay off his debts, including the above loan. Several buyers expressed an interest in the Mill but could not come up with financing.</p> <p>SLK identified a former taro farmer and current educator (Kaina Makua) who wanted to take over the mill, but he did not have the funds to buy it. Makua was an ideal candidate to run the mill because he was from the community, was an experienced taro farmer, had a Master’s degree in education, and had a strong background in Hawaiian language and culture. With his experience and knowledge, he had a Business Plan to help the Mill become self-sustaining by using both nonprofit cultural approaches and for-profit business approaches.</p> <p>SLK asked OHA and Hi‘ipoi LLC for financial assistance to help transfer management of the Mill from Arquette to Makua. This would cover some of Arquette’s losses and provide Makua with start-up funds. As part of its capacity-building program, Hi‘ilei provided the funding. The goal was still to keep the Mill open and preserve it as a resource for the community as initially directed by OHA Trustees. The Mill was turned over to Makua without any exchange of funds between Arquette and Makua.</p> <p>Once Makua took over management of the Mill, Hi‘ilei continued to provide capacity-building assistance to the Mill by helping with grant writing, strategic planning, and training their in-house grant writer. Their grant writer became very successful, writing grants jointly at first with Hi‘ilei staff and eventually identifying grant opportunities and writing grant applications on her own.</p>

APPENDIX D – LLCs ADDRESSING POSSIBLE FRAUD WASTE ABUSE FLAGGED TEST ITEMS (6)

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
5	Disbursements	Hi'ilei Aloha Disbursements	LD-22	004494	Commercial Dehydrator Systems, Inc.	\$ 13,367.00	270
<p>CLA Observation (Summarized): \$13,367 purchase of commercial dehydrator system for poi mill made four days prior to Hiipoi's transfer of poi mill. According to Hiilei Aloha, purchase of dehydrator was a verbal agreement between Dr. Crabbe and Lehua Poi Company during negotiations to transfer poi mill. Raises question of whether the disbursement adhered to the mission and goals of Hiilei Aloha which could be an indication of possible waste of funds.</p>							
<p>LLC Management: CLA states that the purchase of a commercial dehydrator system for the Mill was outside of Hi'ilei Aloha's mission. But this is incorrect. It is absolutely part of Hi'ilei's mission to preserve Hawaiian culture, provide educational opportunities, and assist and prepare Native Hawaiians for leadership in business, as outlined in detail above.</p> <p>In addition, OHA Trustees approved funding for Hi'ilei's capacity-building program to help Native Hawaiian nonprofit organizations and businesses succeed. The mission of Hi'ilei's capacity-building program is to "identify, promote, develop, and support culturally-appropriate, sustainable opportunities that benefit Native Hawaiians."</p> <p>In order for the poi mill to be successful, it needed to sell more products other than poi and sell those products on islands other than Kaua'i. The population of Kaua'i was not big enough to sustain the poi mill only on sales of poi. Because the goal was still OHA Trustees' original goal of keeping the Mill open and preserving it as a cultural and economic resource for the community, LLC Managers stayed involved to help the Mill succeed. One of the ways to help was to purchase a dehydrator so the Mill could expand its product line by making taro flour. If Hi'ipoi still owned the Mill, OHA or Hi'ilei would have assisted in ways like this without hesitation.</p> <p>Hi'ilei had already assisted the poi mill over the years by helping to develop, package, and sell new products such as Taro Chunks and kūlolo. Hi'ilei explored bottling options with Kōloa Rum to package poi as a baby food. Hi'ilei brought in the Agriculture Incubator</p>							

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#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
<p>Program at the UH College of Tropical Agriculture (CTAHR) to help analyze the business and provide advice. Hi'ilei helped the mill obtain clients on O'ahu, which included all of the Foodland stores and Times Supermarkets and other potentially big clients such as Young's Market. Hi'ilei helped the Poi Mill deliver its products on O'ahu by picking up shipments at Aloha Air Cargo and delivering to 20+ stops around the island.</p>							
6	Disbursements	Hi'ipoi ¹ Disbursements	LD-21	001058	Supporting the Language of Kaua'i, Inc.	\$ 10,000.00	280
<p>CLA Observation (Summarized): SLK is an independent organization separate from Hiilei Aloha and OHA, yet Hiilei Aloha continued to fund the operation of poi mill after it was transferred. Because there were no policies or procedures for Hiipoi, CLA is unable to determine a process was established for awarding grants to support poi production. Further, appears grant was actually funded by OHA. There was no documentation to support that the grant was reviewed and approved through OHA's standard grant process (including HRS § 10-7 and OHA Grants SOP), which indicates that this payment may have been structured to avoid OHA's grant policies and procedures by using Hiipoi as a conduit to make grant payments to SLK. Lack of documentation surrounding transaction, method in which transaction was handled and possible personal relationships between Dr. Crabbe, Mr. Perry and Mr Arquette are possible red flags of fraud, waste, abuse.</p>							
<p>LLC Management : CLA implies that SLK's status as an independent organization separate from OHA and Hi'ilei would make this grant inappropriate. However, that is incorrect. CLA overlooks OHA's mission to better the conditions of Native Hawaiians; Hi'ilei's mission to preserve and educate on Hawaiian cultural practices; and the capacity-building program's mission to help Native Hawaiian businesses as</p>							

¹ Dissolved in 2017.

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							<p>outlined in detail above. This disbursement to SLK was for the same purposes: to help the Mill survive and preserve it as a cultural and economic resource for the community, as initially directed by OHA Trustees when the Mill was first acquired.</p> <p>If the relationship between Crabbe, Perry, and Arquette is only that they know each other in the Hawaiian community and sit on the same nonprofit board(s), that displays a lack of knowledge and needs to be reconsidered. In the small community of Hawai'i, many people know each other and many people sit on the same boards. The Hawaiian community is even smaller, with a population of less than 300,000 living in Hawai'i. People are bound to know each other. That alone should not be a basis for presuming a conflict of interest, fraud, waste, or abuse. There should be evidence before inflammatory statements such as this are made.</p> <p><u>IN SUMMARY</u>, it is important to note that the poi mill is finally successful. With the resources that OHA, Hi'ipoi, and Hi'ilei provided to SLK, Arquette, and Makua, the poi mill is finally self- sustaining. With Makua's nonprofit cultural model and for-profit business model, the Poi Mill is finally succeeding.</p> <p>OHA Trustees' original goal has been achieved: preservation of the Mill as a cultural and economic resource for the westside Kaua'i community.</p> <p>If Hi'ipoi LLC had retained ownership of the Mill, OHA and Hi'ilei would have put all of these resources into the Mill, without hesitation, to make it successful. The fact that ownership was under SLK, a nonprofit community-based organization, does not remove OHA's responsibility to better the conditions of Native Hawaiians, nor does it change the mission of Hi'ilei Aloha LLC to help preserve Hawaiian culture and practices; to educate Native Hawaiians and other people on Hawaiian culture and practices; to educate, train, assist and prepare Hawaiians for leadership in business and community affairs; and to help Native Hawaiian businesses succeed.</p> <p>OHA, Hi'ilei Aloha LLC, and Hi'ipoi LLC should be commended for enduring the struggles of owning a Poi Mill, a difficult business anywhere, and persevering to find a methodology that would work. It took courage to constantly consider other possibilities in the face of hostility. Today the Mill is surviving and has been preserved as a cultural and economic resource for the community.</p>

OHA PARTIALLY IMPLEMENTED (18)				
ITEM No	REC No	SUMMARY	Q3 (MARCH 2020 ¹)	Q4 (JUNE 2020 ²)
1	6	<p>Corporate Counsel: The primary responsibility to identify and disclose conflicts of interest will remain with the individual staff involved in decision-making. A certification by the contract signator, will be included as part of the standard OHA contract signature line, to attest that he/she has no conflicts of interests related to the contract. An additional step to screen for potential conflicts during the processing of contracts by staff in OHA Grants, Procurement, and Corporate Counsel, will utilize a list of publicly disclosed entities from the Hawai'i State Ethics Commission Short Form Disclosures of Financial Interests.</p> <p>Targeted Implementation Date: June 2020</p>		
2A	23A	<p>Procurement Services Program (PSP): Effective 2016, the Procurement Services Program contract file is comprised of three sections: 1) all solicitation documents, including the appointment of the evaluation committee, evaluation documents, and copy of recommendation to award; 2) the executed contract documents; 3) all original proposals and any other documents relevant to the RFP process. The solicitation section includes all seven items noted by the CLA recommendation required for an RFP. To maintain the integrity of the contract file, Procurement does not permit original proposals to be loaned out for any type of review. Only copies of the proposals submitted are loaned out for reviewing purposes. Currently, one hard copy of each proposal is maintained in the contract file. Procurement plans to scan all solicitation documents for efficient document retrieval. The entire procurement contract file is retained throughout the term/life of the</p>		

¹ Reported no later than April 30th

² Reported no later than July 31st

OHA PARTIALLY IMPLEMENTED (18)				
ITEM No	REC No	SUMMARY	Q3 (MARCH 2020 ¹)	Q4 (JUNE 2020 ²)
		<p>contract. Once the contract has expired, the contract file comprised of the three parts is archived according to OHA's records retention policy. This process will be included in the current draft of the Procurement Services Program SOP which is pending review and approval. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p>		
2B	26A	<p>Procurement Services Program (PSP): Effective 2016, all procurement contract documents are uniformly organized into the procurement contract file with three dividers. The three dividers create six sections as follows: 1) Solicitation document (other than IFB Or RFP); 2) Primary contract, supplemental and completed PAC forms; 3) Supplemental contracts and completed Procurement Authorization Checklist (PAC) forms; 4) PO and all PO revisions; 5) internal communications; and 6) external communications. The procurement contract files for the IFB and RFP have two sections: 1) Solicitation, approval forms, and documents; and 2) the Final IFB and RFP. This process will be included in the current draft of the PSP's SOPs which is pending review and approval. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p>		
3	28	<p>Procurement Services Program (PSP): It is the responsibility of the Procurement Services Program to ensure compliance with the State Procurement Laws for purchases of more than \$2,500. The Procurement Manager reviews and signs for approval of the source selection on the PAC form. The Procurement Document Checklist is no longer used. The Procurement Services</p>		

OHA PARTIALLY IMPLEMENTED (18)				
ITEM No	REC No	SUMMARY	Q3 (MARCH 2020 ¹)	Q4 (JUNE 2020 ²)
		<p>Program submits to Corporate Counsel the procurement contract file for review and approval of a contract as to form.</p> <p>This process has been included in the current draft of the PSP's SOP, which is pending review and adoption. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p>		
4	29	<p>Financial Services Program (FSP): Processed check payments are being sent directly to vendors via mail or in person. While the current fiscal procedures allow for checks to be released to the requestors for delivery to vendors/grantees, with the control over the practice the signature of receipt (by the requestor) as indicated on the check transmittal; procedures to be updated to discontinue this practice.</p> <p>Targeted Implementation Date: June 2020</p>		
5	31	<p>Executive Office, Organization Wide, Contract Management: Once a good or service has been procured through the PSP, the Program (e.g. Land, Community Engagement, Research) is responsible for contract administration. PSP is not responsible for maintaining a record of the deliverables submitted by the vendor or for keeping a record of the deliverable in the contract file. The Program communicates and works directly with the contractor or vendor to ensure the deliverables are met, received, and/or otherwise maintained. An organization wide process for contract administration will be developed and implemented that complements and is integrated with OHA's Oracle Fusion processes.</p> <p>Targeted Implementation Date: June 2020</p>		
6A	32A	Procurement Services Program (PSP):		

OHA PARTIALLY IMPLEMENTED (18)				
ITEM No	REC No	SUMMARY	Q3 (MARCH 2020 ¹)	Q4 (JUNE 2020 ²)
		<p>This is an exception to the normal practice. Only in rare occasions, and in instances concerning emergencies, will contracts with an effective date that precedes the execution date be reviewed for consideration by Corporate Counsel. A memo to file will be included with the contract to document the reason for Corporate Counsel's granting of the exception, consistent with state practice (Comptroller's Memorandum no. 2009-14).</p> <p>Targeted Implementation Date: June 2020</p>		
6B	34A	<p>Procurement Services Program (PSP): A Program's request to extend and/or add funds to an existing contract must be submitted in writing to the Procurement Services Program. The Procurement Specialist will request justification in writing for the amendment, and it will be retained in the contract file under Section 5: "Internal Communications of the Procurement Services Program (PSP)." However, justification for the amendment will not be drafted into the contract amendment.</p> <p>The PSP SOP is pending review and approval. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p>		
7A	35A	<p>Executive Office, Organization Wide, Contract Management: Once a good or service has been procured through the PSP, the Program (e.g. Land, Community Engagement, Research) is responsible for contract administration. PSP is not responsible for maintaining a record of the deliverables submitted by the vendor or for keeping a record of the deliverable in the contract file. The Program communicates and works directly with the contractor or vendor to ensure the deliverables are met, received, and/or otherwise maintained. An organization wide process for contract administration will be developed and</p>		

OHA PARTIALLY IMPLEMENTED (18)				
ITEM No	REC No	SUMMARY	Q3 (MARCH 2020 ¹)	Q4 (JUNE 2020 ²)
		implemented that complements and is integrated with OHA's Oracle Fusion processes. Targeted Implementation Date: June 2020		
7B	68A	Procurement Services Program (PSP): Addresses item number (3) Statement of Completed Travel Form is submitted within the deadline: OHA initiated the OHA Business Travel Process project team to help develop an efficient travel process for OHA Trustees and staff. Through the project management process, the project team plans to, among other things, address inefficiencies in the current travel process and to provide for clear accountability to the travel policy and procedures. Targeted Implementation Date: June 2020		
8	36	Procurement Services Program (PSP): Effective 2016, the Procurement Services Program retains the approved review and selection committee members' names in the procurement contract file. The following documents that evidence completion of an appropriate selection process are kept in Section 1 of the procurement contract file: (1) Memorandum to CEO to appoint the Selection Committee, (2) evidence that the Procurement Officer ensured the impartiality and independence of committee members, (3) the Selection Committee individual scoring sheets, (4) the Selection Committee Scoring Matrix, and (5) Memorandum to CEO recommending the top three ranked candidates with the CEO's approval. The approval memos and evaluation conducted by the Review committee are kept in a separate file with the corresponding fiscal year's Statement of Qualifications and Notice of Interest. This process will be included in the current draft of the Procurement Services Program Standard Operating Procedures, which is		

OHA PARTIALLY IMPLEMENTED (18)				
ITEM No	REC No	SUMMARY	Q3 (MARCH 2020 ¹)	Q4 (JUNE 2020 ²)
		<p>pending review and approval. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System</p> <p>Targeted Implementation Date: June 2020</p>		
9	38	<p>With this guidance from HSEC, if during the contracts or grants process, OHA staff becomes aware that a former OHA employee is working for a prospective vendor, contractor, or grantee, then OHA staff should inform Corporate Counsel. Corporate Counsel can confirm with Human Resources the separation date of the former employee and follow-up with the former OHA employee or his/her current employer on the former OHA employee's role or responsibilities with respect to the contract or grant being considered by OHA. Corporate Counsel can make a determination on whether OHA or the vendor, contractor, or grantee can proceed further. If there are any questions, Corporate Counsel or the former OHA employee can contact HSEC for guidance.</p> <p>Targeted Implementation Date: June 2020</p>		
10	40	<p>Procurement Services Program (PSP): Currently, to process a procurement request from solicitation to an executed contract requires the PAC form to be completed. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. The PAC form includes: the PR number and relevant information; approval for solicitation method; compliance documents; and approvals as required by program managers, directors, CFO, COO and/or CEO.</p> <p>This process has been included in the current draft of the Procurement Services Program Standard Operating Procedures, which is</p>		

OHA PARTIALLY IMPLEMENTED (18)				
ITEM No	REC No	SUMMARY	Q3 (MARCH 2020 ¹)	Q4 (JUNE 2020 ²)
		<p>pending review and approval. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p>		
11	43	<p>Procurement Services Program (PSP): The Procurement Services Program currently requires a “Procurement Authorization Checklist” (PAC) form to be completed in order to process a procurement request from solicitation to an executed contract. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. If an exemption is applicable, procurement staff provides citation to the exemption with an explanation on the PAC form. The PAC form is then submitted to the PSP Manager for approval. The PAC form includes: the PR number and relevant information; approval for solicitation method; compliance documents; and approvals by program managers, directors, CFO, COO and CEO. This process will be included in the current draft of the Procurement Services Program Standard Operating Procedures, pending review and adoption. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p>		
12	45	<p>Procurement Services Program (PSP): Upon notice of a possible procurement violation, the Procurement Manager will gather information by requesting that the program complete the “Procurement Inquiry Form.” The Procurement Manager will use the information provided on the Procurement Inquiry Form to determine if a violation has occurred. If a violation has occurred, the Procurement Manager will request that the</p>		

OHA PARTIALLY IMPLEMENTED (18)				
ITEM No	REC No	SUMMARY	Q3 (MARCH 2020 ¹)	Q4 (JUNE 2020 ²)
		<p>program complete Form SPO-016, Report of Procurement Violations: Finding and Corrective Actions and/or Request for After-The-Fact Payment Approval. Upon receipt of Form SPO-016 from the program, the Procurement Manager will review for completeness and submit to the HOPA and CPO for review and approval. All Procurement violations will be reported to SPO. This process will be included in the current draft of the Procurement Services Program Standard Operating Procedures, pending review and adoption. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p>		
13A	47A	<p>Resource Financial Management Assets: Financial Services Program (FSP) and Procurement Services Program (PSP): The updated FSP and PSP SOP is pending further revisions reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p>		
13B	47B	Same as 47A		
14	50	<p>Procurement Services Program (PSP): The Procurement Services Program currently requires a “Procurement Authorization Checklist” (PAC) form to be completed in order to process a procurement request from solicitation to an executed contract. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. If an exemption is applicable, procurement staff provides citation to the exemption with an explanation on the PAC form. The PAC form is then submitted to the PSP Manager for approval.</p>		

OHA PARTIALLY IMPLEMENTED (18)				
ITEM No	REC No	SUMMARY	Q3 (MARCH 2020 ¹)	Q4 (JUNE 2020 ²)
		<p>This process has been included in the current draft of the Procurement Services Program Standard Operating Procedures, pending review and adoption. Further revisions will be forthcoming to reflect automation of our processes and advancements achieved with the Oracle Fusion System.</p> <p>Targeted Implementation Date: June 2020</p>		
15	55	<p>Records Management Program: OHA Administration has initiated the Records Management Redesign Project, which will effect a systematic, agency-wide review and update to OHA's records management policies and procedures that is tailored to the unique records produced by each OHA program, starting with programs in our Resource Management – Financial Assets Division. In addition to digital document retention systems that have since been implemented by individual programs, ISRM is currently redesigning OHA's internal SharePoint site and reviewing its function as a document management system.</p> <p>Targeted Implementation Date: February 2020 - Agency-wide project planning completed; June 2020 - updated records policies and procedures for Resource Management – Financial Assets Division implemented; June 2021 - agency-wide implementation completed.</p>		
16	57	<p>Board of Trustees: On August 1, 2017, the Board approved the appointment of members to an Ad Hoc Committee on Grants and Scholarships to review and address Grants, including Kūlia Initiatives, Sponsorships, and the Trustee Sponsorship and Annual Allowance Fund (TSAAF). This program is still under review by the Ad Hoc Committee</p> <p>Targeted Implementation Date: June 2020</p>		
17	60	<p>Board of Trustees: On August 1, 2017, the Board approved the appointment of members</p>		

OHA PARTIALLY IMPLEMENTED (18)				
ITEM No	REC No	SUMMARY	Q3 (MARCH 2020 ¹)	Q4 (JUNE 2020 ²)
		<p>to an Ad hoc Committee on Grants and Scholarships to review and address Grants, including Kūlia Initiatives, Sponsorships, and the Trustee Sponsorship and Annual Allowance Fund (TSAAF).</p> <p>Administration is in the process of developing new organization wide Sponsorship processes, including processing of sponsorships formerly identified as "CEO Sponsorships" now known as "Kaiāulu Sponsorships". The new process includes:</p> <p>1) Board approval of overall Sponsorship biennium budget as an authorization control;</p> <p>2) Aggregation of all Sponsorships throughout the organization; and 3) A single, consistent central processing function (i.e., Grants Department) regardless of the budget origination point, program or line of business. All sponsorship process activities of planning, solicitation, application, review, recommendation, contracting, monitoring & close out and evaluation will involve other areas of OHA (e.g., planning, marketing, awarding announcement, monitoring, evaluation), but the overall process is to be managed by the Grants Department, resulting in more standardized processing.</p> <p>Targeted Implementation Date: June 2020</p>		
18	69	<p>Procurement Services Program (PSP): OHA initiated the OHA Business Travel Process project team to help develop an efficient travel process for OHA Trustees and staff. Through the project management process, the project team plans to, among other things, address inefficiencies in the current travel process and to provide for clear accountability to the travel policy and procedures.</p> <p>Targeted Implementation Date: June 2020</p>		

LLC PARTIALLY IMPLEMENTED (2) – APPENDIX B				
ITEM NO	REC NO	SUMMARY	Q3 (MARCH 2020)	Q4 (JUNE 2020)
1 (HI'ILEI ALOHA LLC)	L-30	<p>Consider formatting the quarterly financial reports to mirror the format of the audited financial statements.</p> <p>To be implemented upon confirmation from OHA of preferred format.</p> <p>Targeted Implementation Date: No later than June 30, 2020</p>		
2 (HI'IPAKA LLC)	L-21	<p>Consider requesting from the bank, images of the front and back of cancelled check with the monthly bank statements.</p> <p>On a sample basis, use images to compare payee information to the information in the general ledger and ensure Hi'ipaka's check signing policy is in compliance.</p> <p>Currently receive a copy of the front of the check with the monthly bank statement. Also have access to copies of both front and back of checks upon request. Will obtain sample copies (5% of checks written) on a monthly basis.</p> <p>Targeted Implementation Date: February 2020</p>		

PHONE (808) 594-1888

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**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS**
560 N. NIMITZ HWY., SUITE 200
HONOLULU, HAWAII 96817

March 28, 2019

VIA E-MAIL: lao.auditors@hawaii.gov
and U.S. MAIL, FIRST CLASS

Mr. Leslie H. Kondo, State Auditor
Office of the Auditor
State of Hawaii
Kekuanao'a Building
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

Re: Response to the Formal Request for Information on Status of Implementation of Audit
Recommendations (Report No. 18-03)¹

Dear Mr. Kondo,

The Office of Hawaiian Affairs' ("OHA") Trustees and Ka Pouhana (Chief Executive Officer) is pleased to respond to your letter dated March 1, 2019 requesting an update on the status of audit recommendations made in Report No. 18-03, issued in February 2018, and offer the following comments as well as our specific responses relating to each recommendation in the attached forms. OHA is pleased to inform you that we have made substantial progress in addressing concerns identified in Report No. 18-03, fully implementing seven and partially implementing 32 of the 39 recommendations. We understand that we still have much work to do to. However, OHA remains committed to making necessary improvements to our overall administration of funds that we disburse to the Native Hawaiian community and to providing increased transparency and accountability to our beneficiaries.

I. Background

OHA notes the objectives of the audit reported in Report No. 18-03 was to: 1) Evaluate OHA policies and actions regarding use of its Fiscal Reserve, Grants, CEO Sponsorships, and Trustee Allowances; 2) Review and report on the status of OHA's implementation of our [auditors] 2013 audit recommendations; and 3) Make recommendations as appropriate.

¹ Report No. 18-03, February 2018, Audit of the Office of Hawaiian Affairs, A Report to the Governor and the Legislature of the State of Hawaii, <http://files.hawaii.gov/auditor/Reports/2018/18-03.pdf>

In addressing the recommendations and formulating our responses, OHA engaged in the following review and engagement activities: 1) Reviewed the requirements of Hawaii Revised Statutes, Chapter 10. Office of Hawaiian Affairs, § 10-3, § 10-4 and particularly § 10-17. Grants; conditions and qualifications; 2) Reviewed Reports No 18-03 and related Report No. 18-08, issued in June 2018²; 3) Reviewed current and updated standard operating procedures; and 4) Engaged in discussions with Grants Department management regarding the changes in processes implemented since the issuance of Reports No. 18-03 and 18-08.

II. Permitted Interaction Group

In January 2019, the Board, in accordance with HAWAII REVISED STATUTES, CHAPTER 92, PUBLIC AGENCY MEETINGS AND RECORDS, §92-2.5 (b) Permitted interactions of members, approved the formation of a Permitted Interaction Group (PIG) to: Investigate various elements of governance frameworks and models, including but not limited to cultural, indigenous, native, national and international contexts. The PIG anticipates formulating and reporting on recommendation(s) for a governance framework that includes, but not limited to: 1) Statutory, board and organization policies, procedures and other supporting documents; 2) Monitoring mechanism of governance practices (e.g., compliance); and 3) Accountability mechanisms for non-compliant behavior and practices. The recommendations from the PIG, Board action and implementation (e.g., reporting) is expected to be completed no later than June 30, 2019.

III. Quality Assurance Function³

As part of OHA's response to the recommendations of Report 18.03, we wanted to apprise the Office of the Auditor that OHA designed and established an organization wide quality assurance (QA) function. Quality control can be defined as "part of quality management focused on fulfilling quality requirements." While quality assurance relates to how a process is performed or how a product is made, quality controls are more the inspection aspect of quality management. An alternate definition is "the operational techniques and activities used to fulfill requirements for quality." Auditing is part of the quality assurance function. It is important to ensure quality because it is used to compare actual conditions with requirements and to report those results to management. Such a QA function is being designed to focus on business functions and processes, including, but not limited to: process design (e.g., controls, efficiencies); risk assessments of processes, processors, practices; policy alignment; procedures documentation (e.g., level of granularity, users, systems); auditing actual practice against documented procedure, etc.

The QA function will be implemented via a Senior Internal Auditor (SIA) position that is anticipated to be launched in the new fiscal year beginning July 1, 2019 and included in the FY 20-21 Biennium Budget. The Grants Department⁴ (formerly known as the Transitional Assistance

² Report No. 18-08, June 2018, Audit of the Office of Hawaiian Affairs' Competitive grants and Report on the Implementation of 2013 Audit Recommendations, A Report to the Governor and the Legislature of the State of Hawaii, <http://files.hawaii.gov/auditor/Reports/2018/18-08.pdf>

³ ASQ, <https://asq.org/quality-resources/quality-assurance-vs-control#qa>, retrieved 1/5/2019

⁴ Throughout this document, the terms "Grants Department" and "Transitional Assistance Program", if used, refers to the same functional OHA unit.

Program in Report No. 18-08) is the first area or business function in OHA that will apply QA function processes via the SIA position. An implementation plan and roll out of the QA function beyond the Grants Department, in the OHA organization, will be detailed after outcomes from the Grants Department implementation are analyzed and other organization wide design activities completed by the SIA.

IV. Summary Internal Control Framework & Implementation

Framing OHA's responses in Appendix A is its overall internal control framework⁵ for the organization modeled after the COSO framework.

What Does COSO Stand For?

In 1992, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed a model for evaluating internal controls. This model has been adopted as the generally accepted framework for internal control and is widely recognized as the definitive standard against which organizations measure the effectiveness of their systems of internal control.



Figure 1. COSO Framework

What Is The COSO Framework?

The COSO model defines internal control as “a process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance of the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations”

In an “effective” internal control system, the following five components work to support the achievement of an entity’s mission, strategies and related business objectives.

1. *Control Environment*

- Integrity and Ethical Values
- Commitment to Competence
- Board of Directors and Audit Committee
- Management’s Philosophy and Operating Style

⁵ <https://info.knowledgeleader.com/bid/161685/what-are-the-five-components-of-the-coso-framework>, retrieved 2/24/2019

- Organizational Structure
- Assignment of Authority and Responsibility
- Human Resource Policies and Procedures

2. *Risk Assessment*

- Company-wide Objectives
- Process-level Objectives
- Risk Identification and Analysis
- Managing Change

3. *Control Activities*

- Policies and Procedures
- Security (Application and Network)
- Application Change Management
- Business Continuity/Backups
- Outsourcing

4. *Information and Communication*

- Quality of Information
- Effectiveness of Communication

5. *Monitoring*

- Ongoing Monitoring
- Separate Evaluations
- Reporting Deficiencies

These components work to establish the foundation for sound internal control within the company through directed leadership, shared values and a culture that emphasizes accountability for control. The various risks facing the company are identified and assessed routinely at all levels and within all functions in the organization. Control activities and other mechanisms are proactively designed to address and mitigate the significant risks. Information critical to identifying risks and meeting business objectives is communicated through established channels up, down and across the company. The entire system of internal control is monitored continuously and problems are addressed timely.

OHA's Trustees and Administration are in the process of designing and implementing an internal control framework using the COSO framework as an exemplar to be completed no later than June 30, 2019.

V. Updates re: Grants Processes

In addition to the status of the implementation of audit recommendations in Report No. 18-03, OHA would like to provide you with the following updates related to the Grants processes, which address previous audit recommendations, improvements in the control environment and process efficiencies:

1. Completed Standard Operating Procedures;
2. In the process of implementing an information system to track grant status and project deliverables, including retaining copies of e-mails, correspondence, performance reports and evaluations and alerts monitoring staff when reports due; can monitor grant staff performance, assists grants management staff in tracking delinquent annual and final reports to ensure grant deliverables are received; and flags the approval of new awards to grantees that miss deliverable.⁶

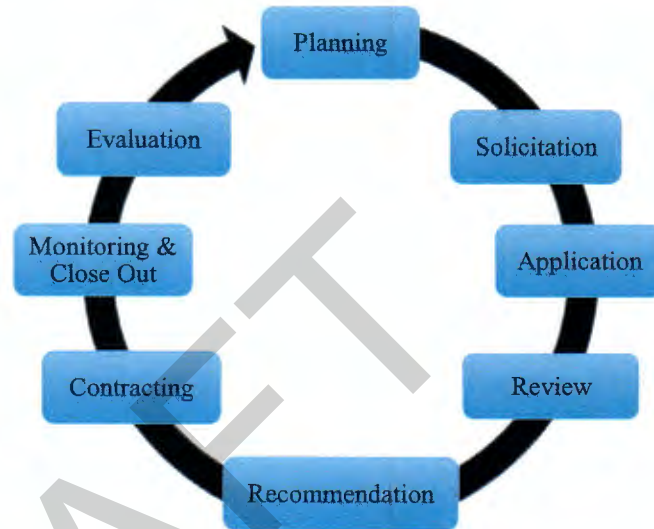


Figure 2. Grants Process Phases

-
-
3. Implementation and application of the QA function, as described above, to the Grants processes.

Responses included in Attachment A are reflective of the above process activities and plans.

VI. Summary of the Implementation of Audit Recommendations in Report No. 18-03

A summary of the implementation of audit recommendations is noted in the table below and details are included in Appendix A.

⁶ Report No. 13-07 Audit of the Office of Hawaiian Affairs and Report on the Implementation of State Auditor's 2009 OHA Recommendations, A Report to the Governor and the Legislature of the State of Hawaii, September 2013, <http://files.hawaii.gov/auditor/Reports/2013/13-07.pdf>

Audit Recommendation Status	Implemented	Partially Implemented	Total
Board of Trustees	1e, 2a, 2b, 2c, 2d, 4c,	1a, 1b, 1c, 1d, 1f, 1g, 3a, 3b, 3c, 3d, 3e, 3f, 4a, 4b, 4d, 5a, 5b, 5c, 5d, 5e, 5f	27
# of recs	6	21	27
Administration	4b	1a, 1b, 2a, 2b, 3a, 3b, 4a, 5a, 5b, 5c, 5d	12
# of recs	1	11	12
Total	7	32	39

VII. Conclusion

Again, we are pleased to provide this update on OHA's progress in implementing the recommendations contained in Report No. 18-03 and hope our continuing commitment to address audit recommendations and working with your office is evident in our work and responses. We look forward to providing an update to our implementation of these recommendations in another year.

If there are any questions or desire to discuss these matters further, please do not hesitate to contact Dr. Crabbe via e-mail at kamanaoc@oha.org or telephone at 594-1892.

Me ka ha'aha'a,

Colette Y. Machado

Colette Y. Machado
Chair, Board of Trustees

Kamana'opono Crabbe

Kamana'opono Crabbe, Ph.D.
Ka Pouhana, Chief Executive Office

CM/KC:rg

Attachment A: Status of Implementation of Audit Recommendation Report No. 18-03 – 52 pages

Attachment B: List of Available Sources and References

Attachment B: List of Available Sources and References

Description	
1.	Trustee Bylaws
2.	Board of Trustees Executive Policy Manual
3.	Board of Trustees Operations Manual
4.	RM 18-01 Action Item (January 2018): Amendment to BOT Exec Policy Manual 3.5.e and 3.5.f
5.	BOT 18-01 Action Item (February 2018): Approval for OHA to impose moratorium on use of Trustee Sponsorship and Allowance Fund (TSAAF) and CEO-initiated Sponsorships
6.	RM 18-03 Action Item (February 2018): Moratorium on Fiscal Reserve Spending
7.	BOT 18-03 Action Item (July 2018): Approve all updates and amendments to BOT Bylaws with the exception of the Re-Designation of all references in Bylaws from "Administrator" to "Chief Executive Officer" which will be considered separately
8.	RM 18-12 Action Item (September 2018): Move to update budget preparation, format and reporting requirements by approving amendments to EPM and BOT Operations Manual, excluding aments on Fiscal Transparency 3.4.k through 3.4.l in Attach A and C
9.	RM 17-07 Action Item (June 2017): OHA Biennium Budget for the Fiscal Biennium Periods 2017-2018 (FY 18) and 2018-2019 (FY 19)
10.	On March 29, 2017, the Board approved the creation of a working and implementation advisory committee to address and complete various Financial Sustainability Plan (FSP) activities.
11.	Standard Operating Procedures and Appendices for the Grants Department
12.	Kulia Grants Guidelines and Process
13.	Training and communication records re: Ethics, HRS Chapter 92, Chapter 10 and Fiduciary Duties for Board of Trustees, Administration and Management
14.	Audited financial statements 2004 to 2017 on website – www.oha.org
15.	Annual reports 2001 to 2018 on website – www.oha.org

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 1.a.

OHA Board of Trustees should, in general, require trustees and trustee staff to attend regular training that includes, but is not limited to:

- i. Fiduciary duties and other responsibilities of trustees;
- ii. State Ethics Code, Chapter 84, HRS;
- iii. Sunshine Law, part I of Chapter 92, HRS; and
- iv. Uniform Information Practices Act (Modified), Chapter 92F, HRS.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

OHA Board of Trustees
Recommendation No. 1.a. (Continuation Page)

Regular training for new Trustees and Administration has been an on-going practice with the most recent training occurring in December 2018, shortly after the Trustee Investiture (two new Trustees) and the start of the new Chief Operating Officer. The new trustees met with the BOT and in-house counsel for training regarding OHA's mandates and duties under HRS Chapter 10; the various HRS statutes specifically applicable to the OHA; and the open meeting requirements under HRS Chapter 92 for public boards.

On December 27, 2018, Board and Committee leadership aides were provided training on HRS Chapter 92, the recent statutory amendments that affect their job responsibilities as to agendas, meeting minutes, and board packets, and handling public records requests under HRS Chapter 92F.

On January 10, 2019, the new Trustees to the Board attended HSEC provided training on the State Ethics Code.

On a periodic basis and most recently on July 24, 2018 and March 5, 2019, HR sends an email to all OHA, informing Trustees and employees about available State Ethics training, the HSEC's monthly newsletter, *The High Road*, and ethics related information. HR informed new employees of the upcoming Ethics training schedule and helps new employees register for Ethics training. OHA employees know that they can contact their supervisor or HSEC directly if they have questions.

Managers meet on a monthly basis to discuss operations and program updates, including Ethics updates and education.

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 1.b.

OHA Board of Trustees should, in general, ensure that OHA policies and procedures, applicable to trustees and the Administration, align and are consistent with OHA's mission, trustees' fiduciary duties, and State laws.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

OHA Board of Trustees**Recommendation No. 1.b. (Continuation Page)**

The BOT Executive Policy Manual (EPM) is currently being reviewed to include all previously Board approved amendments; reformatted for ease of use, reference and page replacement as future amendments are approved by the Board; and updated for alignment with fiduciary duties and state laws.

In January 2019, the Board, in accordance with HRS §92-2.5 (b), approved the formation of a Governance Permitted Interaction Group (PIG) to: Investigate various elements of governance frameworks and models, including but not limited to cultural, indigenous, native, national and international contexts. This Governance PIG anticipates formulating and reporting on recommendation(s) for a governance framework that includes, but not limited to: 1) Statutory, board and organization policies, procedures and other supporting documents; 2) Monitoring mechanism of governance practices (e.g., compliance); and 3) Accountability mechanisms for non-compliant behavior and practices. The recommendations from the PIG, Board action and implementation (e.g., reporting) is expected to be completed no later than June 30, 2019.

Trustee staff and Administration frequently consult HSEC, Office of Information Practices (OIP), and State Procurement Office (SPO) for guidance when questions arise and to ensure policies and procedures comply with State law.

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 1.c.

OHA Board of Trustees should, in general, develop a clearly defined process by which trustees must hold each other individually accountable for actions that are inconsistent with their collective fiduciary duties and responsibilities to trust beneficiaries and for violations of State laws.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

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Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 1.d.

OHA Board of Trustees should, in general, provide greater transparency into OHA's administration of trust assets, including OHA's fiscal year budgets and actual expenditures, specific information regarding the Grants, Sponsorships, and other funding awarded by OHA, OHA's investment portfolio holdings and returns, and expenditures by trustees using Trustee Allowances. Consider posting such information on OHA's website or some other similarly accessible public portal.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:	
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OHA Board of Trustees
Recommendation No. 1.d. (Continuation Pages)

OHA currently posts its audited Financial Statements (2004 thru 2017) and Annual Reports (2001 thru 2018) on its website at www.oha.org. The Annual Reports identify the Community and 'Ahahui Grants and Sponsorships that were awarded by OHA as well as OHA's unaudited financial statements. The 2017 and 2018 Annual Reports contain a budget summary outlining the budget and spending limit for those fiscal years. The solicitation and related information to apply for Community, Kulia and 'Ahahui Grants are also accessible on OHA's website.

Where biennium budget and budget alignment requests are submitted to and approved by the Board through budget action items, and quarterly updates about OHA's investment portfolio are presented to the Board in open meetings, the action items with budget information and investment update documents that are a part of the board packet and/or meeting minutes, when reasonably available, are posted on OHA's website on the Board or Committee web-pages, and may be made available to the public upon request.

In a proactive response to the concerns raised in Report 18-03, the BOT took the significant action of placing a moratorium on the TSAAF and CEO-initiated Sponsorships on February 27, 2018 via Action Item BOT #18-01. The Ad Hoc Committee on Grants and Sponsorships convened, with the assistance of support staff, to review existing policies, review external guidelines, and discuss a proposed revised trustee allowance policy.

In its September 20, 2018 Report presented to the BOT on October 2, 2018, the Ad Hoc Committee made specific recommendations that included: renaming the TSAAF to Trustee Protocol Allowance (TPA) to match statutory language HRS Sec. 10.9; to revert to the original purposes of the Trustee allowance - establishing a communication network and promoting broader understanding and participation in the resolution of Native Hawaiian issues; set the TPA at \$7,200 per Trustee; make the TPA a reimbursable fund; specify allowable and disallowable expenses; establish an appeal process for determinations by Administration that an expenditure is disallowed; and posting of the quarterly report of expenditures to OHA's public website. The draft TPA was reviewed and commented on by the Executive Director of the HSEC, who appreciated OHA's commitment to promoting the highest ethical standards.

The BOT had discussions on the draft TPA at its October 11, 2018 meeting, and the matter was referred to the RM Committee for further review and action. The Ad hoc Committee on Grants and Sponsorships will request that the RM Committee place an action item relating to the TPA on agenda for discussion and approval by the Committee and referral to the Board. If the TPA is approved, Trustee expenditures will be posted quarterly on OHA's website.

In January 2019, the Board, in accordance with HRS § 92-2.5 (b), approved the formation of a Governance Permitted Interaction Group (PIG) to: Investigate various elements of governance frameworks and models, including but not limited to cultural, indigenous, native, national and international contexts. The Governance PIG anticipates formulating and reporting on recommendation(s) for a governance framework that includes, but not limited to: 1) Statutory, board and organization policies, procedures and other supporting documents; 2) Monitoring mechanism of governance practices (e.g., compliance); and 3) Accountability mechanisms for non-compliant behavior and practices. The recommendations from the PIG, Board action and implementation (e.g., reporting) is expected to be completed no later than June 30, 2019.

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 1.e.

OHA Board of Trustees should, in general, consider requiring board approval of all Grants, Sponsorships, and other funding awarded by OHA and/or that use Native Hawaiian Trust Fund assets.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:	
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OHA Board of Trustees
Recommendation No. 1.e. (Continuation Page)

On February 27, 2018, the Board approved BOT #18-01 which placed a moratorium on the use of the Trustee Sponsorship and Allowance Fund (TSAAF) and CEO-initiated Sponsorships and approved RM #18-03 which placed a moratorium on the use of Fiscal Reserve funds. Both moratoriums are in effect until policies amendments are approved by the BOT.

On July 26, 2018, the Board approved the Kūlia Grants Guidelines and Process that requires Board approval of Kūlia grant applicants upon recommendation from the Joint RM/BAE Committee.

On October 11, 2018 (2nd rdg), the Board approved RM #18-12, amendments to the OHA BOT Executive Policy Manual and BOT Operations Manual relating to budget preparation, format and budget reporting requirements (PPB approach). The amendments were aimed at improving fiscal management, transparency, reporting, and accountability as well as to address the 18-03 Audit recommendations 1.d., 1.e., and 1.f. Under the approved amendments, "Administration is delegated authority to approve budget adjustments that fall within the lesser of \$100,000 or 5% between each program. Budget adjustments in and out of grants and sponsorships appropriations are prohibited." Furthermore, under the amendments, the authority of the CEO to approve Grants in an amount up to \$25,000 under paragraph 2.2.d. of the OHA EPM was eliminated, meaning that the CEO will no longer have any authority to approve any Grants regardless of amount without Board approval. The effective date of these approved amendments is deferred until submission of the FY2022-2023 Biennium Budget to allow Administration sufficient time for process implementation. Thus, starting July 1, 2021, the Board policies will require Board approval for all Grants and Sponsorships. Currently, and until the new policy goes into effect on July 1, 2021, the CEO is delegated authority to approve Grants Program funding up to \$25,000, except for "CEO-initiated Sponsorships", now known as Kaiāulu Sponsorships", which is currently under moratorium. Grant requests over \$25,000 require Board approval.

These amendments will increase transparency and accountability to our beneficiaries and the public by requiring these important fiscal decisions to be made in public board meetings subject to the state Sunshine Law.

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 1.f.

OHA Board of Trustees should, in general, require the Administration to develop a master list of all OHA Grants, Sponsorships, and other funding awarded, including the name of the individual, group, or organization receiving the funds, the amount of the award, and the approving or granting entity within OHA (such as the board, CEO, or line of business).

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 1.g.

OHA Board of Trustees should, in general, consider developing policies regarding the maximum number and maximum total dollar amounts of Grants, Sponsorships, and other funding awarded to the same individual, group, or organization during a fiscal year or other determined period.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 2.a.

OHA Board of Trustees should, with respect to Kūlia Initiatives, determine and clearly define the purpose of Kūlia Initiatives.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 2.b.

OHA Board of Trustees should, with respect to Kūlia Initiatives, review, update, and amend policies related to Kūlia Initiatives, as needed, to align with the defined purposes of Kūlia Initiatives. Such policies and procedures should clearly describe the types of spending for which Kūlia Initiatives are appropriate (as opposed to the purposes of other OHA funding support mechanisms, such as Community and ‘Ahahui Grants).

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:	
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Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 2.c.

OHA Board of Trustees should, with respect to Kūlia Initiatives, consider including in OHA's annual budget a board-determined amount to fund Kūlia Initiatives.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 2.d.

OHA Board of Trustees should, with respect to Kūlia Initiatives, ensure that the purpose and use of Kūlia Initiatives aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustee's fiduciary duties; and (d) State laws.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

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OHA Board of Trustees
Recommendation No. 2.d. (Continuation Page)

of non-profit status and a copy of organization bylaws or other policy related to conduct of business and conflict of interest, including nepotism.

The Kūlia Grants Guidelines and Process document also includes the process activities: planning, solicitation, application, review, recommendation, awarding and contracting, monitoring and close out (including post award reporting) and evaluation; have been designed, documented and implemented. The Kūlia Grants Guidelines and Process were specifically drafted to address the Auditor's recommendations and to comply with OHA's mandate and grant making authority under HRS Chapter 10.

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 3.a.

OHA Board of Trustees should, with respect to the Fiscal Reserve, determine and clearly define the purpose of the Fiscal Reserve, considering the original intent of the reserve, as well as the board's current intent for maintaining a reserve.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 3.b.

OHA Board of Trustees should, with respect to the Fiscal Reserve, review, update, and amend policies and procedures related to the Fiscal Reserve, including OHA's Spending Policy and Fiscal Reserve Guidelines, as needed, to align with the defined purpose of the Fiscal Reserve. Such policies and procedures should clearly describe the circumstances in and purposes for which the Fiscal Reserve can be used.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 3.c.

OHA Board of Trustees should, with respect to the Fiscal Reserve, clarify and clearly define the purpose of the 5 percent spending limit, and determine whether it is necessary to establish a withdrawal rate limit to ensure the health and sustainability of the Native Hawaiian Trust Fund.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 3.d.

OHA Board of Trustees should, with respect to the Fiscal Reserve, work with the administration, including OHA's Investment Management staff, to determine and obtain the financial information necessary for the board to assess the short- and long-term impacts to the Native Hawaiian Trust Fund when considering use of the Fiscal Reserve.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 3.e.

OHA Board of Trustees should, with respect to the Fiscal Reserve, for each action item considering use of the Fiscal Reserve, ensure the Administration clearly includes the specific information as required by the Fiscal Reserve Guidelines and necessary for the board's decision-making.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 3.f.

OHA Board of Trustees should, with respect to the Fiscal Reserve, ensure that the purpose and use of the Fiscal Reserve aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 4.a.

OHA Board of Trustees should, with respect to CEO Sponsorships, determine and clearly define the purpose of CEO Sponsorships.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 4.b.

OHA Board of Trustees should, with respect to CEO Sponsorships, review, update, and amend policies and procedures related to CEO Sponsorships, as needed, to align with the defined purpose of CEO Sponsorships. Such policies and procedures should clearly describe the circumstances in and purposes for which CEO Sponsorships can be used.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 4.c.

OHA Board of Trustees should, with respect to CEO Sponsorships, consider restricting the Administration's ability to independently adjust the fiscal year budget, once approved by the board, to fund or otherwise support CEO Sponsorships.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

OHA Board of Trustees
Recommendation No. 4.c. (Continuation Page)

CEO is delegated authority to approve Grants Program funding up to \$25,000, except for "CEO-initiated Sponsorships", now known as Kaiāulu Sponsorships", which is currently under moratorium. Grant requests over \$25,000 require Board approval.

These amendments will increase transparency and accountability to our beneficiaries and the public by requiring these important fiscal decisions to be made in public board meetings subject to the state Sunshine Law.

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 4.d.

OHA Board of Trustees should, with respect to CEO Sponsorships, ensure that the purpose and use of CEO Sponsorships aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

OHA Board of Trustees
Recommendation No. 4.d. (Continuation Page)

approved amendments is deferred until submission of the FY2022-2023 Biennium Budget to allow Administration sufficient time for process implementation. Thus, starting July 1, 2021, the Board policies will require Board approval for all Grants and Sponsorships. Currently, and until the new policy goes into effect on July 1, 2021, the CEO is delegated authority to approve Grants Program funding up to \$25,000, except for "CEO-initiated Sponsorships", now known as Kaiāulu Sponsorships", which is currently under moratorium. Grant requests over \$25,000 require Board approval.

These amendments will increase transparency and accountability to our beneficiaries and the public by requiring these important fiscal decisions to be made in public board meetings subject to the state Sunshine Law.

Administration is in the process of developing new organization-wide Sponsorship processes, including processing of sponsorships formerly identified as "CEO Sponsorships" now known as "Kaiāulu Sponsorships". The new process includes: 1) Board approval of overall Sponsorship biennium budget as an authorization control; 2) Aggregation of all Sponsorships throughout the organization; and 3) A single, consistent central processing function (i.e., Grants Department) regardless of the budget origination point, program or line of business. All sponsorship process activities of planning, solicitation, application, review, recommendation, contracting, monitoring & close out and evaluation will involve other areas of OHA (e.g., planning, marketing, awarding announcement, monitoring, evaluation), but the overall process is to be managed by the Grants Department, resulting in more standardized processing.

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 5.a.

OHA Board of Trustees should, with respect to Trustee Allowances, amend the Trustee Allowances policy to restrict the use of Trustee Allowances to expenses incurred by trustees relating to their communication with beneficiaries and the public, as was the original purpose of the Trustee Allowances, and reduce the Trustee Allowances to an amount determined by the board to be reasonably necessary for that purpose.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:	
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Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 5.b.

OHA Board of Trustees should, with respect to Trustee Allowances, prohibit the use of Trustee Allowances to provide financial support, direct or otherwise, to individuals, groups, or organizations. Require requests for financial support by individuals, groups, or organizations to be approved by the board and funded through a program other than Trustee Allowances.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 5.c.

OHA Board of Trustees should, with respect to Trustee Allowances, work with the Administration to more clearly define procedures related to the use and administration of Trustee Allowances.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 5.d.

OHA Board of Trustees should, with respect to Trustee Allowances, require trustees to seek reimbursement of expenses; do not disburse the total amount of Trustee Allowances to trustees at the beginning of the fiscal year or otherwise advance any funds to trustees.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 5.e.

OHA Board of Trustees should, with respect to Trustee Allowances, review and amend, as needed, the sanctions established in the Code of Conduct for violations of Trustee Allowance policies and procedures and establish a process to ensure enforcement of sanctions to appropriately address such violations.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

DRAFT

OHA Board of Trustees
Recommendation No. 5.e. (Continuation Page)

If the Board approves the TPA, the small working group of Trustee staff and in-house counsel will propose amendments, if appropriate, to the BOT Code of Conduct as it relates to violations of the TPA

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Board of Trustees
Recommendation No. 5.f.

OHA Board of Trustees should, with respect to Trustee Allowances, ensure that the purpose and use of Trustee Allowances aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

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Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 1.a.

OHA Administration should, in general, require the Administration to attend regular training that includes, but is not limited to:

- i. Fiduciary duties and other responsibilities of trustees;
- ii. State Ethics Code, Chapter 84, HRS;
- iii. Sunshine Law, part I of Chapter 92, HRS; and
- iv. Uniform Information Practices Act (Modified), Chapter 92F, HRS.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

OHA Administration
Recommendation No. 1.a. (Continuation Page)

On a periodic basis and most recently on July 24, 2018 and March 5, 2019, HR sends an email to all OHA, informing Trustees and employees about available State Ethics training, the HSEC's monthly newsletter, *The High Road*, and ethics related information. HR informed new employees of the upcoming Ethics training schedule and helps new employees register for Ethics training. OHA employees know that they can contact their supervisor or HSEC directly if they have questions.

Managers meet on a monthly basis to discuss operations and program updates, including Ethics updates and education.

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 1.b.

OHA Administration should, in general, support trustees in performing their fiduciary duties and other responsibilities by, among other things, providing financial documents and other information in a timely manner as requested by individual trustees.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

OHA Administration
Recommendation No. 1.b. (Continuation Page)

are prohibited." Furthermore, under the amendments, the authority of the CEO to approve Grants in an amount up to \$25,000 under paragraph 2.2.d. of the OHA EPM was eliminated, meaning that the CEO will no longer have any authority to approve any Grants regardless of amount without Board approval. The effective date of these approved amendments is deferred until submission of the FY2022-2023 Biennium Budget to allow Administration sufficient time for process implementation. Thus, starting July 1, 2021, the Board policies will require Board approval for all Grants and Sponsorships. Currently, and until the new policy goes into effect on July 1, 2021, the CEO is delegated authority to approve Grants Program funding up to \$25,000, except for "CEO-initiated Sponsorships", now known as Kaiāulu Sponsorships", which is currently under moratorium. Grant requests over \$25,000 require Board approval.

These amendments will increase transparency and accountability to our beneficiaries and the public by requiring these important fiscal decisions to be made in public board meetings subject to the state Sunshine Law.

OHA is currently implementing Phase 1 of Oracle Fusion upgrade for the following modules: Financials, Contract Management, PeopleSoft (HR), Timecard Entry, and PR Processing to coincide with the biennium budget cycle. Improved efficiencies in processing, management, and reporting for strategic planning and decision-making are expected.

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 2.a.

OHA Administration should, with respect to Kūlia Initiatives, ensure that the board and the Administration adhere to and comply with the board-adopted policies and procedures for Kūlia Initiatives.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 2.b.

OHA Administration should, with respect to Kūlia Initiatives, ensure that OHA's use of Kūlia Initiatives aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

OHA Administration
Recommendation No. 2.b. (Continuation Page)

beneficiaries to be served; describe the proposed project purpose and plan including: program objectives, activities or tasks, program timeline, staffing, and anticipated results and outcomes; explain why the request is being submitted as a Kūlia Grants request and not through the Community Grants Program; provide a list of applicable licenses or permits required for the proposed activities or services and the status in applying for each license or permit; provide a detailed program budget that identifies the costs to be supported with OHA funding; organizations must certify that they possess sufficient funds available to achieve effective operations of activities for the purpose for which the grant is sought; applicants must make available to OHA all records relating to operations and programs for which Kūlia Grants funding is sought; certify that board members have no material conflicts of interest and that they serve without compensation; provide support documents regarding IRS letter of determination of non-profit status and a copy of organization bylaws or other policy related to conduct of business and conflict of interest, including nepotism.

In the current cycle of Kūlia grants process activities, the planning, solicitation, application and review process activities have been completed. The remaining process activities---recommendation, awarding and contracting---are scheduled to be completed no later than June 30, 2019. The monitoring and close out (including post award reporting) and evaluation process activities are also in place to be effected over the period of the Board approved award/contract.

The Joint RM/BAE Committee has scheduled a workshop on the recommendations for Kūlia Grants on March 20, 2019. The Joint RM/BAE Committee is expected to then discuss and vote on the recommendations for Kūlia Grants on March 27, 2019. The BOT is expected to then vote to approve the Kūlia Grants recommendation on March 28, 2019.

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 3.a.

OHA Administration should, with respect to the Fiscal Reserve, ensure each proposed use of the Fiscal Reserve is consistent with the Fiscal Reserve Guidelines and the board-stated purpose of the Fiscal Reserve.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 3.b.

OHA Administration should, with respect to the Fiscal Reserve, for each requested use of the Fiscal Reserve, provide the board with specific information and recommendations as to whether the board's or the Administration's proposed use of the Fiscal Reserve is consistent with the Fiscal Reserve Guidelines and the purpose of the Fiscal Reserve. Such information may include, but is not limited to, specific financial information regarding the Native Hawaiian Trust Fund balance, projected revenue for the fiscal year, and impact to the Native Hawaiian Trust Fund resulting from the requested use of the Fiscal Reserve.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 4.a.

OHA Administration should, with respect to CEO Sponsorships, adhere to Grants Staff recommendations regarding the Administration's requests to fund CEO Sponsorships.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 4.b.

OHA Administration should, with respect to CEO Sponsorships, if the Administration is allowed to adjust the budget to fund Sponsorships, obtain board approval before doing so, and provide the board with specific information about the proposed funding request to inform trustees' decision-making.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

DRAFT

OHA Administration
Recommendation No. 4.b. (Continuation Page)

was eliminated, meaning that the CEO will no longer have any authority to approve any Grants regardless of amount without Board approval. The effective date of these approved amendments is deferred until submission of the FY2022-2023 Biennium Budget to allow Administration sufficient time for process implementation. Thus, starting July 1, 2021, the Board policies will require Board approval for all Grants and Sponsorships. Currently, and until the new policy goes in effect on July 1, 2021, the CEO is delegated authority to approve Grants Program funding up to \$25,000, except for "CEO-initiated Sponsorships", now known as "Kaiāulu Sponsorships", which is currently under moratorium. Grant requests over \$25,000 require Board approval.

These amendments will increase transparency and accountability to our beneficiaries and the public by requiring these important fiscal decisions to be made in public board meetings subject to the state Sunshine Law.

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 5.a.

OHA Administration should, with respect to Trustee Allowances, monitor and review trustees' use of Trustee Allowances and ensure expenditures using Trustee Allowances comply with the Trustee Allowances policy.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 5.b.

OHA Administration should, with respect to Trustee Allowances, establish procedures to more clearly define the Administration's role and procedures for administering and monitoring the use of Trustee Allowances.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 5.c.

OHA Administration should, with respect to Trustee Allowances, report to the board the specific expenditures approved and reimbursed to each trustee using Trustee Allowances.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: _____

Estimated Date of Completion: _____

DRAFT

Status of Implementation of Audit Recommendation
Report No. 18-03

OHA Administration
Recommendation No. 5.d.

OHA Administration should, with respect to Trustee Allowances, create a formal appeal process for trustees to request a second determination of whether they are entitled to reimbursement of expenses using Trustee Allowances, for instance, through staff whose regular duties do not involve review and approval of Trustee Allowances.

Status (Select One):

<input type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated:

Estimated Date of Completion:

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PHONE (808) 594-1888

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**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS**
560 N. NIMITZ HWY., SUITE 200
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August 30, 2019

VIA E-MAIL: lao.auditors@hawaii.gov
and U.S. MAIL, FIRST CLASS

Mr. Leslie H. Kondo, State Auditor
Office of the Auditor
State of Hawaii
Kekuanao'a Building
465 S. King Street, Room 500
Honolulu, HI 96813-2917

Re: Response to the Formal Request for Information on Status of Implementation of
Audit Recommendations (Report No. 18-08)¹

Dear Mr. Kondo,

The Office of Hawaiian Affairs' ("OHA") Trustees and Ka Pouhana Kūikawā (Interim Chief Executive Officer) are pleased to respond to your letter dated July 31, 2019, requesting an update on the status of audit recommendations made in Report No. 18-08, issued in June 2018, and offer the following comments as well as our specific responses relating to each recommendation in the attached forms.

We understand the audit of OHA was conducted pursuant to Sections 10-14.55 and 23-7.5, Hawai'i Revised Statutes (HRS). Section 10-14.55 requires the Office of the Auditor to conduct an audit of the OHA at least every four years. Section 23-7.5 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 agency. For this audit, the objectives were to: (1) Evaluate OHA policies and actions regarding use of its Fiscal Reserve, Grants, and Trustee Allowances; (2) Report on the status of OHA's implementation of our recommendations contained in Report No. 13-07, *Audit of the Office of Hawaiian Affairs and Report on the Implementation of State Auditor's 2009 OHA Recommendations*; and (3) Make recommendations as appropriate.

¹ Report No. 18-08, June 2018, **Audit of the Office of Hawaiian Affairs' Competitive Grants and Report on the Implementation of 2013 Audit Recommendations**, <http://files.hawaii.gov/auditor/Reports/2018/18-08.pdf>

We further understand that the evaluation of OHA's use of Fiscal Reserve, non-competitive grants (Kūlia Initiatives and CEO Sponsorships), and Trustee Allowances was reported in Report No. 18-03, *Audit of the Office of Hawaiian Affairs*, issued in February 2018. Part 1 of Report No. 18-08 evaluated OHA's competitive grants, 'Ahahui Grants and Community Grants, which addressed the first audit objective. Part 2 of Report No. 18-08 reported on OHA's implementation of the 2013 audit recommendations.

OHA is pleased to inform you that we have made substantial progress in addressing concerns identified in Report No. 18-08, fully implementing all 11 recommendations. Supporting our responses in Attachment A are Standard Operating Procedures which have been updated, implemented and refined by the Grants Department; and are available upon request for your review.

As we noted in our March 2019 correspondence re: Report No. 18-03, we understand that we still have much work to do to and the OHA has been intently working to align policy, procedure and practice from governance to operational matters. OHA continues to make necessary improvements to our overall administration of funds that we disburse to the Native Hawaiian community and to providing increased transparency and accountability to our beneficiaries. We look forward to providing an update to our implementation of these recommendations in another year.

If there are any questions or desire to discuss these matters further, please do not hesitate to contact Dr. Hussey via e-mail at sylviah@oha.org or telephone at 594-1973.

Me ka ha'aha'a,



Colette Y. Machado
Chair, Board of Trustees



Sylvia M. Hussey, Ed.D.
Ka Pouhana Kuikawa, Interim Chief Executive
Office

:SH

cc: Ke Kaupoku o Ke Ke'ena Kuleana Hawai'i
Lisa Watkins-Victorino, Ka Pou Nui Kūikawā
Gloria Li, Ka Pou Kihi Kanaloa Wai Kūikawā
Raina Gushiken, Ka Paepae Puka

Attachment A: Status of Implementation of Audit Recommendation Report No. 18-08 – 11 pages

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 1.a.

OHA should improve its **overall administration and reporting of grants** by ensuring that all grants are awarded and administered consistent with the requirements set forth in Section 10-17, HRS.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion:	July 1, 2019
Responsible Department: Grants Program (formerly Transitional Assistance Program)	
<p>The Grants Program standard operating procedures were revised and implemented to ensure that grants are consistently monitored and evaluated.</p> <p>The grant agreement was revised to incorporate mandated performance requirements. The grant agreement certifies grantee's compliance with HRS 10-17 pertaining to applicable federal, state, and county laws, as well as licenses and permits required to conduct grant activities and/or provide grant services.</p> <p>Program reports and monitoring forms were revised to ensure that performance requirements and grant deficiencies are documented, and identified corrective action is implemented.</p> <p>The grants information management system has been developed to ensure that grants are monitored and evaluated on a consistent basis. The system has been implemented for 'Ahahui grants and will be implemented for all new grants.</p> <p>The system:</p> <ul style="list-style-type: none"> a. Electronically tracks pre-award, award and post-award documents; b. Verifies submission of and retains system emails and required grant documents; and c. Provides 'real time' status updates to verify that grantee reports, grant assessments and monitoring have been completed and submitted. <p>Grant solicitations were revised to include a Board Governance Certification form. The form certifies that the grant applicant is in compliance with HRS 10-17(c)(2) pertaining to Board compensation and has policies that govern conflict of interest/ nepotism for Board Members and employees.</p>	

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 1.b.

OHA should improve its **overall administration and reporting of grants** by developing and documenting a process to ensure a complete list of grants is properly maintained and reported. As part of this process, OHA should consider establishing a master list of all grants, and reconciling TAP's grant records against the grant records of fiscal and other OHA divisions.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion:	July 1, 2019
<p>Responsible Department: Grants Program (formerly Transitional Assistance Program)</p> <p>The grants information management system has been developed and implemented that electronically tracks all Grants Program grants and can provide a master list of grants.</p> <p>Tracking By Program. Reports can be generated by specific grant program process areas, i.e., 2018-2019 'Ahahui Grants Round 2, 2019 Kulia Grants, and 2020-2021 Community Grants.</p> <p>Tracking By Phases. Reports can also be generated for all phases of a grant lifecycle:</p> <ol style="list-style-type: none"> Pre-Award: applications submitted/ineligible/denied, email notifications, application evaluations/scores. Award: email notifications, grant agreements, support documentation-insurance certificates. Post-Award: email notifications, reports (progress, monitoring and closeout) with specific report data such as date due/date submitted/submitter name, and award amount/payments made (amount expended)/award balance. <p>Tracking By Categories. Reports can also be generated by specific categories, i.e., organization name, island, strategic priority, grants awarded, grants closed, etc.</p> <p>The Grants Program is able to provide the master list of grants or a specific report to other OHA divisions for reconciliation and reporting, as needed.</p>	

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 2.a.

OHA should improve its administration of 'Ahahui Grants by monitoring, tracking, and documenting grantees' compliance with grant agreement terms and conditions, submission of required grant documents, and achievement of applicable performance measures for use in future grant application reviews and award decisions.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion:	July 1, 2019
Responsible Department: Grants Program (formerly Transitional Assistance Program)	
<p>The Grants Program standard operating procedures for 'Ahahui grants were revised and implemented to ensure that 'Ahahui grant events are consistently monitored and assessed to determine if expected results were achieved.</p> <p>The grants information management system has been developed to ensure that grants are monitored and assessed on a consistent basis. The system has been implemented for 'Ahahui grants. The system:</p> <ul style="list-style-type: none"> a. Electronically tracks 'Ahahui grant pre-award, award and post-award documents; b. Verifies submission of and retains system emails and required grant documents (grant agreements, support documents, OHA Staff Attendance Reports, Grantee Final Reports, and Grant Monitor Closeout Reports, expenditure reports, and payment information); and c. Provides 'real time' status updates to verify that grantee reports, program assessments and monitoring have been completed and submitted. This includes system generated automatic reminders and past due notifications for reports that are emailed to the grantee, grant monitor and assigned Grants Program staff. <p>The Grant Monitor Closeout Report now includes a final assessment and determination if an event should be funded in the future and a determination if an organization should be funded for future events.</p>	

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 2.b.

OHA should improve its administration of 'Ahahui Grants by formally evaluating the information gathered from grantee final reports and OHA staff attendance reports to determine whether events met criteria and should be funded in the future.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion:	July 1, 2019
Responsible Department: Grants Program (formerly Transitional Assistance Program)	
<p>The OHA Staff Attendance Report and Grant Monitor Closeout Report forms were revised to include an assessment component to determine if an event meets 'Ahahui program criteria.</p> <p>The OHA Staff Attendance Report includes an assessment by the grant monitor if the event should be funded in the future.</p> <p>Information from the OHA Staff Attendance Report and the grantee Final Report is incorporated into a formal evaluation on the Grant Monitor Closeout Report.</p> <p>The Grant Monitor Closeout Report now includes a final assessment and determination if an event should be funded in the future and a determination if an organization should be funded for future events.</p>	

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 2.c.

OHA should improve its administration of 'Ahahui Grants by requiring OHA personnel to attend 'Ahahui Grant-funded events to monitor and evaluate the events to ensure grants are used consistent with the purpose and intent of the grant, and achieved the expected results; and ensuring that staff reports are submitted by the established deadline.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion: July 1, 2019

Responsible Department: Grants Program (formerly Transitional Assistance Program)

The Grants Program requires OHA personnel to attend 'Ahahui events and to monitor and assess events to ensure that grants are used consistent with the purpose and intent of the grant and that the grant has achieved expected results. The OHA Staff Attendance Report to be completed by the grant monitor includes assessment fields for community engagement, OHA recognition, and impact and benefit to Native Hawaiians, as well as a final assessment component regarding funding the event in the future.

The Grants Program, in coordination with OHA Community Outreach Program staff, ensures that events are attended. Staff event attendance is tracked via a form that identifies primary and secondary event monitors. If the primary monitor is unable to attend the event, the secondary monitor will attend the event.

The grants information management system generates an email notification to the grantee seven (7) days before the Final Report is due and another email notification to the grantee the day after the report is due, if a report has not been submitted in the system. Assigned Grants Program staff receive the same notices and can follow-up with the grantee, as needed. The system also generates an email notification to the grant monitor that the OHA Staff Attendance Report or Grant Closeout Report is due in seven (7) days and another email notification one day after the due date, if the report was not submitted. The Grants Manager and assigned staff also receive the notifications and can follow-up with the Grant Monitor, as needed.

The Grants Manager and assigned staff are also able to check the grants information management system dashboards in 'real time' to determine if reports have been submitted on a timely basis by the grantee and staff.

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 2.d.

OHA should improve its administration of 'Ahahui Grants by clarifying and documenting the responsibilities and processes for monitoring and evaluating all 'Ahahui Grants, and updating existing policies and procedures as necessary.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion:	July 1, 2019
Responsible Department: Grants Program (formerly Transitional Assistance Program)	
<p>The Grants Program standard operating procedures for 'Ahahui grants were revised and implemented to clarify and document responsibilities and processes for monitoring and evaluating all 'Ahahui Grants.</p> <p>The Grants Program is responsible for ensuring that 'Ahahui grants are monitored and assessed and that reports are submitted.</p> <p>The Grants Program coordinates with Community Outreach Program staff to attend and monitor 'Ahahui events. If Community Outreach Program staff are unable to attend an event, Grants Program staff will attend and monitor the event.</p> <p>Grant monitors that attend the events are required to submit an OHA Staff Attendance Report. The Grants Program will follow-up with staff if the reports are not submitted, and if needed, program managers, to ensure submission of the reports.</p> <p>The Grants Program is responsible to ensure that the grantee submits the Final Report.</p> <p>The Grants Program is responsible for submission of the Grant Monitor Closeout Report.</p>	

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 2.e.

OHA should improve its administration of 'Ahahui Grants by implementing a formal, documented system to ensure that grant files are complete and contain all necessary documents, including grantee final reports and OHA staff attendance reports, such as a checklist for each grant.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion:	July 1, 2019
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Responsible Department: Grants Program (formerly Transitional Assistance Program)

Electronic Files: The grants information management system has been developed and implemented to ensure that 'Ahahui grant files are complete. All mandated reports for each grant are on a dashboard, which serves as a checklist for each grant. The system electronic file includes system emails and all grant documents (e.g., grant agreements, support documents, OHA Staff Attendance Reports, grantee Final Reports, and Grant Monitor Closeout Reports, expenditure reports, and payment information). The system emails include auto generated emails and emails from Grants Program staff to the grantees.

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 3.a.

OHA should improve its administration of **Community Grants** by monitoring, tracking, and documenting grantees' compliance with grant agreement terms and conditions, submission of required grant documents, and achievement of applicable performance measures for use in future grant application reviews and award discussions.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion: July 1, 2019
<p>Responsible Department: Grants Program (formerly Transitional Assistance Program)</p> <p>The Grants Program standard operating procedures were revised and implemented to ensure that grants are consistently monitored and assessed.</p> <p>Grants Program reports and monitoring forms were revised to ensure that performance requirements and grant deficiencies are documented and corrective action identified by the Grants Program is implemented by the grantee. The Grantee Closeout Report was revised and includes a final assessment component to determine if the grantee is recommended for future funding.</p> <p>The grants information management system has been developed to ensure that grants are monitored and assessed on a consistent basis. The grants monitoring process will be implemented for the 2020-21 Community Grants that begin on October 1, 2019 (contract inception date). The system will:</p> <ol style="list-style-type: none"> Electronically track grant monitoring and program evaluation documents; Verify the submission and retention of system emails and required grant documents (grant agreements, support documents, grant amendments, grantee progress reports, expenditure and final reports, payment information, Grant Assessments, On-site Monitoring Reports and Grantee Closeout Reports); and Provide 'real time' status updates to verify that grantee reports, program assessments and monitoring have been completed and submitted. <p>The Grants Program will document compliance with grant agreement terms, conditions and performance measures and will be able to generate a list of grants that have not been recommended for future funding. The grant agreement template includes a provision stating that noncompliance with any conditions of the agreement may result in the grantee being deemed ineligible for OHA funding for a period of three (3) years.</p>

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 3.b.

OHA should improve its administration of **Community Grants** by monitoring the scheduling and performance of on-site visits to ensure that visits are conducted annually and results are communicated to grantees in a timely manner.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion:	July 1, 2019
<p>Responsible Department: Grants Program (formerly Transitional Assistance Program)</p> <p>The Grants Program will monitor Community Grants to ensure that site visits are scheduled and completed and that results are communicated to grantees on a timely basis.</p> <p>Site visits will be scheduled on an annual basis, as needed. Risk criteria considered for annual or on-going site visits include, but are not limited to: failure to meet minimum performance expectations on over half of the critical performance indicators; large grants that have multiple program service areas; and grantees unable to meet compliance requirements.</p> <p>The Grants Program conducts weekly staff meetings and will incorporate tracking of site visits. Site visits and On-Site Monitoring Reports will be tracked for completion by the Grants Manager and assigned staff.</p> <p>The Grant Monitor will be required to email the On-site Monitoring Report via the grants information management system to the grantees. The Grants Manager and assigned staff will be copied on the email.</p> <p>The Grants Manager and assigned staff can access the grants information management system dashboard to obtain 'real time' status updates for On-site Monitoring Reports and verification that the reports were emailed to grantees.</p> <p>Quarterly Grant Assessment Reports for each grant are completed by Grants Program staff to meet the annual evaluation requirement of HRS 10-17(d)(2). The Grant Assessment Reports are based on a review of grantee Quarterly Progress and Expenditure Reports and ongoing desktop monitoring and communications with the grantees.</p>	

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 3.c.

OHA should improve its administration of **Community Grants** by clarifying and documenting the responsibilities and processes for monitoring and evaluating all Community Grants, and updating existing policies and procedures as necessary.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion:	July 1, 2019
<p>Responsible Department: Grants Program (formerly Transitional Assistance Program)</p> <p>The Grants Program standard operating procedures have been updated to clarify and document responsibilities and processes for monitoring and evaluating Community Grants.</p> <p>The purpose of the Grants Program grant monitoring and assessment process is to determine if a grant has achieved its expected results. The Grants Program is responsible for monitoring and providing grant assessments throughout the post-award grant period. The Grants Program Closeout Report is the final grant assessment component.</p> <p>The purpose of the Program Improvement Program grant evaluation process is to improve grant making for impact and accountability.</p>	

Status of Implementation of Audit Recommendation
Report No. 18-08

Recommendation No. 3.d.

OHA should improve its administration of **Community Grants** by implementing a formal, documented system to ensure that grant files are complete and contain all necessary documents, including on-site monitoring reports, such as a checklist for each grant.

Status (Select One):

<input checked="" type="checkbox"/> Implemented	<input type="checkbox"/> Partially Implemented	<input type="checkbox"/> Not Implemented	<input type="checkbox"/> Not Implemented N/A	<input type="checkbox"/> Not Implemented Disagree
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Detailed Response:

Dated: 8/20/19

Estimated Date of Completion: July 1, 2019

Responsible Department: Grants Program (formerly Transitional Assistance Program)

Electronic Files: The grants information management system has been developed to ensure that Community Grant grant files are complete. All mandated reports for each grant will be on a dashboard, which serves as a checklist for each grant. The system electronic file will include system emails and all grant documents (grant agreements, support documents, grant amendments, grantee progress reports, expenditure and final reports, payment information, Grant Assessments, On-site Monitoring Reports and Grantee Closeout Reports). The system emails include auto generated emails and emails from Grants Program staff to the grantees.

DRAFT

**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 N. Nimitz Hwy, Suite 200
HONOLULU, HI 96817**

**Committee on Resource Management
Minutes**

February 19, 2020 10:00 am

ATTENDANCE

Trustee Dan Ahuna, Chairperson
Trustee Leina'ala Ahu Isa
Trustee Kalei Akaka
Trustee Keli'i Akina
Trustee Carmen Hulu Lindsey
Trustee Brendon Kalei'aina Lee
Trustee Colette Machado
Trustee John Waihe'e, IV

Guest and Community:

None.

STAFF PRESENT:

Sylvia Hussey
Raina Gushiken
Jonathan Ching (phone)
Lee Miller
Lisa Victor
Lisa Watkins-Victorino
Miles Nishijima
Sterling Wong
Alyssa Kau
Paul Harleman
Maria Calderon
Brandon Mitsuda
Kauikeaolani Wailehua
Priscilla Nakama
Nathan Takeuchi
Everett Ohta

I. CALL TO ORDER

Gavel sounds.

Chair Ahuna – Aloha. Today is the meeting for the Committee on Resource Management for Wednesday, February 19th at 10:00am.

Roll call taken.

	Present	Excused	Comments
TRUSTEE LEI AHU ISA	x		
TRUSTEE KALEI AKAKA	x		
TRUSTEE KELI 'I AKINA			Late arrival
TRUSTEE BRENDON KALEI 'AINA LEE	x		
TRUSTEE HULU LINDSEY	x		
TRUSTEE ROBERT LINDSEY		x	
TRUSTEE COLETTE MACHADO	x		
TRUSTEE JOHN WAIHE'E			
CHAIRPERSON DAN AHUNA	x		
TOTAL	7		
At the Call to Order, there are (7) Trustees present.			

Chair Ahuna – Mahalo. Asks for public testimony. None.

II. PUBLIC TESTIMONY

NA

Chair Ahuna – refers to next item on agenda.

III. NEW BUSINESS

A. Approval of Minutes

1. **July 31, 2019**
2. **November 6, 2019**
3. **November 27, 2019**
4. **December 4, 2019**
5. **January 10, 2020**

Chair Ahuna - On the approval of minutes, we will defer July 31st, November 6th and December 4th. Looking to approve November 27th and January 10th, 2020

Trustee Hulu Lindsey – motion to approve.

Trustee Machado – seconds.

Chair Ahuna – roll call vote.

Trustee Hulu Lindsey, MOVED, SECOND by Trustee Machado. Motion to approve 11/27/2019 and 1/10/20 minutes.

	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON LEE			X			
TRUSTEE HULU LINDSEY	1		X			
TRUSTEE ROBERT LINDSEY						Excused
TRUSTEE COLETTE MACHADO		2	X			
TRUSTEE JOHN WAIHE'E						
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			8			
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED Motion passes with eight (8) YES votes.						

Chair Ahuna – Moves to next item on agenda III. B. Calls on KP Sylvia Hussey to discuss.

KP Sylvia Hussey – reviews and discusses items per workshop 5.

III. NEW BUSINESS

B. Workshop 5: Kaka'ako Makai – Chronological Review

Chair Ahuna – Thanks KP and staff for discussion on items.

IV. ANNOUNCEMENTS

- A.** Video of The Committee on Resource Management Limited Meeting of 2/05/2020 will be posted on the OHA website no later than February 19, 2020.

Chair Ahuna – asking for further discussion on item. Nothing further.

V. ADJOURNMENT

Chair Ahuna calls for motion to adjourn. Motioned by Trustee Hulu Lindsey.

Trustee Machado– second.

Chair Ahuna - calls for roll call vote.

Trustee Hulu Lindsey, MOVED, SECOND by Trustee Lee. Motion to adjourn.						
	1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI AHU ISA			X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON LEE		2	X			
TRUSTEE HULU LINDSEY	1		X			
TRUSTEE ROBERT LINDSEY						Excused
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E			X			
CHAIRPERSON DAN AHUNA			X			
TOTAL VOTE COUNT			8			
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED						
Motion passes with seven (8) YES votes.						

Chair Ahuna adjourned meeting at 11:05 am.

Respectfully Submitted,

Anuheia Patoc, Trustee Secretary
Committee on Resource Management

Dan Ahuna, Chairperson
Committee on Resource Management

Approved: RM Committee meeting _____

Attachment(s):

- Trustee Robert Lindsey Letter – Excused from meeting
- Workshop 5: Kaka‘ako Makai – Chronological Review



OFFICE OF HAWAIIAN AFFAIRS MEMORANDUM

Mea ho'omana'o a ke Ke'ena Kuleana Hawai'i

To: Trustee Dan Ahuna
Chairperson, RM Committee

From: Trustee Robert K. Lindsey, Jr.
Vice-Chairperson, RM Committee

Date: 2.18.2020

Re: Excused Absence

Aloha!

Please be advised that I will not be able to attend the RM Committee meeting on Wednesday, February 19, 2020 at 10:00 am. Please extend my apologies to the members of the Board of Trustees.

Mahalo!


Robert K. Lindsey, Jr.



OFFICE OF HAWAIIAN AFFAIRS
Interoffice Memorandum

Date: February 12, 2020

To: Dan Ahuna, Luna Ho'omalua o ke Kōmike RM, Chair of the RM Committee
Robert K. Lindsey, Jr., Hope Luna Ho'omalua o ke Kōmike RM, Vice Chair of the RM Committee
Colette Y. Machado, Ke Kauhuhu o ke Kaupoku, Chairperson of the Board of Trustees
Brendon Kalei'aina Lee, Ke Kua Aupuni, Trustee-at-Large
Carmen Hulu Lindsey, Ke Kua 'o Maui, Trustee of Maui
John Waihe'e IV, Ke Kua Aupuni, Trustee-at-Large
Kaleihikina Akaka, Ke Kua 'o O'ahu, Trustee of O'ahu
Keli'i Akina, Ke Kua Aupuni, Trustee-at-Large
Leina'ala Ahu Isa, Ke Kua Aupuni, Trustee-at-Large

From: Sylvia M. Hussey, Ed.D., Ka Pouhana, Chief Executive Officer 

CC: BOT Staff
Lisa Watkins-Victorino, Ka Pou Nui Kūikawā, Interim Chief Operating Officer
Gloria Li, Ka Poukihi Kanaloa Wai Kūikawā, Interim Chief Financial Officer
Raina P.B. Gushiken, Ka Paepae Puka, Senior Legal Counsel
Miles T. Nishijima, Ka Poukihi Kanaloa 'Āina, Land Assets Division Director
Jonathan Ching, Pou Kāko'o 'Āina Ho'oilina, Legacy Land Manager, a me Pou Kāko'o Kuleana Ho'owaiwai Kūikawā, Interim Commercial Property Manager
Lee Miller, 'Aho Pueo Kuleana Ho'owaiwai, Commercial Property Specialist

Subject: KAKA'AKO MAKAI WORKSHOP #5 - CHRONOLOGICAL REVIEW

In preparation for the Resource Management Committee meeting next week Wednesday, February 19, 2020, Administration has set up several items for your advance review:

1. **Lending Library (Hard Copies).** Attachment A details Kaka'ako Makai Reference Deliverables that are available in a lending library with two (2) sets of the documents. The library includes the deliverables under the Rider Levett Bucknall contract (also known as the Framework Plan); and the deliverables under the WCIT Architecture contract. The lending library is located in the cubicle of Hihina Ahsing, Trustee Ahuna's Aide, and we ask that borrowers sign out for each document that is taken from the library to review.

February 12, 2020

Kaka'ako Makai Workshop #5 – Chronological Review

Page 2

2. **MS Teams Site (Soft Copies).** You and your aides should have received an invite for an MS Teams site titled “Kakako Makai BOT”. A soft, digitized copy of these documents are available for your review. If you cannot find the invitation in your e-mail, please contact Lee Miller at leem@oha.org.
3. **WCIT Architecture Contract Reconciliation.** Attachment B is a listing of the deliverables under the WCIT Architecture contract, which lists the price of each deliverable, the percent completed, and the amount paid to date. Of the total contract price of \$2,925,752.00, only \$1,969,593.95 or 67.32% has been paid; the remainder of the contract lapsed and is no longer available for use. The uncompleted and unpaid deliverables pertain to the Environmental Impact Statement (EIS).

Land Director Miles Nishijima and Commercial Property Specialist Lee Miller are very willing to meet with Trustees individually or two at a time to answer any questions that might arise during your (or your aides') review of the documents any time between today and next Wednesday's RM meeting.

Please feel free to contact them directly to set up a meeting time.

Attachments:

Attachment A – Kaka'ako Makai Reference Deliverables in the Lending Library and MS Teams Site

Attachment B – Cost Breakdown of deliverables in the WCIT Architecture Contract

Kakaako Makai Reference Deliverables
as of February 10, 2020

Doc File No	Digital File	Hard Copy	Author	Title	Date
01	Land Management Development Design by Group 70	2	Rider Levett Bucknall/Group 70 International/Sanford Murata, Inc.	Land Management & Development Design Services; Strategic Action Plan, Cultural Landscape & Ancestral Connectivity Analysis, Charette Vision & Strategic Priority, Market Assessment & Land Value Analysis, Master Baseline Infrastructure Review, Master Baseline Development Strategy	Nov-13
02	15-0331 OKM	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Q1 - Background Analysis; Long-Range Plans and Vision Documents, Regulatory Plans, Policies and Requirements, Recommended Considerations	Mar-15
03	Community Engagement Plan WCIT	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Community Engagement Plan; Identify Role Players in Community Engagement, Prep for Conceptual Master Plan Input, Coordinate Info Received	Mar-15
04	15-0325 OKM	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Q1 Update; Conceptual Master Planning Schedule and Implementation Strategy	25-Mar-15
05	15-0528 OKM	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Q2 Update; Update Project Schedule, Summary for Market Analysis Findings, Update Preliminary Land Use Scenarios and Preliminary Financial Assessment	28-Jun-15
06	15-0709 OKM	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Q2 Deliverables; Market Analysis - General & Limiting Conditions; Kaka'ako Market, Commercial (Retail/Restaurant), Residential Condominium, Hospitality, Office Market, Industrial, Cultural Uses and Attractions; Pae 'Aina Meeting Summary, Draft Land Use Scenarios, Draft Financial Assessment	Jun-15
07	EKF Cultural Theme	2	Edith Kanakaole Foundation	Cultural Theme Content; Themes for Design Guidelines - Kipuka, Hālaūāola and Kūlia Ānu'u	25-Jun-15
08	15-1205 OKM	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Q3 Deliverables; Land Use Themes, Final Land Use Scenarios and Pae 'Aina Meeting Summary w/Appendices	Nov-15
09	15-1103 OHA	2	Kuhikuhi Pu'uone Collaborative (WCIT)	CONFIDENTIAL Land Use Scenario Update; Land Use Scenarios, Development Road Maps and Cashflow Projections	4-Nov-15
10	15-1205 OKM	2	Kuhikuhi Pu'uone Collaborative (WCIT)	Q3 Deliverables Part 2; Draft 2 Financial Assessment, Final Memo, Development Roadmap, Phasing Strategy and Development Schedule, Public-Private Financing Tools	Dec-15

WCIT Architecture
Cost Breakdown of Contract Deliverables

<u>Contract Description</u>	<u>Document Name</u>	<u>Contract Amount</u>	<u>Percent Complete</u>	<u>Amount Paid</u>
Quarter 1 Background Analysis Tech Memo 3.E	Q1 - Background Analysis	\$ 104,452.50	100%	\$ 104,452.50
Quarter 1 Community Engagement Plan	Community Engagement Plan	\$ 50,801.25	100%	\$ 50,801.25
Quarter 1 Additional Studies Technical Memo	Q1 Update	\$ 47,737.50	100%	\$ 47,737.50
Quarter 2 Market Analysis Report and Pae 'Āina Community Meetings	Q2 Update	\$ 185,782.00	100%	\$ 185,782.00
Quarter 2 Draft Conceptual Land Use Scenarios	Q2 Deliverables	\$ 326,990.00	100%	\$ 326,990.00
Quarter 3 Land Use Theme Refinement Report	Cultural Theme Content	\$ 152,000.00	100%	\$ 152,000.00
Quarter 3 Draft Financial Assessment; Final Conceptual Land Use Scenarios; Phasing Strategy Report & Schedule	Q3 Deliverables	\$ 264,633.90	100%	\$ 264,633.90
Quarter 3 Public-Private Financial Tools Tech Memo	CONFIDENTIAL Land Use Scenario Update	\$ 19,000.00	100%	\$ 19,000.00
Quarter 3 Development Roadmap; Agency and Community Group Consultation Memo; Final Financial Assessment; Present Conceptual Master Plan to BOT	Q3 Deliverables Part 2	\$ 163,419.00	100%	\$ 163,419.00
Quarter 4 Development Design Guidelines	Not completed	\$ 164,730.00	95%	\$ 156,493.50
Quarter 4 Present Conceptual Master Plan to Pae 'Āina	Completed; no report	\$ 181,687.50	100%	\$ 181,687.50
Quarter 4 EIS Scoping Meetings	Not completed	\$ 68,965.74	15%	\$ 10,344.86
Quarter 5 Draft EIS	Not completed	\$ 620,691.70	19%	\$ 117,931.42
Quarter 5 Assist with Public Meetings	Not started	\$ 20,320.50	0%	\$ -
Quarter 6 Public Meeting for EIS	Not started	\$ 34,482.87	0%	\$ -
Contract Addition - Land Use Scenario (no residential); New Appraisal; Public Involvement Plan	Not completed	\$ 520,057.54	36%	\$ 188,320.52
Total		\$ 2,925,752.00	67%	\$1,969,593.95

Kaka'ako





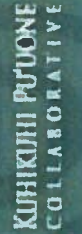



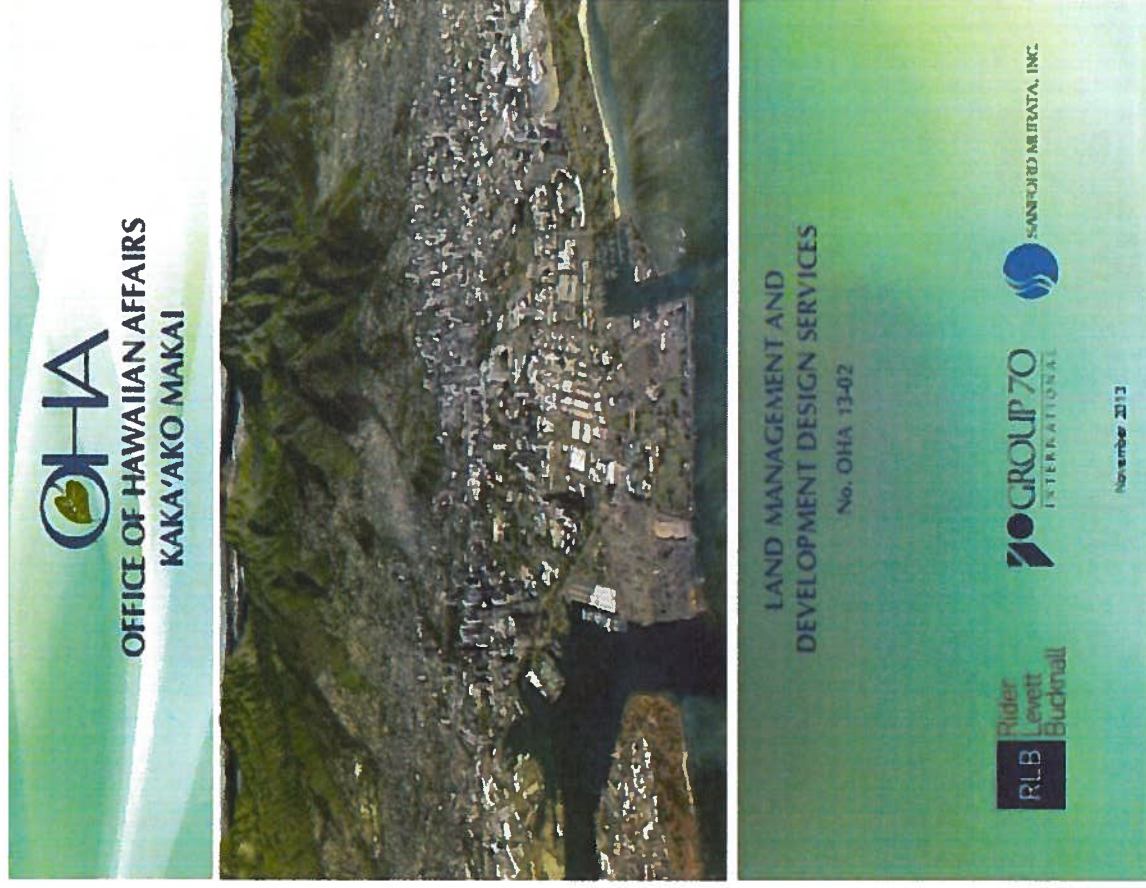
Makai

Kaka'ako Makai Workshop Timeline

Date	Workshop #	Topic
November 20, 2019	Workshop #1	Kaka'ako Makai Overview
November 27, 2019	Workshop #2	Programmatic Uses
December 4, 2019	Workshop #3	Phasing and Business Models (Spire)
January 20, 2020	Workshop #4	Presentations by HCDA, Kamehameha Schools and Howard Hughes
February 5, 2020	Site Visit	
February 19, 2020	Workshop #5	Chronological Document Review
March 4, 2020	Workshop #6	Commercial Property Development Processes in Private and Public Contexts
April 8, 2020	Workshop #7	Developer Selection Process Components
April 22, 2020	Workshop #8	Presentation of Conceptual Master Plan Components
May 2020	Action Item	Approval of conceptual master plan, including programmatic uses, design guidelines, phasing, and RFP process

Kaka'ako Makai Development Timeline Overview

2012	2013	2014	2015	2016	2017	2018	2019
<div>Land Transfer</div> <div>KM Policy Adopted</div> <ul style="list-style-type: none"> Balance Rev. Generation w/OHA's Strat. Goals Create a Haw. Place Embrace Community 	<div>April – Oct.</div> <div>OHA's Strategic Action Plan</div> <div>    </div>	<div>Land Division Created</div> <div>Conceptual Master Plan Begins In December</div> <div>   </div> <div>Legislature Denies OHA's Residential Use Request</div>	<div>BACKGROUND ANALYSIS MARCH 2015</div> <div>COMMUNITY ENGAGEMENT PLAN JULY 2015</div> <div>Quarter 1 Update MARCH 25, 2015</div> <div>2015 Quarter 2 Update MAY 28, 2015</div> <div>QUARTER 2 DELIVERABLES JULY 2015</div> <div>KUHIKUHI PU'UONE June 2015</div> <div>QUARTER 3 DELIVERABLES SEPTEMBER 2015</div> <div>LAND USE SCENARIO UPDATE NOVEMBER 04, 2015</div> <div>QUARTER 3 DELIVERABLES PART 1 - DECEMBER 2015</div> <div>OHA Stops Pursuing Entitlements</div>	<div>April</div> <div>Commercial Property Manager Leaves</div> <div> <small>OFFICE OF HAWAIIAN AFFAIRS SUPPLEMENTAL CONTRACT NUMBER 3007.01</small> <small>TO</small> <small>CONTRACT NUMBER 3007</small> <small>BETWEEN</small> <small>OFFICE OF HAWAIIAN AFFAIRS</small> <small>AND</small> <small>WCIT ARCHITECTURE, INC.</small> </div> <div>September</div> <div>New Commercial Property Manager Starts</div>	<div>OHA Decides to Proceed w/Existing Entitlements</div> <div>OHA Denied by HCDA to be EIS Accepting Authority</div> <div>Pae 'Āina (Report Back)</div> <div>Begin Work on Design Guidelines</div>	<div>Master Plan Contract Expires (Incomplete)</div> <ul style="list-style-type: none"> Plans not finalized Design Guidelines not completed EIS and SMA not completed Approx. \$1mil of contract unspent) 	<div>February</div> <div>Commercial Property Manager Leaves</div> <div>  </div> <div>2020 Regroup</div> <div>Set Strategic Course</div> <div>Decision Making</div>



Author: Ryder Levett Bucknall, Group 70, and Sanford Murata INC.

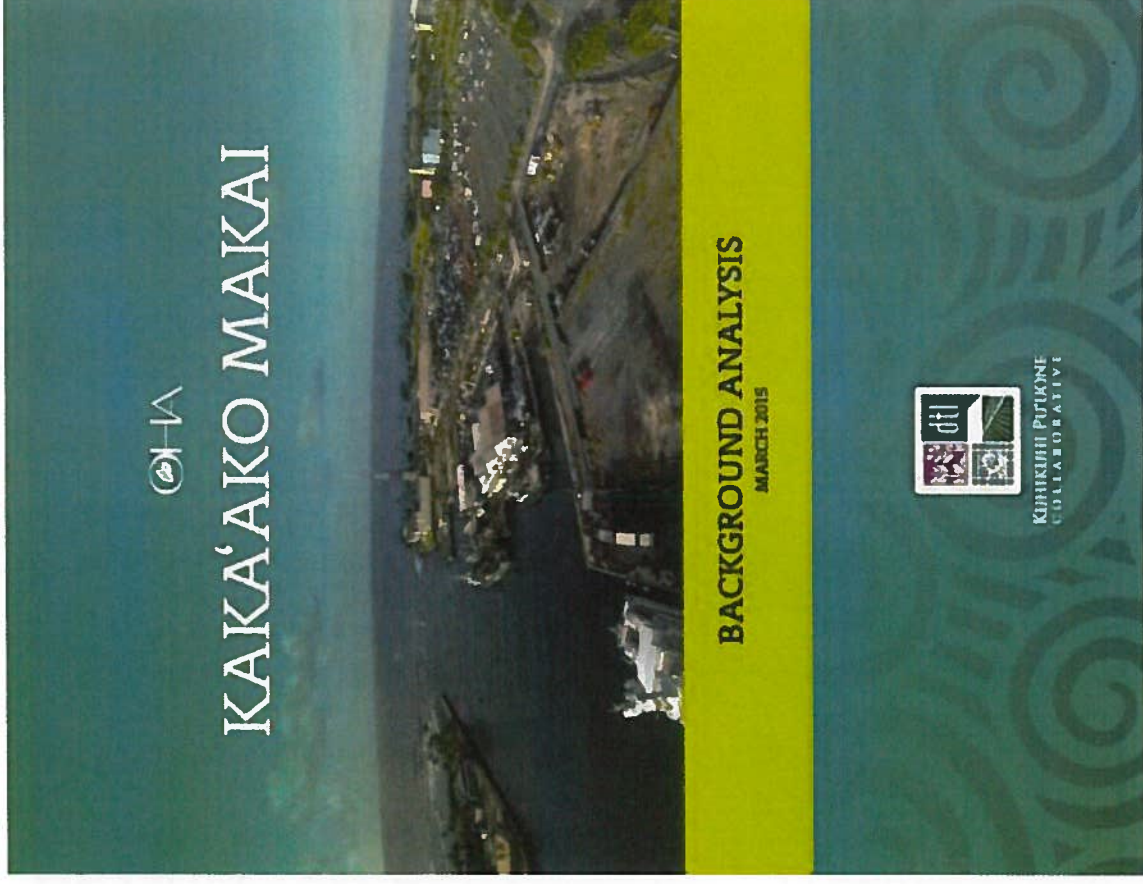
Deliverable dated: November 2013

Cost: \$150,000.00

Description: To prepare a management and development framework for OHA's Kaka'ako Makai lands (Basis for Conceptual Master Plan)

- History/Cultural Landscape/ Ancestral Connectivity
- Create Kipuka
- Create Cultural Marketplace
- Live/Work/Play

❖ **Suggested Next Steps:** ALTA Survey, Utility and Infrastructure Needs, Flood Zone Assessment/Sea Level-Rise Analysis, Topo Survey, Market Analysis & Viability Study, Hight Limits and Max Build-out, Land Value Analysis, etc.

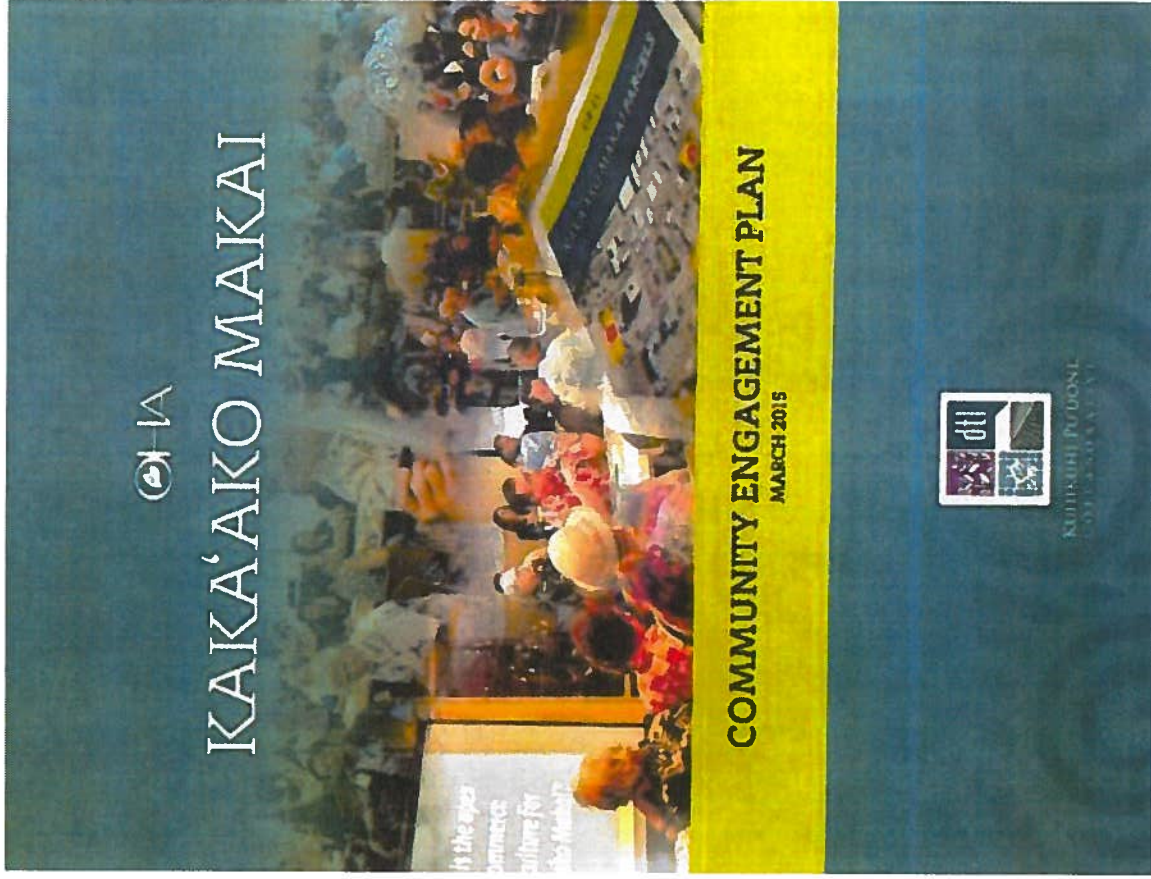


Author: WCIT, DTL, EKF, and PBR

Deliverable dated: March 31, 2015

Cost: \$104,452.50

Description: Overview of relevant information, past studies and previously completed plans for Kaka'ako Makai, including the Kaka'ako Makai Policy and Ryder Levett Bucknall's Strategic Action Plan (aka the Framework Plan).



Author: WCIT, DTL, EKF, and PBR

Deliverable dated: March 2015

Cost: \$50,801.25

Description: Provides the guiding framework for outreach activities, including the collection of input from OHA trustees, beneficiaries and other stakeholders.



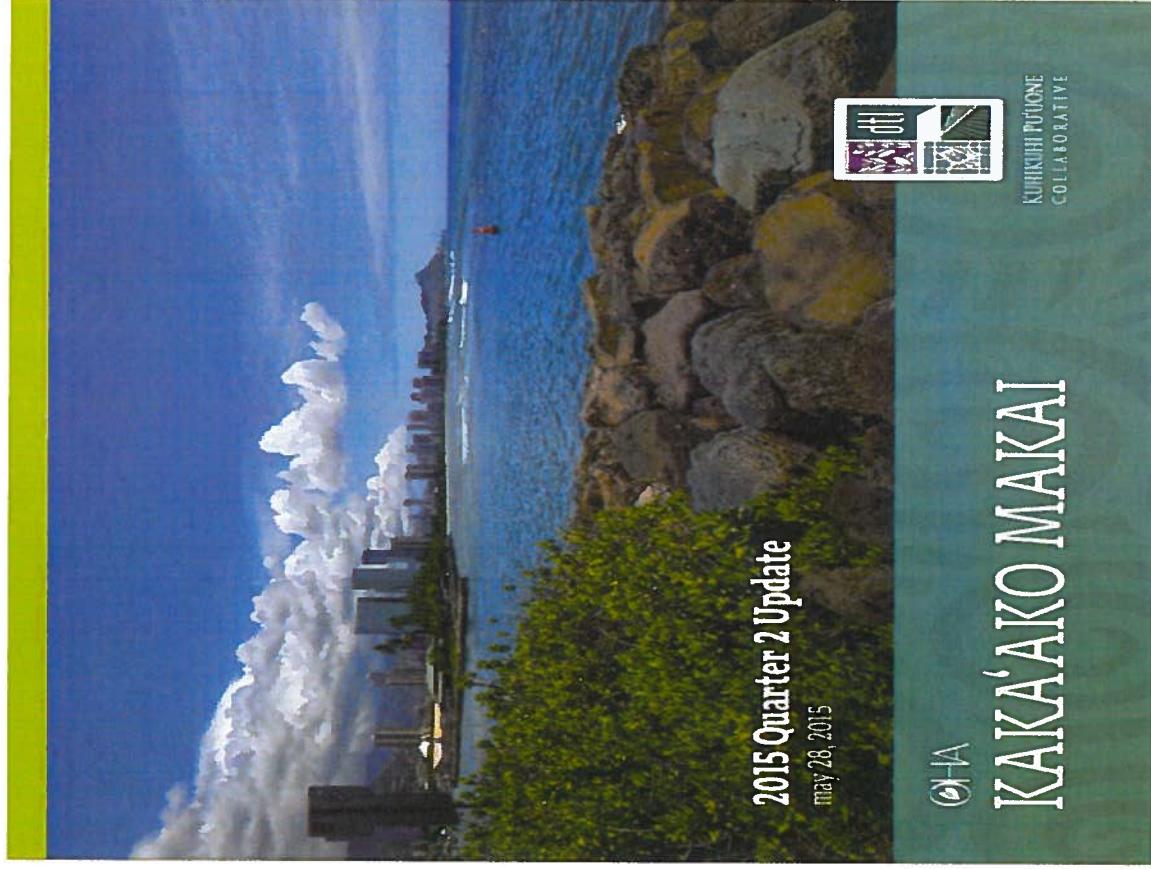
Author: WCIT, DTL, EKF, and PBR

Deliverable dated: March 25, 2015

Cost: \$47,737.50

OKM LAP Presentation Quarter 1 Update

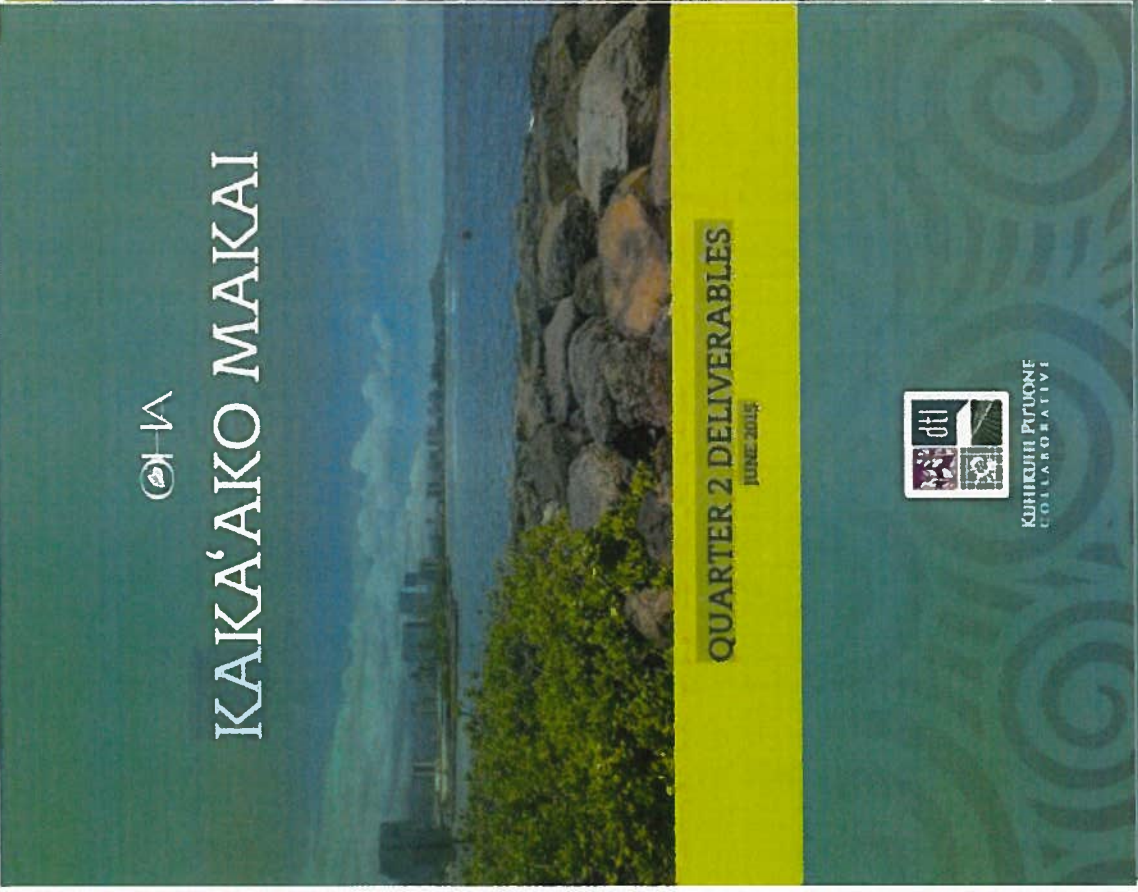
Description: PowerPoint presentation of Quarter 1 progress given to the BOT's Land and Property Committee on March 25, 2015, which included the outcome of the Pae 'Āina meetings held in February and March, together with a summary of their preliminary Market Analysis findings.



Author: WCIT, DTL, EKF, and PBR
Deliverable dated: May 28, 2015
Cost: \$185,782.00

OKM LAP Presentation Quarter 2 Update

Description: PowerPoint presentation of Quarter 2 progress given to the BOT's Land and Property Committee on May 28, 2015, which included a summary of their final Market Analysis findings, preliminary Land Use Scenarios (6), and preliminary Financial Assessment.



Author: WCIT, DTL, EKF, and PBR

Deliverable dated: June 2015

Cost: \$326,990.00

Description: PowerPoint presentation of Quarter 2 progress given to the BOT's Land and Property Committee on May 28, 2015, which included a summary of their final Market Analysis findings, preliminary Land Use Scenarios (6), and preliminary Financial Assessment.

KUHIKUHI PU`UONE

Author: WCIT, DTL, EKF, and PBR

Deliverable dated: June 25, 2015

Cost: \$152,000.00

Description: Report by the Edith Kanaka`ole Foundation presenting the cultural themes for the design guidelines: Kīpuka, Hālauāola, Kūliaānu`u and Wai.



KAKA'AKO MAKAI

QUARTER 3 DELIVERABLES NOVEMBER 2015



KUHIKUHĪ PŪNĀWAHINE
COLLABORATIVE

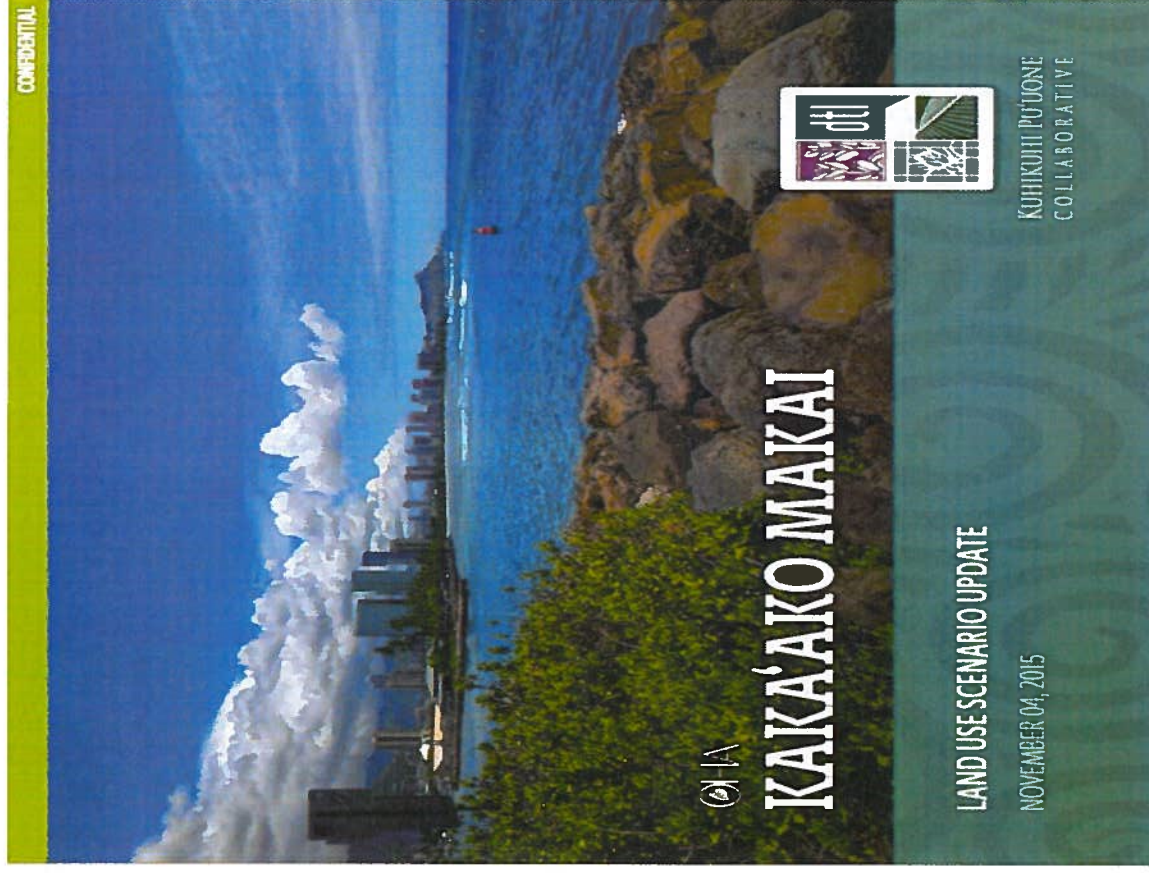
Author: WCIT, DTL, EKF, and PBR

Deliverable dated: November 2015

Cost: \$264,633.90

Quarter 3 Deliverable (Part 1)

Description: Land use cultural themes; final Land Use Scenarios (2); Pae 'Āina meetings summary.



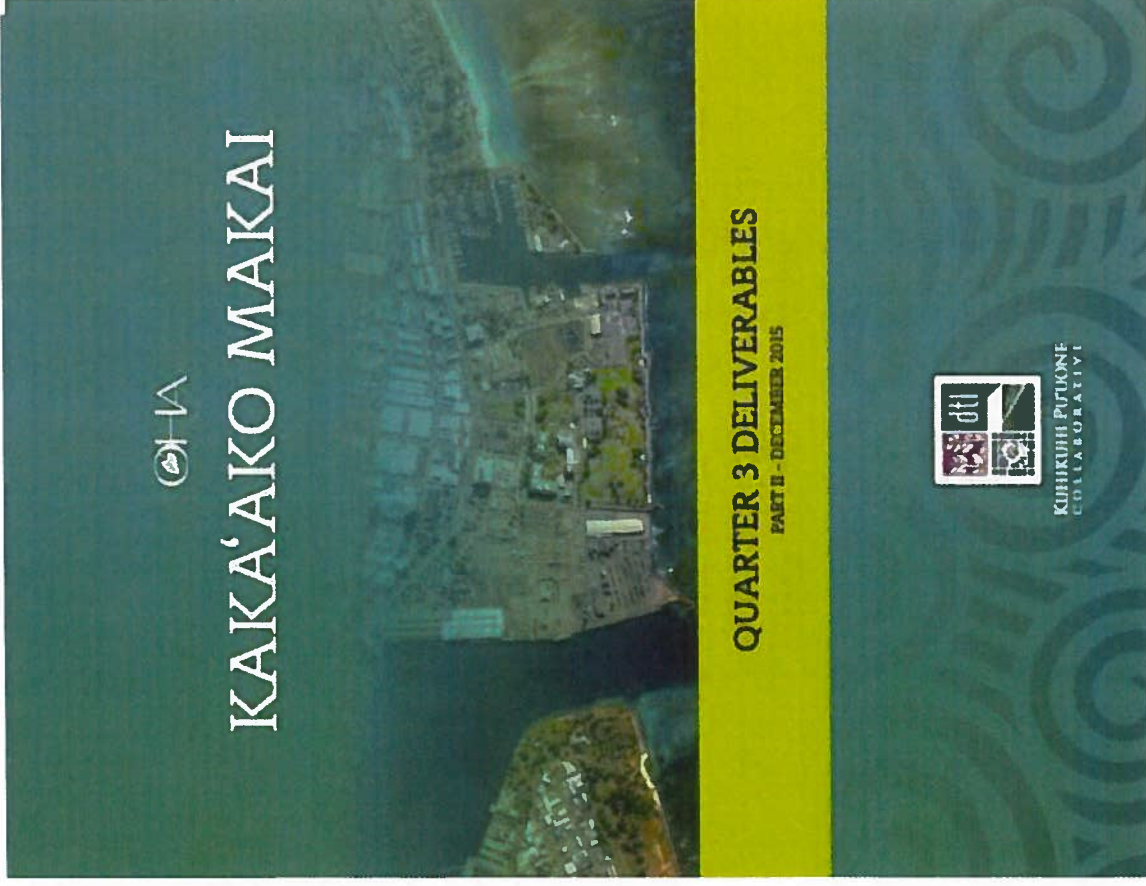
Author: WCIT, DTL, EKF, and PBR

Deliverable dated: November 4, 2015

Cost: \$19,000.00

OHA Land Use Scenario Update Presentation

Description: PowerPoint presentation given to the BOT's Land and Property Committee showing two (2) Land Use Scenarios and the accompanying Financial Assessment



Author: WCIT, DTL, EKF, and PBR

Deliverable dated: December 2015

Cost: \$163,419.00

Quarter 3 Deliverables (Part 2)

Description: Final Financial Assessment; Development Roadmap; Phasing Strategy and Development Schedule; and Public-Private Financing Tools

OFFICE OF HAWAIIAN AFFAIRS

CONTRACT NUMBER 3007

CONTRACT BETWEEN

OFFICE OF HAWAIIAN AFFAIRS

AND

WCIT ARCHITECTURE, INC.

OFFICE OF HAWAIIAN AFFAIRS

SUPPLEMENTAL CONTRACT NUMBER 3007.01

TO

CONTRACT NUMBER 3007

BETWEEN

OFFICE OF HAWAIIAN AFFAIRS

AND

WCIT ARCHITECTURE, INC.

Author: WCIT, DTL, EKF, and PBR

Outstanding Deliverables

1. Design Guidelines

Cost: Paid \$156,493.50 of \$164,730.00

Reasoning: OHA has not decided on what they want to do, so useful Design Guidelines cannot be established.

2. EIS

Cost: Paid \$128,276.28 of \$744,460.81

Reasoning: No accepting authority identified, and uses not fully defined, needing more input from OHA to be completed.

3. Supplemental Contract No. 1

Cost: Paid \$188,320.52 of \$520,057.54

Reasoning: No work on SMA permit.

Remaining Balance: \$956,158.05

OFFICE OF HAWAIIAN AFFAIRS

CONTRACT NUMBER 284-S

CONTRACT BETWEEN

OFFICE OF HAWAIIAN AFFAIRS

AND

RIDER LEVETT BUCKNALL, LTD.

Author: Ryder Levett Bucknall, Group 70, and
Sanford Murata INC.

Contract dated: April 11, 2013

Cost: \$150,000.00

Description: To prepare a management and
development framework for OHA's Kaka'ako
Makai lands (Basis for Conceptual Master Plan)
History/Cultural Landscape/ Ancestral
Connectivity
Create Kīpuka
Create Cultural Marketplace
Live/Work/Play

 **COPY**

OFFICE OF HAWAIIAN AFFAIRS

CONTRACT NUMBER 0007

CONTRACT BETWEEN

OFFICE OF HAWAIIAN AFFAIRS

AND

WCIT ARCHITECTURE, INC.

Author: WCIT

Dated: December 11, 2014

Contract Cost: \$2,925,752.00

Description: To provide conceptual master planning services for Kaka'ako Makai including ancillary service such as conducting financial analysis and market studies, drafting design guidelines, etc.

Author: OHA

Title: Supplemental Agreement

Deliverable dated: July 19, 2016

Cost: \$520,057.54

Supplemental Contract Agreement

Description: Supplemental Contract No.1 to prepare a “No Residential” Land Use Scenario; conduct a new appraisal of OHA’s Kaka’ako Makai properties; and provide a Public Involvement Plan to generate support of the CMP.

OFFICE OF HAWAIIAN AFFAIRS
SUPPLEMENTAL CONTRACT NUMBER 3007.01

TO

CONTRACT NUMBER 3007

BETWEEN

OFFICE OF HAWAIIAN AFFAIRS

AND

WCIT ARCHITECTURE, INC.

WCIT Architecture Cost Breakdown of Contract Deliverables

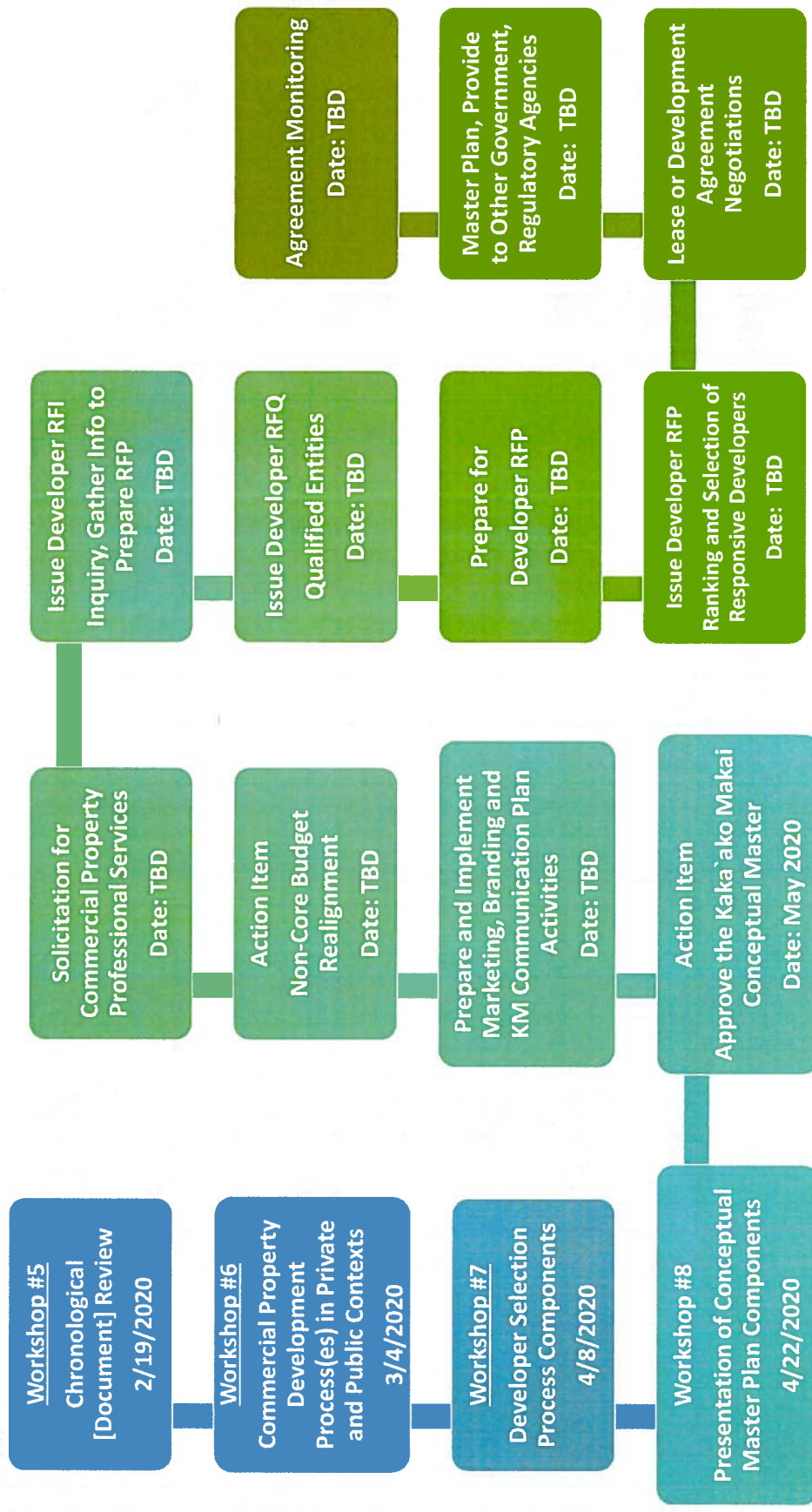
<u>Contract Description</u>	<u>Document Name</u>	<u>Contract Amount</u>	<u>Percent Complete</u>	<u>Amount Paid</u>
Quarter 1 Background Analysis Tech Memo 3.E	Q1 - Background Analysis	\$ 104,452.50	100%	\$ 104,452.50
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Quarter 3 Development Roadmap; Agency and Community Group Consultation Memo; Final Financial Assessment; Present Conceptual Master Plan to BOT	Q3 Deliverables Part 2	\$ 163,419.00	100%	\$ 163,419.00
Quarter 4 Development Design Guidelines	Not completed	\$ 164,730.00	95%	\$ 156,493.50
Quarter 4 Present Conceptual Master Plan to Pae 'Āina	Completed; no report	\$ 181,687.50	100%	\$ 181,687.50
Quarter 4 EIS Scoping Meetings	Not completed	\$ 68,965.74	15%	\$ 10,344.86
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Quarter 6 Public Meeting for EIS	Not started	\$ 34,482.87	0%	\$ -
Contract Addition - Land Use Scenario (no residential); New Appraisal; Public Involvement Plan	Not completed	\$ 520,057.54	36%	\$ 188,320.52
Total		\$ 2,925,752.00	67%	\$ 1,969,593.95

Unpaid Balance: \$956,158.05

Steps to making WCIT's deliverables into a Conceptual Master Plan

Task	Time	Outside Cost Items	Staff Manhours
Incorporate BOT approval of programmatic uses (14)	Minimal	None	4 hours
Finalize OHA's interpretation of the four cultural themes	One weeks	None	20 hours
Complete design guidelines	Four weeks	None	100 hours
Determine parameters of allowable uses	One week	None	20 hours
Other "must haves" (e.g., large parking structure on F/G, iwi kupuna repatriation vault)	Two days	None	8 hours
			152 hours (4-5 weeks)

General Roadmap for Kaka`ako Makai Development Workshops, Action Item, Budgeting, Contracting, Monitoring Activities



STATE OF HAWAII
Office of Hawaiian Affairs
560 N. Nimitz Highway, Suite 200
Honolulu, HI 96817

Minutes of the Committee on Resource Management
Wednesday, March 4, 2020
10:00 A.M.

ATTENDANCE:

RM Chairperson Dan Ahuna
RM Vice-Chairperson Robert Lindsey
Trustee Lei Ahu Isa
Trustee Kaleihikina Akaka
Trustee Keli'i Akina
Trustee Brendon Kalei'āina Lee
Trustee Carmen Hulu Lindsey
Trustee Colette Machado
Trustee John Waihe'e, IV

LEGAL COUNSEL:

Robert G. Klein, Esq.

ADMINISTRATION STAFF:

Sylvia Hussey, Ka Pouhana
Lisa Watkins-Victorino
Everett Ohta
Lee Miller
Daniel Santos
Marc Bantolina
Kevin Chak

GUESTS:

Rita Kanui
Rodney Lee, Spire HI
Walter Thoemmes, KS
Chris Deuchar, KS

BOT STAFF:

Anuheia Patoc
Hihina Ahsing
Brandon Mitsuda
Mark Watanabe
Alyssa-Marie Kau
Kauikeaolani Wailehua
Kama Hopkins
Melissa Wennihan
Nathan Takeuchi
Maria Calderon
Paul Harleman

I. CALL TO ORDER

RM Chair Ahuna calls the Meeting of Committee on Resource Management to order at 10:01 a.m. Roll call is taken; Trustees Ahu Isa, Akaka, Akina, Lee, Carmen Hulu Lindsey, Robert Lindsey, and Waihe'e are present, constituting a quorum. Trustee Machado is expected to arrive shortly.

Members I'd like to bring attention to the 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for the following items:

III. New Business

B. Workshop 6: Commercial Property Development Process(es) in Private and Public Contexts.
Presentation by Kamehameha Schools.

II. PUBLIC TESTIMONY

RM Chair Ahuna With that said we are at item number two, anyone here wishing to give public testimony?

Rita Kanui Aloha my name is Rita Kanui, I think this is the second time I've been here and thank you for reminding me, I am a beneficiary, I was hoping more people would be here today, but everybody got to work. My concern as a beneficiary, when we come here to the OHA office, there are many issues that face our people, for myself, I know my genealogy back and forth, that's not my issue, but my issue here is that because I lost my purse last January, somebody stole my purse with my wallet and my phone in my purse with all my information, I came here to get help, I have five, six minutes, okay, anyway, that's what happened to me so, we went online for the, there is a grant from CNHA, cause the last time I was here, I found out that OHA doesn't give emergency funds and I think as beneficiaries we should have that in place somehow. I went through CNHA and you have to fill out this application which I did five times, it was all wrong, so I asked Kaimo Muhlestein to help me, she helped me fifteen times until we finally got it okay(ed). Finally. So there is something wrong with their system it's not friendly at all, so you might want to put that down in your notes and say hey, fix that thing because if you have a trustee that who goes to the phone they don't know what's happening, and if you need to say, you know wait for us how many minutes is that?

Some phones will say you're caller fifteen, they'll let you know if you're caller number one, and they go down the line so you can hold, but we only have fifty cents to call it doesn't make sense to them as beneficiaries who don't have a phone would have to go to the phone and say I need help, but now we can't help you because you have to wait, so there is an unfriendly kind of message that they are sending to us, while they are saying, well we want to help you but we can't cause we're not here and you need to leave a phone number and there is no phone number to call except they have to stay on the phone. So I use the phone here in the office when I come here because I want to make sure if something is wrong I have somebody to talk to in the office and it's usually somebody in the front office. Anyway, that's my mana'o today. Okay, thank you very much.

Chair Ahuna thank you so much. Usually when we give public testimony it has to be connected to the agenda items, but today we are going to allow that, just because it's only you, but thank you so much.

Rita Kanui well I was hoping more people came, I wanted to thank those people, I forget who it was that contributed forty dollars to my friend coming down from America.

Chair Ahuna Trustee Hulu Lindsey

Trustee Hulu Lindsey Aloha, I just wanted to let you know that the monies that CNHA gives out for emergency funds comes from the Office of Hawaiian Affairs. So that is the office money.

Rita Kanui Oh, okay, they never said that, they said it was their money but

Trustee Hulu Lindsey No the emergency funds given out by CNHA is OHA funds.

Rita Kanui You should put that in there because it doesn't say that.

Trustee Hulu Lindsey Okay, thank you.

Chair Ahuna Thank you so much for being here. Members moving right along to roman numeral number three under new business I'd like to get a motion to approve the minutes for July 31, 2019.

III. NEW BUSINESS

A. APPROVAL OF MINUTES

1. July 31, 2019
2. November 6, 2019 (deferred)
3. December 4, 2019
4. Summary of the Limited Meeting on February 5, 2020

Trustee Robert Lindsey So moved mister chair.

Trustee Hulu Lindsey Seconded.

Chair Ahuna November 6, 2019, December 4, 2019 and the Summary of the Limited Meeting on February 5, 2020. So moved by Trustee Bob Lindsey and second by Trustee Hulu Lindsey.

Trustee Lee Mister Chair

Chair Ahuna Trustee Lee

Trustee Lee So I have a question about the November 6th minutes. On page five of the minutes under item C. It has a recorded vote of motion pass with seven yes votes, doesn't say what the motion was, and it doesn't say who voted on what, it doesn't say who moved, who seconded, no idea what this vote was.

Chair Ahuna It has been brought to my attention that the November 6th meeting minutes will still have to. I apologize.

Trustee Hulu Lindsey Mister Chair we'll redact our motion to approve and second on that particular minutes and after we'll move for a deferral to Beth for correction.

Chair Ahuna Trustee Bob Lindsey and Trustee Hulu Lindsey has taken back the motion and second and we would like to just approve the minutes, all the minutes except for the November 6th minutes, so July 31st, December 4th, and the Summary of the Limited Meeting on February 5th. Is that correct?

Trustee Hulu Lindsey That's correct.

Chair Ahuna Can I get a motion to

Trustee Hulu Lindsey It's our motion

Chair Ahuna It has been moved by Trustee Bob Lindsey and second by Trustee Hulu Lindsey for the minutes of July 31st, December 4th and the Summary of the Limited Meeting of February 5th. Are there any discussion members? Hearing none, can I get a roll call vote.

RM Chair Ahuna calls for a **Roll Call Vote**.

							10:08 A.M.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
RM CHAIR DAN	AHUNA			X			
RM VICE-CHAIR ROBERT	LINDSEY	1		X			
LEINA'ALA	AHU ISA			X			
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
BRENDON KALEI'AINA	LEE			X			
CARMEN HULU	LINDSEY		2	X			
COLETTE	MACHADO						
JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	0	1

MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED

Chair Ahuna Moving along to roman numeral number three

Trustee Hulu Lindsey Do we have to defer the minutes

Trustee Lee No, so deferred

Chair Ahuna Three B Workshop 6, commercial property development process in private and public contexts presentation by Kamehameha Schools, I'd like to call on our Ka Puohana, Sylvia Hussey.

III. NEW BUSINESS

B. Workshop 6: Commercial Property Development Process(es) in Private and Public Contexts Presentation by Kamehameha Schools

Ka Pouhana Hussey Good Morning Trustees, we are so fortunate that he answered the email. We are going to have Walter and will introduce everyone and provide context for us and again they have been very generous with their 'ike and their support for our learning in Kaka'ako Makai, so very grateful to them for coming.

Walter Thoemmes Aloha.

Trustee Hulu Lindsey Mahalo for coming back

Walter Thoemmes Mahalo for having me, I think the last time we were here, we talked a little bit about the actual projects we were working on and so this is more about the process, and I'd like to introduce Chris Deuchar, Chris is one of our key senior leaders, he's actually in charge of all our planning and development activity for market real estate team and so his team actually oversees the development activity of Kaka'ko and a few other things. So what we prepared was a deck of really different approaches that you can take, trust me I did talk with our legal team there's any specific deal terms in here, largely the messages, you know we haven't created all these different processes we've learned a lot over the last then years since Kamehameha started to get into more active development, starting with the redevelopment with the Royal Hawaiian Shopping Center, back in about 2007. We've been ramping up our learning and really happy to share with you the various structures that we taken a look at.

So leading off I would suggest a first it what we are most known for, this is a traditional commercial ground lease where we have reached agreement as a lessor with the lessee and they are permitted to develop and operate the property over a long period of time. Typically, fifty to seventy years, as you can see it's every, by way of example, every structure we have explains at a high level a very rudimentary chart of the relationships between the parties of the kind of documents that may be required that pros and cons. We also added in some examples of these are recent ground leases that we've done. Kamehameha has a ground lease with a lessee, we typically either go out to solicit a lessee interest if we are doing it practically and we do that to an offering (inaudible) type of process. Sometimes we get lessees come to us. They might see an opportunity and come with an idea to us so, kind of the prospecting can actually happen. We will negotiate a letter of intent, which generally encapsulates the major deal terms of a lease, generally it's a two- or three-page type of document, we get that approved inhouse by our Trustees or CO, whatever level that would go to.

GROUND LEASE

An agreement in which the Lessee is permitted to develop and operate a property during the lease term, upon GL expiration the property's control reverts to the fee property owner. The length of term is typically between 50 to 75 years.



Documents required may include:

- Offering Memorandum (RFP/RFQ)
- Letter of Intent
- Agreement to Lease
- Ground Lease



The Plaza at Kāne'ohe
Developed by MW Group
145 assisted living beds

Pros

- Generally a simple, straightforward transaction.
- No capital investment, beyond transaction costs.
- Long-term income stream passive income with little oversight required.
- Low risk.
- Requires no RE operational/development expertise.
- Leases tend not to expire (Lessors generally extend term).

Cons

- Less control.
- Lower financial returns.
- Property reversions can result in deferred maintenance.
- Rents generally do not keep pace with land market value until rent reopeners.
- Few opportunities to add additional value.
- Current lending environment prefers known rent over future market value resets.



The Parlor Express Bougainville
To be developed by Kapiolani Express AutoSpa, LLC

Then we negotiate an agreement to lease. So, an agreement to lease essentially is a binding document that is short of being a ground lease itself, until they are fully committed. Until they got all their financing in place and assuming they are going to build something, they got their construction contracts, so they basically will be fully committed, so the ground lease is in effect for the term of it. So, what's good about it is, it's simple and straight forward, it's very common in Hawai'i, there is no capital investment by KS, we basically turn over this opportunity to another party, we generate long term income, very low risk cause we are not having to perform anything. It doesn't require a lot of expertise, good attorneys and working knowledge of real estate is good and they tend not to expire so, you know it's actually a good thing to have, in a depressed type of market because your ground leases are almost like a bond that keeps creating. The cons though, less control. Most of our portfolio is ground leases and we gave up control of these lands for a very long time, and a lot of the activity you see at KS is a result of ground leases is ending and we are able to do Kaka'ko today Kapālana because of the history of ground lease cycles is coming to an end. They tend to be lower financial returns in the sense that the value of a ground lease against the market value of the land, land appreciates a lot in Hawai'i so lot of times your return against land value can be really low. Especially depending how the ground lease is structured.

What happens at the end of a ground lease, you know most lessees are not going to put money, any money into it, as approaches the end of its life. We let them know we are going to take this property back, say it's a warehouse in Kapālana in 2022, from ten years ago they are not putting anything. So, we tend to get back properties that require capital to even get up to a rentable state. It's a challenge at the end of a ground lease. Rents do not generally keep pace with market, value of land. There is no up-side, very little up-side opportunity in a long term ground lease, unless intend to extend the lease, so a good example of that might be a hotel where we want to extend the lease and encourage the lessee to re-invest, we might be able to negotiate in an extension of a lease, the current lending environment is a little different, much of the ground leases that Kamehameha did fifty years ago included set rents for the first thirty, thirty-five years and then market re-sets, where we get caught up to land value. The current lending environment is not really supporting that practice anymore, so we are having to do deals where we have preset elevators in the lease. It creates a situation where rents are known over the term of the lease for a counter party, and so depending on what land values are doing, you could be performing poorly at base land value or better depending on the present environment.

So this is ground leases and we've done a couple recently, the Plaza Kāne'ohe just opened across the street from Windward Mall, as well as we are doing a car parlor in, which is a new kind of car wash automated system, and again we've been

doing this for a long time and so we've developed a lot of 'ike about how to do this and it still remains a stable part of our portfolio. So, any thoughts or questions on this?

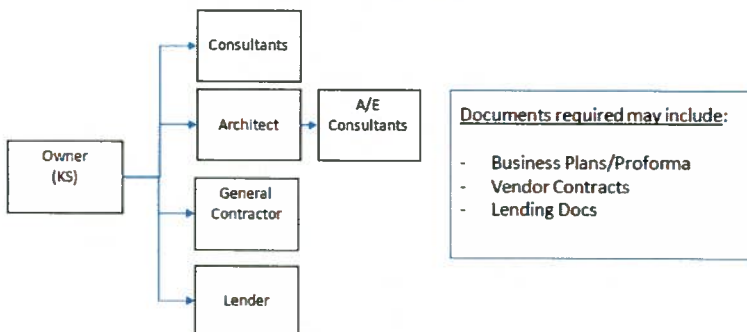
Trustee Hulu Lindsey I have a question, do you invest in the projects that people come to you for ground leases?

Walter Thoemmes So, in this structure, a simple ground lease, no, but we have another structure where we will, we'll get to that one next. Okay, then, Self-Performed Development, this is the other end of the spectrum, where KS as the owner takes the full risk and full benefit, of development. As you can see from the org chart, we would go out and we would hire out consultants, and our architects, and their team, and we would manage the contractor, get financing and go to the credit market, in this case the work is all done internally, so we do business plans and (inaudible) that we have to manage all the contracts and deal with the lenders. The pros of this situation obviously, is we have full control, its our vision, we're going to implement it, but we are responsible for that execution, we have full control of the selection of the participants in the project and the management of the project, we have the potential for far greater financial returns and the process can move quicker, we don't have to get locked a negotiation with another party because we know what we want and we can do a business plan that supports it, we just get moving.

The cons, though, is high risk, and you take all of the risk, when you are self-developing. There is execution risk, are we really going to get it done, there is market risk too. Especially with commercial projects dependent upon the income return you can get.

SELF-PERFORMED DEVELOPMENT

A project in which the owner acts as developer.



Pros

- Full control of a projects vision and execution.
- Selection and management of project's architect, contractor(s) and consultant(s).
- Potential for greater financial returns.
- Process can move quicker if you have the development expertise.

Cons

- High risk (execution & market).
- Huge learning curve.
- Large capital investment.
- Requires significant in-house expertise. (development, leasing, construction, construction management, asset management, sales, finance, etc.)



SALT
80,000 sf. of retail, office space and a 267 stall parking garage.



The Flats at Pu'unui
88 units of kama'āina rentals.

Trustee Ahu Isa I have a question

Chair Ahuna Trustee Ahu Isa

Trustee Ahu Isa I was telling Chris, I live right over there and I see the lofts at Pu'unui, right below there, Lopaka, one of our guys lives there, is Chris the one that comes up with all these ideas, on what to build cause I'm just fascinated how you guys think about these things and

Walter Thoemmes Oh, okay. So, you are speaking to the vision. As I came and shared the last time, our goal is to have a master plan vision for every one of our market areas, so we had a vision for Kaka'ko that was created in about 2008, 2009. What you see there is really kind of activation and execution of that vision. It takes a village of a lot of different opinions in there, but we knew we wanted to have affordable rental housing, we knew we wanted it to look nice and fit into the community to support all that retail. It's Chris and Chris' team as well as others.

Trustee Ahu Isa With the master plan, you still got to note when you put in the RFP, I'm just fascinated with all the stuff coming up there and how do you figure out what's going to make big money

Walter Thoemmes We do a lot options analysis I can tell ya, this is a self-performed one, so we didn't do an RFP because we did this ourselves. So this is fully developed by KS.

Trustee Ahu Isa You need more parking

Walter Thoemmes There's supposed to be a thing called transit there. So this requires significant in-house expertise, and we don't even, just in our commercial real estate team, you'll see later in the presentation, we depend on a range of expertise that is outside of that from in-house lawyers and marketing staff, and our accounting people and we have a construction management group that handles things for us so it does require a lot to step into the world of self-performed development.

Chair Ahuna Trustee Akina

Trustee Akina Thank you Walter, this is very fascinating. When you look at the gears in which KS is involved in ground lease primarily and now in its ability to do self-performed development, how valuable was that learning process, having that experience to operating ground lease to other development options and second part of that question would be; looking back would you say you should have perhaps moved a little more quickly or the timing was just right.

Walter Thoemmes So, I would say, we obviously get to, when you are doing a lot of ground leases, you get to sit on the side and watch how your counter parties do and there is a lot of learning in that. Sometimes you say, I wish we were a part of that team. They are doing really well, to bad we didn't do that. For me at least in my time at KS, because so much of the land was already locked up in ground leases, we really didn't have the opportunity until we, the gift of time, created a situation where a lot of the ground leases in Kaka'ko and Kapālama, they were done in the fifties, sixties and seventies, so there really wasn't an opportunity to do much of it before.

I will say within the larger KS universe we had a for profit entity that was developing on the Big Island, kind of a cousin institution, we didn't interact much with them, but they were the ones that actually developed the Royal Hawaiian Center back in the late seventies or early eighties. We learn a lot from watching how our partners perform, but it took building a team to (inaudible) things are very different, and underwriting is very different than it was forty years ago. So, to bring in guys like Chris and others that have that kind of experience. There are a few hotels I wish we owned.

Chair Ahuna We have one more question, Trustee Lee.

Trustee Lee Would it be fair to say that if KS had that time back, so, KS had the opportunity to have a bigger brother who learned all this stuff to learn from, that KS would have done a lot more of these hybrid more lucrative deals sooner. For instance, as a very good example, where we sit today in the Office of Hawaiian Affairs, we have the benefit of time from learning from KS time versus having to go and learn this on our own time frame.

Walter Thoemmes A real estate team we can look at things at a real estate portfolio, we are also part of a larger endowment and there are always risks and challenges to how much we're allocated to a real estate, and the geographic concentration of our real estate, there are questions about (inaudible), so when we obviously investing as we do takes a lot of capital, takes a lot of equities off the table, it needs to be balanced by what's happening in the financial assets world as well as the spends projection for organizations are, so, while I may be talking specifically commercial, there be other factors in play that would

determine at that point in time whether or not, we would go this route or not and that exist to today too. We can have our greatest plans in the world, but it still leads to fit in a financial framework of the organization, but certainly having the skills and ability to check the box that we are capable of doing it, we understand it's nice to have. We may not do a lot of self-performed development

Trustee Lee For that reason

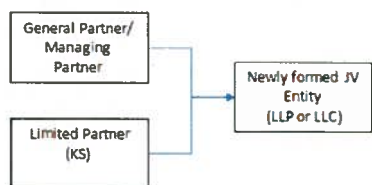
Walter Thoemmes For that reason, right. We'll talk a little bit about monetization as well, because that's an important ability for us to kind of rebalance the portfolio

Trustee Lee I was going to ask, because you brought up the endowment, that's something that we're learning now. Everything here is very separate, we have the portfolio and we have the land, it's not an endowment.

Walter Thoemmes It's hard to reconcile; one is very local, very operational, there are benefits that are economic and non-economic, to doing things in the community, it's hard to compare a fifty million dollar investment Hawai'i real estate to a private investment in New York, that might have similar returns economic returns, but on the non-economic side there is much more compelling reason to do things locally, so welcome to my life. I can tell you what I fight for. Joint venture, so, this is a structure that we don't have history on, we have made many attempts to do this over time, and at least in my twenty five years of the organization, we went into one joint venture that needed to get unraveled on the Big Island, and that didn't work. There was an example that we can point to Keauhou Lane that so far has worked out for us. This is a deal where two or more parties, this case it's two parties Kamehameha and (inaudible) actually form the joint venture entity so a legal entity for the purpose of developing a project, so, this is an affordable mix-use rental project in Kaka'ko.

JOINT VENTURE (JV)

A deal utilizing two or more parties with shared returns, risks and governance.



Keauhou Lane
Joint-Venture with Gerding Edlen
209 kama'aina units and approximately 30,832 sf of retail.

Pros

- Potentially greater capital efficiency.
- Provides access to 3rd party expertise.
- Ownership of land retained (if GL).
- Form of participation can vary (cash, land, combination, etc.)
- Unsubordinated ground lease allows for non-recourse leverage to be deployed, thereby boosting equity returns.
- Ability to mitigate capital loss if project is unsuccessful.
- Shared oversight/governance.

Cons

- Potentially less profit than a self-performed development.
- Less control than a self-perform development.
- Unsubordinated ground lease increases debt costs.
- Structure dependent-JV partner may control exit strategy and timing.
- Additional time required to identify and negotiate with JV partner, thereby extending the construction start date.
- If the project is small scale, it is likely not worth the administration and accounting effort required.

Documents required may include:

- Offering Memorandum (RFP/RFQ)
- Letter of Intent
- Joint Venture Operating Agreement
 - Buy out provisions
- Agreement to Lease
- Ground Lease

Now, the benefit of this is very capital efficient for us. We essentially contributed the value of the land in some cash into an equity stake in this entity that was created, and this entity is managed by our partner, so they are the managing partner they handle the development they built it, they are operating it, we're the limited partner. So, we just sit back and take a passive role in the actual operations, but we participate in the returns, on a (inaudible) basis, so, provides us access to this third party expertise, this group out of Oregon, they do rental housing all over the country, first time in Hawai'i, wanted to

break into the market, we were a great partner for them because, we have all the relationships, we had a master plan, we could help with entitlements, they did a lead platinum affordable rental project, and I will tell you, I doubted that from the beginning, I said, no way. You're going to be having to sacrifice the investment in lead because you don't understand how construction, how expensive it can be, they actually delivered it, I'm quite happy to say, they delivered on their promise. I think that's part of, that's what their secret sauce is. Able to leverage that. The entire deal is done under a long term ground lease, so the ground lease is structured in such a way that KS took advantage of the value of the land up front and threw it into the equity position, so we have a long term ground lease, that goes out, I believe sixty-five years. So, we not divorcing ourselves from the land. You can modulate the participation if you want more ground lease payments then your equity stake will be less, if you want more equity, then the ground lease payments will be less, and however you think that makes sense for you. It's an unsubordinated ground lease which essentially means that's at the top of the (inaudible) in terms of risks, so the bank lender is, we are in the number one position, should something happen. We didn't want to give that up.

Chair Ahuna Trustee Ahu Isa

Trustee Ahu Isa I live across the street from here, I'm really wondering about this because I saw a for sale sign, it's a million dollars, you know, they are selling

Walter Thoemmes Yeah, so, basically these are two separate projects

Trustee Ahu Isa And I thought this was affordable housing

Walter Thoemmes No this is not for sale, so, what you are seeing is one of the townhomes that Stanford Carr Keauohu Place, these are actually two separate projects, but they are connected, so, we did this in partnership with Stanford and sold the land to Stanford for the condominiums, this is one hundred percent (inaudible) and so, none of these units are for sale.

Trustee Ahu Isa So, Ya-ya's is there?

Walter Thoemmes Yes, so, all of the commercial for the project and the rental housing is under this entity, and is now affiliated with Stanford Carr, although he likes to take credit, I love Stanford. So, you know it's, there's a shared oversight on this so, our partner we have a monthly call and they brief us on, you know how construction was doing as they were developing it and how it's performing. Now the cons: obviously it's a shared participation, so you don't get the full benefits because you're not taking the full risks. You have less control as well, we are a limited partner, there are certain things that we cannot control, we can ask, but at the end of the day, they felt Ya-ya's wasn't the best tenant, and wanted to replace them, we really don't have a position to intervein.

It's just different because you are not fully in control like you are in self-development. What was really hard about this is, the exit, so as a perpetual trust, we have a very long-time frame so development like this we see ourselves being in till the end. Most development people and their financial backers, they need an off-ramp. You need to structure and exit for your partner otherwise, they just won't have the same investment horizon, right? They may want to be in for five years or seven years and they need a way to get out of it, so we needed to negotiate, in the joint venture a number of instruments that would allow the partner to leave or us to buy them out, so there is a protocol options basically in there that allows an exit that gives Kamehameha the opportunity to buy them out or just sell the whole thing. We could cash in our equity position with them because we have the underlying ground lease, so we take all of our benefit up front, with them and go do something else, knowing that at the end of this lease, it all comes back to Kamehameha anyway. So, it's a great joint venture with the ground lease attached to it, that gives us a lot of options and that was actually the hardest part. Took us probably, a year to negotiate this deal and a lot of it which is on, how to create a structure that there is flexibility in the exit. If so, again, the last point, if the project is too small it may not be worth, just the brain damage, it has to have a certain scale. This is a I believe a ninety-million-dollar development, which I think is about right for something of that size, anything less than that would be a little harder.

Trustee Hulu Lindsey How many units?

Walter Thoemmes Two hundred and nine. It's all at hundred eighty to a hundred, I'm sorry, eighty percent to a hundred percent AMI. So, in this case, more complex, so, you need some sort of RFP or process to select your partner, similarly we negotiated a letter of intent, get the major business terms agreed to, and then you got all the joint venture documentation, so to set up the entity itself, the operating agreements, because it was a ground lease, we did an agreement to lease as well as a ground lease, so, this one had a lot of complexity in the actual agreements and as I mentioned the buyout provisions were negotiated at length.

Trustee Lee Walter, so for a deal structured like this, KS needed a lot of house expertise for that as well?

Walter Thoemmes Yes, well we learned a lot too.

Trustee Lee Well, we're thinking about our capacity, OHA's capacity for in-house expertise versus Kamehameha Schools capacity for in-house expertise is very, very different. So, if KS was a smaller entity, is this something that could be contracted out for the expertise?

Walter Thoemmes It could be, we have, because we do, and the way we are set up, we have planning development, but we actually have transactions team too, and they get involved in all the different transactions from ground leases to something like this so we have a couple people that's all they do, and a lot of lawyers, it's pervasive, it's the biggest department in KS, but even that, a lot of the attorneys that we used it's really outside counsel. We have some in-house attorneys, and they are really good with our ground leases but when you get into this type of deal, we really rely on our third parties.

Trustee Lee So, if you structured the deal well enough, contracting the, because contracting out is a cost as, well right? So, contracting the expertise out could still make this model profitable, versus it all being in-house.

Walter Thoemmes Yep, and what I will tell you, is we model it such at our cost, are included in the project. So, you're going, these costs got to get paid somewhere right?

Trustee Lee right, right, so, the cost of going out

Walter Thoemmes Could be higher, but either way it's got to get factored in, to your investments. Okay so, Trustee Hulu Lindsey, this is the question you had. Here's a, this is a, and it can be similar, ground lease for sale with a commercial buy back. So, this is where Kamehameha would enter into an agreement with a developer and it could be a buyer or a lessee under a ground lease, to sell or lease the land, or also buy back, we have a retained interest in the project or in the land. In this case we would KS is the owner, we come to an agreement with a lessor or buyer for a project, but we realize we want to own something in there so we would negotiate a buy back provision or option, to buy back something, so a good example, the bottom right, 400 Keawe, so that was developed by Castle & Cook. This is actually a sale, because Castle & Cook was doing for sale condominiums, but we felt it's important to own a commercial at the street as a part of our broader ownership of Kaka'ko commercial, so, we negotiated, there was a sale price for the land and agreement upon the development by them and we negotiated buy back of the commercial, about a hundred thousand, about ten thousand square feet of commercial, so, we essentially agreed to a buy back price with them so they went, closed on the land, they took down the existing assets that were there that built this, and we had arranged to buy back the commercial. So, we had an influence of the design of the commercial and all of that and then it's our responsibility to actually lease it out, because they turn it over basically (inaudible). In this case the buyer should be lessee, (inaudible) the developer, so we don't need to develop it, in this case Castle could developed it. So, it's less capitol involvement. We actually, the investment we are making, the buyback of the commercial and our build out of the commercial is actually offset by the closure you get from the land sale. If it's a ground lease there's no sale proceeds, so you need to fund the buyback separately, the retained ownership allows for us to kind of control the district, the merchandising, and the feel of Kaka'ko, and again we get long-term income from ground leasing, if it is a ground lease situation. The upper example is one we are working on right now in Mō'ili'ili, where if you just looked the Varsity Building is, those blocks, we're very close, Chris is almost there, on negotiating, finishing a deal where they would actually build affordable rental housing we would buy back the commercial that is below the rental housing and it was

all be under ground lease, so there is no land sale, so we do need to finance the purchase of the commercial in that case, so Mō'ili'ili is actually a big one, because we have the apartment developer, we have a hotel developer that we are close to reach an agreement on as well as a student housing developers, so it's roughly a four hundred fifty million dollar project envision, and eighty to a thousand square feet of retail we are buying back, so these are all ground leases, but we are buying back control of the retail across all three leases. So, we go in and get approval for the lease as well as the investments decisions into this retail. We think it's going to be fantastic. It's such a great location and near the University. That's why we made that decision.

GROUND LEASE or SALE WITH A COMMERCIAL BUY-BACK

An agreement with a developer (Buyer or Lessee) to sell or lease land whereby the Seller or Ground Lessor buys back a commercial components in either fee or leasehold interest.



Documents required may include:

- Offering Memorandum (RFP/RFO)
- Letter of Intent
- Agreement to Lease
- Ground lease
- Purchase Sale Agreement
- Subdivision and/or Condo Docs
- Deed
- Closing Documents

Pros

- Buyer/Lessor acts as the developer.
- Less capital investment required to maximize land value.
- Retained ownership over commercial allows for placemaking, cultural programming, opportunities and retention of 'āina footprint within a community (sale or ground lease).
- Long-term passive income stream (ground lease).

Cons

- Complex transaction.
- Requires subdivision and/or condominium docs.
- May have to pay conveyance tax twice.
- Requires strong collaboration with the developer.
- Requires in-house developer/RE expertise.
- Smaller projects may not be worth the effort of the transaction.
- Negotiations can be long and cumbersome resulting in a delayed construction start.



Mō'ili'ili Gateway
Affordable housing, hotel, student housing, and a central parking garage with approximately 80K-100K sf of ground floor retail



400 Keawe
Developed by Castle & Cooke
95-unit residential units and 9,680 sf commercial mixed-use

This one is complicated as well. We did go out with an offer memorandum almost nation wide ended up selecting, the developers we selected, we reached agreement now, on letter of intent, got that approved and actually negotiating an agreement to lease on a ground lease, and we should have that done Chris? Put you on the spot. In the next month. So, if it's a sale you wouldn't have agreement to lease or ground lease, you would have a purchase sell agreement, right? If it's a sale you would need to do some sort of subdivision and create a condominium, right? We may do that in the ground lease as well, because the ownership of the retail is a asset too, that we could actually monetize that asset, it starts to get complicated but you can create a condo of almost anything now a days it's so, the housing units can be a combo of retail component, for sale units can be, the parking can be a (inaudible). A lot of complexity. It requires some sort of subdivision or similar type of document, conveyance tax comes into play, super strong collaboration with the developer, we always start with, we have to know what we want, our vision, and we start with that, we leave room to a developer who might have a different idea, but if they are not close, and they just think it's really something else, we are just wasting our time, the relationship is more important than anything, finding a developer that can collaborate with is key. A lot of in-house, we view this in this case if Mō'ili'ili at this square footage could be an eighty million dollar investment. We have to know what we are doing and to make that sort of investment, we've got to watch our interest, just as if we were self-developing this thing. Again, similar, smaller projects probably not good for smaller projects, the number of complexities, doesn't make it worth it. Negotiations can be long, it's just one that we've been negotiating about fourteen months now, so, we'll just do it ourselves, then we probably be in for (inaudible) right now, we would also be having to come up with four hundred fifty million dollars, which is not what we want to be doing. It is worth going through this level of complexity because we get to

see this, hopefully, knock on wood, this project being done, that delivers long term value to KS that we get to own a piece of. We can control the leasing of it, we can decide one of the ideas that our regional teams have, work with UH, trying to incubate Hawaiian businesses here perhaps. Working with UH and Manoa innovation center, those kind of things, if we owned a retail we can do those things, if we just ground lease it, we'll have no say, so, it really was a strategic, not just economic reason to stay in this deal.

Chair Ahuna You want to ask a question? I don't know if we can do that from outside there, oh, okay, we can.

Rodney Lee (inaudible) speaking from the Board Room's guest seating. (laughter).

Trustee Ahu Isa If you're not from O'ahu, I was just telling Chris (inaudible) also owns the Varsity Building and that's Mō'ili'ili and that ties into Isenberg, that whole (inaudible) if you talking about students of UH and Hawaiian influence. It's huge. Not just Isenberg by the

Walter Thoemmes Lot of potential I think in Mō'ili'ili. That's for another day. Okay, so Monetization. This is a situation where you have a ground lease asset that, has a value and is attractive as an asset, and so it might have been held as a space, like the Royal Hawaiian Shopping Center, where we owned the entire asset and in the right environment with the right money out there we can monetize that and essentially sell the improvements and turn it into a ground lease, in this case, the asset is the control of the vertical improvements, is different from the control of the land and we're able to monetize by selling the vertical improvements to a counter party who becomes then our ground lessee. So, in this case very similarly we got to go out and find a partner with different kind of process you really want a transaction advisor type of broker type of person, who sees what the market desires, and what, a lot of it will be institutional money that is out chasing these sort of deals, but similarly, because it becomes a ground lease we end up negotiating an LOI and follow that on with an agreement to lease and a ground lease so, in some cases they mean, there acquisition they want a lot of term, which is fine, it's all part of the deal and (inaudible) selling the improvements. The pros is, we've just kinda of changed the land tenure aspect of it, it's gone from a space lease to a ground lease so we maintain fee ownership, we sell without really selling the land, and we get dis-infusion of capital, which allows us to kind of really balance our asset allocation to Hawaii real estate allows us to go and invest it elsewhere or if we are in the mode of developing new community here to turn around and put it elsewhere in the Hawai'i marketplace, places like Kapālama or what not, and it secures a long term cash flow now because you're essentially, Royal Hawaiian, we did this in 2014, so we are in year six of a seventy year ground lease right now. Super passive and we have little control, that's a con, because we don't have control anymore, it can be a long process, it took us a while and it does trigger tax implications, we give up the ability to add value in the process or capture value but in some ways we took it all up front, we got to be okay with that. We did this twice, in 2014/15 with the two assets that we show here. Questions on that?

Chair Ahuna Trustee Hulu Lindsey

Trustee Hulu Lindsey I was just wondering what was the basis of your decision to sell the vertical on the Royal Hawaiian Shopping Center, cause you still own the land underneath it right?

Walter Thoemmes Yeah, I mean, largely asset allocation and then the desire to

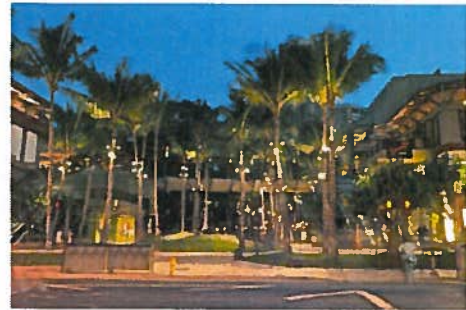
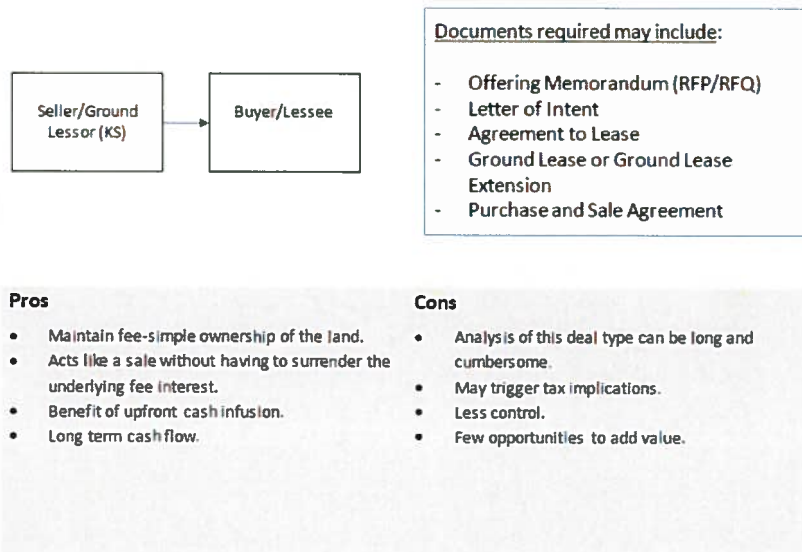
Trustee Machado Is that another way of saying show me the money ...

Walter Thoemmes No, it's you know, we're cognizant of, the endowments supports, you know, everything that the school is doing, right in education, and community, ninety-eight percent of it is funded by endowment and you know, we were at the time, allocated to Hawai'i real estate, I can't remember exactly the number, maybe thirty-three to thirty-four percent, something like that. The sale allowed us to re-balance and re-allocate, and essentially by taking the proceeds out of real estate and putting it in our financial assets' portfolio, we got our asset allocation to Hawai'i real estate down to twenty-six percent or so. In the world of modern portfolio theory, we should have so much allocated to one asset class, like real estate, and especially geographically concentrated in Hawai'i, but we're okay with it. I mean we recognize that we are unique, and

we shouldn't apply to the same rules (inaudible) in real estate, right? Because of the cultural ties, and so, that, I believe what was largely behind the decision at the time, that, and the fact that there was a lot of capital out there and they were paying a lot as well, and would we have made the same decision in a different (inaudible) environment, probably not. So, it was an opportunity to harvest the value of a real estate development in a way that has never been done before. It's actually strengthen out ability to think about reinvesting in Hawai'i real estate going forward.

MONETIZATION (GROUND LEASE W/ SPACE LEASE SALE)

An agreement between the Fee Owner/Space Lease Seller and Ground Lessor/Improvements Buyer that allows for significant Monetization.



Royal Hawaiian Shopping Center
310,000 sf of retail



Hawaii Kai Shopping Center
230,749 sf of retail

Chair Ahuna Trustee Akina

Trustee Akina Walter, historically the Royal Hawaiian Shopping Center has been committed to maintain a sense of place in Hawaiian values, in the structure you have now are you able to continue to ensure that, is that compromised at all?

Walter Thoemmes Yeah, so that was actually a big concern, at the time, before we even knew who the counter party was. We structured deal in a manner which KS retained certain rights over place making and the Royal Grove and the Pauahi statue in the deal. We maintained that kuleana, and costs that contributed into it. What I found interesting was when JP Morgan made the offer and we got into the discussions with them about it, and we brought this up, they were like, actually this is the reason we are buying this place. That culture and that execution, they didn't see as diminishing value, they actually saw it as driving value, so they we're like, we are happy if you guys want to retain this, because this is what we find fascinating about it, so even an organization like that, who sees the value of culture and maintaining that culture, so they've been a great partner, and so will it always happen that way, I can't guarantee that, in that case we did recognize the need and the kuleana we had for that place and built that into the deal, so it's there, black and white, from a practice, they kept Manu Boyd on and now they got Aaron and Monty and they are running a lot of that program.

Chair Ahuna Trustee Akaka

Trustee Akaka I had question regarding the Royal Hawaiian Shopping Center and if you explain to the Board about your partnership with The Festival Companies and how that works in terms of, with your different tenants and how that can be a flow of income with the different, the monthly amounts that you get and how that maybe could be a benefit as well.

Walter Thoemmes Yes, so Festival actually is a, they came on and they were a fee developer, and they helped our team re-develop the center, this was before my involvement with commercial real estate but they lead the development the redevelopment and utilized their expertise, especially in retail, and partnered with that, we're signed on to be the leasing and management company. Every commercial property we own, we don't manage the day to day operations or the leasing we use the third-party managers, so Festival was unique in the sense, where you need that, you need the development leasing and management all kind of working together even before you break ground. Especially with an actively management and open center, you gonna do this massive renovation, you really need someone that can do all three. So, we brought them in, and they really drove value and I thought had a lot of ideas, very strong, national contacts in terms of leasing and getting in some of these retailers. Where I would say they could have done better, was with some of the local, handling of the local retailers. We did use them initially in Kaka'ako in Salt, and it didn't have the same impact, so we had to switch them out, because it's a different execution, in kind of a neighborhood serving type of development versus a more hospitality serving type development. So, Festival, they were kept and retained by JP Morgan, that wasn't a condition we created, I think when JP Morgan bought it out, they approached Festival and kept them on. So, Festival worked for us right up to the day that deal closed, and the day after they weren't working for us anymore. They must be doing pretty good cause they are still there, and Marlene is still, and were smart, they brought in some of the people that where there from the beginning. From an operational standpoint, leasing can drive a lot of the revenue in retail. You have to balance, not every broker and leasing agent is good at everything, some have very strong ties to the national retailers, and can get them to the table and but yet may not be as successful as dealing with the Mom and Pop local retailers, so it's trying to have the companies that have the skills and the contacts in the reach for what you are trying to do.

Trustee Akaka Speaking of those skills and just the nature of the economy are you able to also share with us how the partnership between Kamehameha Schools and Festival, how, say back in 2009 and prior to that with all the renovations and the opening of the different tenants, there where long term tenants and short-term ones that had a hard time paying that amount every month to the companies.

Walter Thoemmes So, I don't have specific history, I wasn't running this at that time. I do know that, kind of stepping back 2009, 2010 was a hard time for everybody, as maybe the case right now going forward, we are watching this very closely. I know that there were programs put into place, to deal, not just with the financial downturn but also what happened during the development, you know it took two years to redevelop the mall and tenants, they needed to be moved around, so, there were different programs put in place, that I'm sure some were very successful situations and some probably not very successful, but I do know there was a program in place for considering different mechanisms to support tenants through trying times, which any good landlord should be doing. Festival as the agent kind of handles the front-end of it, but generally the decisions will get made by Kamehameha. I know we had set up a committee at the time were the Festival agents with our commercial team they decide on a case by case basis the different moves that needed to be made with tenants, specially in a downturn the last thing you want is a space (inaudible) because it's super hard to get space filled in the best of times much less in a downturn, and so what form does assistance take, what kind of documents can they produce that would show historical sales: my sales have gone down forty percent, what was it for, what can you show, so do you abate rent, do you defer rent, do you forgive prior delinquencies. There's a lot of different ways to approach it, but I would say that to my knowledge it was done case by case, and that's probably the way it should be versus kind of a blanket, you know deal, because some tenants continue to do well and others really struggle.

Trustee Akaka Thank you.

Walter Thoemmes Yes, you're welcome.

Chair Ahuna Walter you have four slides left, and you can continue.

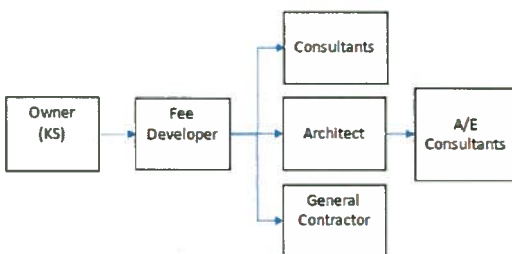
Walter Thoemmes Still get time?

Chair Ahuna Yes, you have plenty time.

Walter Thoemmes Okay, so, next slide: Fee Development. This is a structure where it's similar to Self-Perform except that, we, either something we don't have the skill sets for or we don't have the capacity for. So, we will essentially bring a fee developer in who will run the project for us for a fee. The good part like self-development, is you maintain ownership, you can shift some risks to the developer through incentive-based type agreements, but you take a lot of the risks. You don't have to build an internal team because you got a developer that's doing this for you, and you benefit from their third-party expertise. The con is, it's still your money, you still got to pay for everything in addition to now the element of fees the developer will charge. The returns obviously get diluted because you're paying this addition fee to a developer. It, you have to be really careful on how you structure a deal with a developer, you want to incentivize them to meet your goals as much as possible. You loose control, less day to day control because you have somebody doing this for you. We did a recent example of this, where we did a deal, if you've been to the McDonald's in Kahala, kind of cool, it's very techy and they wanted to do a new McDonalds on a ground lease and we said great, we had Wai'ala Bowl sitting there empty for a decade. What we really want to do is a commercial center, and we were really busy doing other things so we did a deal where McDonalds actually developed this for us, so we gave them our requirements and they approved the design and all, but they developed the whole thing, so we just got it turn key. In this case there was no offer of memorandum, because they were the ground lease partner, so they were a natural partner, but we did do an LOI, and we came up with a pre-development agreement, and then a master fee development agreement. So, they essentially turned over the improved assets to us at the same time their ground lease went into effect. So, it was all written into the agreement. I would say, not my most beloved deal, uhm you know, it's hard right, cause you think okay McDonalds they do this all over the country, they went through three different project managers over the life of the project. You have very little control over that, it ended up being a situation where we needed to deploy some of our people, to get out there and watch that, uhm, I'm not going to down play, I thing fee development is a good way to go if you don't have the team, it's super important to get the right partner and structure in place, we had to, there was a lot of re-work that had to get done and we needed to work out this thing at the end. So, it is a viable way for organizations, that maybe might do development once in a while, there are many non-profits that may only build a building once in their entire lives, I think it's certainly viable for us, given the fact that the team we have, I don't see us doing a lot more of these.

FEE DEVELOPMENT

A structure where the Fee Developer provides development services on a fee basis.



4618 Kahala
Developed by a ground lessee, McDonald's
14,100 sf of retail

Pros

- Maintain ownership of the project.
- Shifts some limited risk to the developer.
- Limited in-house personnel required.
- Use of 3rd party expertise.

Cons

- Potentially higher capital outlay than self-perform scenario (due to fees).
- Returns diluted due to developer fee payment.
- Developer has little to no "skin in the game"
- Less control of day to day project management.

Documents required may include:

- Offering Memorandum (RFP/RFO)
- Letter of Intent
- Predevelopment Agreement
- Master Fee Development Agreement

Trustee Akaka For that specific project was that property McDonald's local entity that franchised?

Walter Thoemmes Yes. So, I can't remember the gentleman's name, he has a about three or four, but it was McDonald's Corporate, they work with the franchisee to develop this, so they have a team in Hawaii that works with their franchisees to maintain and build these, so for us it was like, wow, these guys obviously know what they are doing, and they did, they just had a hard time keeping good people and it made a little more difficult, we just thought hey, turn key, we just going to get this at the end and it will be great. Well, we learned, and we needed to stay on top.

Trustee Hulu Lindsey Just like the rail.

Walter Thoemmes Maybe that ... nah, no comment.

Walter Thoemmes For Sale, obviously, we are not in the business of doing residential where you, where we are trying to create communities, we recognize a percentage of housing (inaudible) for sale, it's what the market demands, it actually creates communities we need, buyers buying into a place and taking ownership of it, and so because of that we do have sales activity as well. In Kaka'ko we have two examples here the Collection and Keahou Place which is Stanford Carr project.

FOR SALE*



Documents required may include:

- Offering Memorandum (RFP/RFQ)
- Broker Agreement
- Letter of Intent
- Purchase Sale Agreement
- Deed
- Closing Docs



The Collection
397 units of market rate residential

Pros

- Ability to receive a large upfront cash infusion.
- A home buyer's sense of personal ownership provides a vested interest within a community.
- Minimal risk.
- Cash infusion enables investment capital to be used in other areas within a master plan.
- Stringent conditions-to-close can limit speculation.

Cons

- No control over the long-term use of the land unless ground floor repurchased.
- Upfront payment does not allow for steady income stream.
- Loss of 'āina footprint if ground floor isn't retained.



Keahou Place
423 units of kama'āina and market rate

*NOTE THAT KS' SALES ARE LIMITED AND STRATEGIC.

In this case simpler, you know we will go out with offer of memorandum or an RFP, we'll enter into broker agreements, purchase and sale agreements and we just go through a sales process, the pros are we receive cash up front we kind of benefit from home buyers being in the communities we create very little development risks to us. We put in pretty stringent conditions to close to fork speculation, so, a good example for Kaka'ko we want to see a community development. We don't want a buyer to buy a property sit on it for a few years, sell it to somebody else and the cycle repeats itself, so basically when we reach agreement with a buyer their conditions to close are essentially, they need to get our design approvals, they need to get all their permits, get HCDA's agreement, they gotta get their non-refundable buyers deposits, they need to have an executed construction contract, and get the bank loan signed, so it's like, none of the, we will not close until they are literally ready to bring the o'o sticks in and start construction. Because that's the only way we're going to know that they are going to go. So, we put these very stringent things in there and so it keeps them motivated, cause they will not be able

to close on this deal and we will actually put options in there so when we do a purchase and sale agreement, we give them reasonable time and then they start paying us option payments, and those payments will accrue to the purchase price but unless they don't close. It's an opportunity cost for us. If you don't close then we keep then we keep the option payments, because we could have had this deal with somebody else. We find our developers, they are spending money, architects, they are doing all of their due diligence so they want to get there too, so we protect ourselves, but encourage them to go, because we know the community, look at Salt, we are depending on the residential that's being built too. It does have an impact for us, if developers just (inaudible) it kinda forces them to move so, that's the sales, and we do see that in the various communities that we have, questions on that?

Okay, Public Private Partnerships, we threw this one up here, more academically, this is a government body typically in private entity agreement, there's generally some public project, or public benefit to a PPP. They tend to be long-term, and we actually don't do any, get involved with any PPP right now, but you've heard the term Hart, and that's what they are trying to do with the last phase of the rail. I guess the Mayor Wright project is also a PPP that Hunt entered into with the Hawaii Public Housing Authority, and so, a lot of pros, it brings private entity involve into public infrastructure projects, in theory should be faster completions we are not professing any real expertise on this, but we know that it's out there and we didn't want to, not share this opportunity. I'm very interested in seeing what happens with Hart, but government is involved and has to be involved and maintain some ownership in a PPP and really what can government bring that can then leverage and support the private entities (inaudible) and it's very limited, not a lot of this have been done in Hawai'i, there's other jurisdictions that do this all the time. It would be interesting to see if there is opportunity here with OHA or with somebody else, like I said, definitely that's something to dismiss.

PUBLIC PRIVATE PARTNERSHIP (PPP or P3)*

An agreement between a governmental body and a private entity, with the goal of providing some public benefit. P3s are typically long-term and shift a significant portion of the risk to the private party.



Pros

- Better infrastructure solutions than an initiative that is wholly public or wholly private.
- Faster project completions and reduced delays on infrastructure projects.
- ROI might be greater than projects with traditional, all-private, or all-government fulfillment.
- Risks are fully appraised early on to determine project feasibility.

Cons

- Can increase government costs.
- If the expertise in the partnership lies heavily on the private side, the government is at an inherent disadvantage.
- When there are only a limited number of private entities that have the capability to complete a project, such as constructing a high-speed rail system, the relatively small field of bidders might mean less competition and thus less cost-effective partnering.

*NOTE THAT KS DOES NOT PARTICIPATE IN P3 PROJECTS, BUT OHA MAY CONSIDER AS AN OPTION.



HART
Elevated rail system running from East Kapolei to Ala Moana Center



Mayor Wright Homes
Partnership between Hawaii Public Housing Authority and Hunt Development Group
Redevelopment of up to 2,500 residential units

Chair Ahuna Trustee Lee

Trustee Lee So I noticed your asterisk at the bottom KS not participating in P3 but OHA may consider as an option, a lot of people forget that we're the first P. We're not the second P. If OHA goes out for a partnership, any partnership we go out to by definition is a public private, because we are public, we are government, but we also Native Hawaiian, just want to

put that out there to KS who doesn't do this yet. That they have a Native Hawaiian government out there that might be looking for somebody with something that we've been talking about over and over today expertise.

Walter Thoemmes This is a public private partnership, kind of in a classical structure, as it's been done for infrastructure type of projects. Partnerships between two parties can happen between public and private so, it's not unheard of. We just obviously have considerations that we would need to look into as OHA would as well. For the purposes of sharing our experiences, not something that we've been looking at.

Chair Ahuna Just in case you might want to.

Walter Thoemmes But I heard you Trustee, I heard you. Noted.

Chair Ahuna Just in case.

Walter Thoemmes KS In-House Expertise, so we have two hundred seventy-five properties in a portfolio, I shared that with you the last time, and you know we've needed to grow our expertise as we entered into a more robust planning and development and transactional processes. We are now forty, I think we were about 25 four years ago of just real estate, and so we have areas of expertise and asset management and leasing, planning and development is Chris' area, we have our own finance team, real estate finance is very different than the other types of financing in the organization and we can handle a pretty complex underwriting inhouse and transactions, all of these deals require the meeting of the minds between parties and (inaudible) except self-development, we can do that ourselves, but that's risky and expensive, so that's how we are set up, we got these five areas in commercial real estate, but I'll be (inaudible) we are supported by the KS mother ship in a big way. Communications and branding, natural cultural resources, they come they handle all our iwi and archeological work for us and make sure we are doing things the right way. Information systems and land management of construction management environmental, it's a huge issue for us because

Trustee Lee What a great sales pitch.

Walter Thoemmes I know, I know.

Trustee Lee keep going, keep going.

Laughter

Walter Thoemmes Environmental, when you, your assets have been under the control of lessees, ground lessees for a long time, you think about Kapālama, and the type of industrial uses, I mean there are so many dangers lurking there, we don't even know about, so we have an environmental team that is advising us and kind of structuring how we deal with these type of situations and obviously legal and our strategy team, so we really are supported by at least on a day to day basis, fifteen to twenty people outside of our real estate team, with all that we are working on. It does take a commitment, to do this our board is committed to us to support that growth. It's been fun, it's been fun. I hope that was helpful.

Chair Ahuna Members are there any questions for Chris or Walter? Trustee Akaka, go ahead.

Trustee Akaka With this last example, would you say knowing how OHA is that, that type of overhead would be manageable?

Walter Thoemmes I actually don't know enough about how OHA structure, just at a very high level, I think you got to either start with a project, see how it goes or an opportunity and see how it goes and kind of build from that, it's how we did it. Start with one and try to do it well and learn from that and do the next one and then you get the credibility to be able to go in and put a bigger plan together, I would tell you, one of the hardest decisions we had to make was with Salt, because it wasn't really a, the project by itself didn't pencil. How do you convince the other developers to take a chance on this

community that you've, a lot of pretty pictures but right, unless KS is willing to do something that put its money and it's time and energy into a project that will draw people. That was a hard discussion, I can tell you in 2011.

Trustee Lee And it took a while, when Salt first

Walter Thoemmes Adaptive reuse and how to keep, and build energy there through it, but you know in the end you go back to the vision of what you are trying to do, and if you believe in it, then we got to fund it and we got to try to make the best, and we learned a lot from that project, and things that we are now applying and doing differently in other places. We know at the end of the day it's gonna do well, but A & B would not close on the collection, Castle & Cooke would not have closed on 400 Keawe if Kamehameha didn't make that initial investment.

Chair Ahuna Trustee Hulu Lindsey; Trustee Lee

Trustee Lee Mines not really a question Walter, just kind of a thought. The different Ali'i trust had very specific missions you look at OHA everybody looks at the OHA for everything, even those specific missions of the trust, OHA is suppose to cover everything. The lands that we have a Ka'akako Makai and one property that we have here at Iwilei, and if OHA was acquired to more property, what a great place this would be if we could enter into PPP's with the trusts, versus everybody coming to OHA for everything. Instead OHA participating in PPP's so that the proceeds go to the trusts who have the expertise of delivering those services. Development aside, what does OHA know about education, KS knows a whole lot. What does OHA know about taking care of a kapuna? Lunalilo knows a lot. What does OHA know about healthcare, Queen's knows a lot. What do we know about eradicating poverty, Lili'uokalani is getting a fast track on learning a lot. It's more than money, right?

Walter Thoemmes That's right, a good point.

Chair Ahuna Thank you Walter, for all the expertise. Chris, you guys make a perfect team.

Trustee Hulu Lindsey Walter I just want to thank you folks for coming and sharing with us and I can tell that we are going to really need your folks expertise to guide us, and our Ka Pouhana in, you know fortunately we're at a part in our structure, where she's gong to be staring from the bottom, and you know the experiences you share will help her find the right people to help her, help us. We really appreciate you sharing with us, and I mean you folks are like one huge conglomerate next to OHA, and we are going to take baby steps, it's been very helpful to hear how you folks started, and getting better and better as each project comes before you, you learn from the last project, so, I think the board more or less decided that we would go not one lot at a time, and that's probably how we're gong to learn too, what we could have done better in the next lot, you know that kind of thing.

Walter Thoemmes I appreciate that and I'm very happy to help, Sylvia knows how to reach me.

Chair Ahuna She'll be reaching a lot.

Laughter

Chair Ahuna Chris, did you want to say anything?

Chris Deuchar No I think Walter covered it very well, but it's got to walk before you can run, and honestly it is a great opportunity with the lands that you have. I just encourage you to keep going, and that you never, don't give up. It's so important.

Trustee Lee I rather jump on the back of the guys who are running already.

Trustee Hulu Lindsey So, Chair, I just wanted to ask Chris, are you an employee of KS or are you

Chris Deuchar I am

Trustee Hulu Lindsey Thank you

Trustee Akina I just want to echo what my colleagues have said, we really appreciate you being here Walter and Chris, this is a big step for the Board, for us. We work together under a broader mission, to better the conditions of the Native Hawaiian people and it's wonderful because this is good business, but not just business, it has to do with accomplishing something that we all deeply believe in.

Trustee Ahu Isa tell them your title, what department.

Chris Deuchar I am the Senior Director of Planning and Development.

Walter Thoemmes I will add one more little editorial I guess, Trustee Machado was here at the time, but Ali'i Trust worked on a project, way back when in the 90's called Kūlana 'Ōiwi on Molokai and I was actually the new guy at the time with KS at the time so they threw me on that, Monsieur was a big leader, but you know, I thought it was always going to be like that, that the lead trust, OHA, DHHL would always be working together, we had Alu Like, we did the one project and I thought oh, there will be more to come, and for whatever reason

Trustee Hulu Lindsey It's a beautiful project

Walter Thoemmes In some ways starting with a project everybody can see some benefit in, and getting this together back in cooperative state, cause we are working for the same betterment right? I just throw that out there cause actually for me, I was there one year, Kamehameha did a pre-school and a resource center, that was the part of it, that I was involved, and I thought it was great.

Trustee Hulu Lindsey In Maui?

Walter Thoemmes No, Molokai

Trustee Hulu Lindsey Cause there is one on Maui as well.

Ka Pouhana Hussey Kapulana 'ōiwi maui continues to be the model of combined services

Walter Thoemmes But it was actually

Chair Ahuna Thank you Walter, thank you Chris. Members with that in mind, that was the last item on the agenda.

V. ANNOUNCEMENTS

None

VI. ADJOURNMENT

Trustee Hulu Lindsey moves to adjourn the RM meeting.

Trustee Lee seconds the motion.

RM Chair Ahuna asks if there is any discussion. There is none.

RM Chair Ahuna calls for a Roll Call Vote.

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	11:08 a.m. EXCUSED
LEINA'ALA	AHU ISA			X			
BAE VICE-CHAIR KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
BRENDON KALEI'ĀINA	LEE		2	X			
CARMEN HULU	LINDSEY	1		X			
RM VICE-CHAIR ROBERT	LINDSEY			X			
COLETTE	MACHADO			X			
JOHN	WAIHE'E			X			
RM CHAIR DAN	AHUNA			X			
TOTAL VOTE COUNT				9	0	0	0

MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED

RM Chair Ahuna adjourns the Meeting of the Committee on Resource Management at 11:21 A.M.

Respectfully submitted,

Bethann Hihina Ahsing
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management on May

Trustee Dan Ahuna
Chair
Committee on Resource Management

ATTACHMENT(s):

- NONE


OFFICE OF HAWAIIAN AFFAIRS
Action Item

Committee on Resource Management


October 21, 2020

RM #20-01


Action Item Issue: **OHA's Preliminary FB 2022/2023 General Funds and
Community Grants Budgets**

Co-Prepared by:  Oct 15, 2020


Maile Lu'uwai, Date
Ka Pou Kāko'o Kaiāulu, Grants Manager

Co-Prepared by:  Oct 15, 2020


Grace Chen Date
'Aho Hui Mo'ohelu, Budget Analyst

Reviewed by:  Oct 15, 2020


Gloria Li Date
Pou Kako'o Ho'opono, Controller

Reviewed by:  Oct 15, 2020

Sterling Wong Date
Ka Pou Nui Kūikawā, Interim Chief Operating Officer &
Ka Pou Kihi Paia Ku Kūikawā, Interim Advocacy Director, Chief
Advocate and Ke Kahua Paikala, Public Relations Officer

Reviewed by:  Oct 15, 2020

Raina Gushiken Date
Ka Paepae Puka, Senior Legal Counsel

Reviewed by:  Oct 15, 2020

Sylvia M. Hussey, Ed. D. Date
Ka Pouhana, Chief Executive Officer &
Ka Pou Kihi Kanaloa Wai Kūikawā, Interim Chief Financial Officer

Reviewed by:  Oct 15, 2020

Trustee Dan Ahuna Date
Luna Ho'omalua o ke Kōmike RM, Chair of RM Committee

Action Item RM #20-01: OHA's Preliminary FB 2022/2023 General Funds and Community Grants Budgets

I. Proposed Action

To approve:

- A.** OHA's preliminary general funds budget of \$3,037,879 per fiscal year to fulfill its requirement of submitting OHA's fiscal biennium (FB) budget bill to the 2021 State Legislature for the FY 2021-2022 (FY22) and FY 2022-2023 (FY23) biennium as detailed in Table 5; and
- B.** OHA's preliminary community grants program budget up to \$3,700,000 per fiscal year for the FY 2021-2022 (FY22) and FY 2022-2023 (FY23) biennium as detailed in Table 6.

II. Issue

Whether or not the Board of Trustees should approve:

- A.** OHA's preliminary general funds budget of \$3,037,879 per fiscal year to fulfill its requirement of submitting OHA's FB budget bill to the 2021 State Legislature for the FY 2021-2022 (FY22) and FY 2022-2023 (FY23) biennium; and
- B.** OHA's preliminary community grants program budget of up to \$3,700,000 per fiscal year for the FY 2021-2022 (FY22) and FY 2022-2023 (FY23) biennium.

III. Background & Overview – Part A – Fiscal Biennium 2022-2023 General Funds

A. Overview

The State Legislature determines General Fund appropriations during each Biennium. As part of its annual budget, the Office of Hawaiian Affairs (OHA) receives general funds from the State of Hawai'i, which is appropriated through the State Legislature. Since 1981, OHA has received state general funds for a portion of its personnel and operating cost, and to provide services to beneficiaries.

The OHA Biennium budget is prepared every two years, for the ensuing two years. Historically, the entire operating budget, including general funds, trust funds, federal funds, special funds and other funds, was presented to the Board of Trustees (BOT) for review and approval during the months immediately preceding the opening of the Biennium legislative session in the following January. This Action Item includes the discussion and seeks BOT approval relating to (1) OHA's preliminary general funds budget of \$3,037,879 per fiscal year to fulfill its requirement of submitting OHA's Fiscal Biennium budget bill to the 2021 State Legislature for the FY 2021-2022 (FY22) and FY 2022-2023 (FY23) biennium and (2) OHA's preliminary community grants program budget of up to \$3,700,000 per fiscal year for FY 2021-2022 (FY22) and FY 2022-2023 (FY23) biennium to accommodate a grant solicitation release date in early 2021.

The proposed general funds and preliminary community grants program budget requests for the FY 2021-2022 and FY 2022-2023 biennium, covers the periods from July 1, 2021

Action Item RM #20-01: OHA's Preliminary FB 2022/2023 General Funds and Community Grants Budgets

through June 30, 2022 and July 1, 2022 through June 30, 2023; hereinafter referred to as FY 2022 and FY 2023, respectively.

B. OHA's Sources of Funding

An *appropriation* is an authorization granted by the OHA Board of Trustees (BOT) or Hawai'i State Legislature, permitting the agency, within established fiscal and budgetary controls, to incur obligations and to make expenditures for specific purposes. An *appropriation* is usually limited in its amount and a time period during which it can be expended. The sources of funding available for spending through OHA's Core Operating Budget include the following *appropriations* detailed in **Table 1** below.

Table 1: Sources of Funding

Type	Description	Appropriation Number
Core Operating Budget	General Fund appropriations drawn from the State of Hawai'i	100
	Public Land Trust Revenues (PLT) received annually from various State Agencies conducting business on PLT lands	901
	Matching Fund appropriations as determined by the State of Hawai'i and drawn from the Native Hawaiian Trust Fund (NHTF)	910
	A portion of the NHTF and also includes revenues received primarily from past-due settlements dividend and interest earnings received thereon, plus twenty (20) percent of gross revenues generated from OHA-owned Kaka'ako Makai parcels allocated for grants, and fifty (50) percent of net revenue allocated for OHA's Legacy Property Management.	930

Action Item RM #20-01: OHA's Preliminary FB 2022/2023 General Funds and Community Grants Budgets

C. Historical General Fund Levels

A summary of general fund appropriation levels from FY 10 through FY 21 is presented in **Table 2** below:

Table 2: General Fund Appropriation Levels from FY 10 through FY 21

Summary	FY 10 / FY 11	FY 12 / FY 13	FY 14	FY 15	FY 16 / FY 17	FY 18 / FY 19	FY 20 / FY 21
General Fund Appropriation Level	2,469,659	2,370,872	3,141,574	2,741,574	2,991,004	3,037,879	3,037,879 ¹
Difference from Previous Year	-617,416	-98,787	770,702	-400,000	249,430	46,875	0
Increase/(Decrease) % from Previous Year	-20%	-4%	33%	-13%	9%	2%	0%

IV. Current FB20/21 General Funds Biennium Budget Appropriation

The current OHA Budget Bill, 2019 Act 037 HB 172 SD2 CD1, whose authority allotted a total of \$3,037,879 for FY2020 and \$3,037,879 for FY2021 included per fiscal year appropriations for: (a) \$296,874 for use in OHA's operations, (b) \$ 1,067,175 for personnel, and (c) \$1,673,830 allocated for legal provisions contained in the budget bill and detailed in **Table 3**.

Table 3: FB 2020/2021 General Fund Spending Requirements as per 2019 Act 037 HB 172 SD2 CD1

OHA Program ID [FN]	FY 2020			FY 2021		
	General Funds	Trust Fund Match	Total Requirement	General Funds	Trust Fund Match	Total Requirement
A. 150 – Office of the Trustees	\$58,323	\$275,687	\$334,010	\$58,323	\$275,687	\$334,010
A1. Personnel Budget	58,323	275,687	334,010	58,323	275,687	334,010
B. 160 – Administration	\$1,124,042	\$2,861,727	\$3,985,769	\$1,124,042	\$2,861,727	3,985,769
B1. Personnel Budget	827,168	2,564,853	3,392,021	827,168	2,564,853	3,392,021
B2. Operating Budget	296,874	296,874	593,748	296,874	296,874	593,748

¹ Refer to Section IV Act 37 Relating to the Budget of the Office of Hawaiian Affairs

Action Item RM #20-01: OHA's Preliminary FB 2022/2023 General Funds and Community Grants Budgets

OHA Program ID [FN]	FY 2020			FY 2021		
	General Funds	Trust Fund Match	Total Requirement	General Funds	Trust Fund Match	Total Requirement
C. 175 – Beneficiary Advocacy	\$1,855,514	\$3,292,290	\$5,147,804	\$1,855,514	\$3,292,290	\$5,147,804
C1. Personnel Budget	181,684	1,118,463	1,300,147	181,684	1,118,463	1,300,147
C2. Operating Budget	1,673,830	2,173,827	3,847,657	1,673,830	2,173,827	3,847,657
Totals:	\$3,037,879	\$6,429,704	\$9,467,583	\$3,037,879	\$6,429,704	\$9,467,583
Details						
[1] Total Personnel	\$1,067,175	\$3,959,000	\$5,026,175	\$1,067,175	\$3,959,000	\$5,026,175
[2] Total Operating	\$1,970,704	\$2,470,704	\$4,441,408	\$1,970,704	\$2,470,704	\$4,441,408
[2a] Office Rent	\$296,874	\$296,874	\$593,748	\$296,874	\$296,874	\$593,748
[2b] Leg. Provisos	\$1,554,400	\$1,554,400	\$3,108,800	\$1,554,400	\$1,554,400	\$3,108,800
<i>Social Services</i>	<i>415,000</i>	<i>415,000</i>	<i>830,000</i>	<i>415,000</i>	<i>415,000</i>	<i>830,000</i>
<i>Legal Services</i>	<i>524,400</i>	<i>524,400</i>	<i>1,048,800</i>	<i>524,400</i>	<i>524,400</i>	<i>1,048,800</i>
<i>Education</i>	<i>615,000</i>	<i>615,000</i>	<i>1,230,000</i>	<i>615,000</i>	<i>615,000</i>	<i>1,230,000</i>
[2c] Other Provisions	\$119,430	\$619,430	\$738,860	\$119,430	\$619,430	\$738,860
<i>Act 37, Section 8: Financial and Management Audit</i>	<i>0</i>	<i>500,000</i>	<i>500,000</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Other Operating</i>	<i>119,430</i>	<i>119,430</i>	<i>238,860</i>	<i>119,430</i>	<i>619,430</i>	<i>738,860</i>
Totals:	\$3,037,879	\$6,429,704	\$9,467,583	\$3,037,879	\$6,429,704	\$9,467,583

V. Act 37 Relating to the Budget of the Office of Hawaiian Affairs and Impacts on the FY 2021 General Funds

On June 7, 2019, HB172 HD1 SD2 CD1 RELATING TO THE BUDGET OF THE OFFICE OF HAWAIIAN AFFAIRS was signed into law (**refer to the Attachment**) as Act 37. Section 8 of Act 37 contained the following provision:

SECTION 8. (a) Provided that of the trust funds appropriated in part II of this Act, the sum of \$500,000 for fiscal year 2019-2020 shall be expended for the

Action Item RM #20-01: OHA's Preliminary FB 2022/2023 General Funds and Community Grants Budgets

costs for the auditor to conduct or contract for a financial and management audit of the Office of Hawaiian Affairs.

The auditor shall submit a report of the findings and recommendations of the audit to the legislature, governor, and the chairperson of the board of trustees of the office of Hawaiian affairs no later than twenty days prior to the convening of the regular session of 2020². (b) Provided that the general funds appropriated for fiscal year 2020-2021 pursuant to part II of this Act shall not be released to the Office of Hawaiian Affairs until after the audit report required by subsection (a) is received by the legislature.

Table 4 below provides a chronology of activities and illustrate a concerted effort on the part of OHA to be cooperative and responsive to the State Auditor's documents and records production requests, including access to individuals to be interviewed, thereby, supporting and expediting planning phase activities. Document requests, interviews and other activities related to limited liability companies (LLC) were produced and completed by LLC management. OHA functioned as a conduit to transmit information to the State Auditor.

Table 4: Chronology of Auditor Related Activities

Request Date (Deadline Date per correspondence)	Event or Description of Requested Documents
May 31, 2019 (June 7, 2019)	Letter from State Auditor requesting: Contract documents and amendments thereto including those relating to the solicitation for and procurement of the audit; and memoranda and other communication, including status reports relating to the progress of CliftonLarsenAllen (CLA's) work.
June 25, 2019	State Auditor Entrance Conference with Administration
June 25, 2019 (July 2, 2019)	Letter from State Auditor requesting from OHA Administration: <ol style="list-style-type: none">1. Organization chart. Noting if any positions are vacant;2. List of current OHA employees, each employee's corresponding position or title;3. Mission statement, goals, and objectives; and4. List of all properties owned/controlled by OHA (e.g., commercial properties – Nā Lama Kukui and Kaka'ako Makai; and primary legacy land-conservation and preservation properties), and

² 2020 State Legislature opened on Wednesday, January 15, 2020; therefore 20 days prior to the convening would be on or about December 26, 2019.

Action Item RM #20-01: OHA's Preliminary FB 2022/2023 General Funds and Community Grants Budgets

Request Date (Deadline Date per correspondence)	Event or Description of Requested Documents
	tenant/rent rolls for OHA's commercial properties.
June 25, 2019 (July 2, 2019) ³	<p>Letter from State Auditor: Please provide the documents and/or information listed below, including any amendments or revisions thereto, for each of the following entities: Hi'ilei Aloha LLC; Hi'ipaka LLC; Hi'ipoi LLC; Hi'ikualono LLC; Ho'okele Pono LLC; and Ho'okipaipai LLC:</p> <ol style="list-style-type: none"> 1. Organization chart. Please note if any positions are vacant; 2. List of current OHA employees, each employee's corresponding position or title and descriptions of each position; 3. Mission statement, goals and objectives; 4. Articles of Organization; 5. Articles of Termination, as applicable; 6. Operating agreements.
June 25, 2019 (July 2, 2019)	<p>Letter from State Auditor: Please provide documents for the period FY2017 to FY2018 for items 7-11 below:</p> <ol style="list-style-type: none"> 7. Schedules provided to CPA firm(s) detailing revenues, expenditures, transfers and fund balances for financial statement audit purposes; 8. Check registers; 9. List of all grants and contracts; 10. All reports to the OHA administration and/or Board of Trustees, including the Quarterly Reports; and 11. LLC manager meeting minutes.
July 18, 2019	State Auditor Entrance Conference with the Board of Trustees
July 30, 2019	Correspondence to State Auditor from Board Counsel re: the OHA's full cooperation with the Act 37 mandated audit "while also protecting OHA's legal rights".
July 2019, August 2019	Planning phase activities conducted by State Auditor team including clarification of documents produced, interviews with OHA staff and LLC leadership.

³ A majority of documents provided by the July 2, 2019 deadline with the balance of the requested documents provided a week later on July 9, 2019.

Action Item RM #20-01: OHA's Preliminary FB 2022/2023 General Funds and Community Grants Budgets

Request Date (Deadline Date per correspondence)	Event or Description of Requested Documents
September 11, 2019 (September 20, 2019)	Letter from State Auditor requesting “complete, unredacted copies of the requested executive session minutes.”
September 13, 2019	All executive session minutes (redacted for attorney-client privileged information) transmitted on September 13, 2019 with one set of minutes in draft form (e.g., not approved by the Board) transmitted on October 14, 2019.
December 3, 2019	State Auditor letter to the OHA re: audit objectives (and completion of planning phase).
December 30, 2019	State Auditor letter to the OHA re: suspension of the audit.

As a result of the State Auditor’s suspension of the audit, the audit was not completed or delivered by the prescribed deadline to the 2020 Legislature; and OHA’s FY21 General Funds appropriation of \$3,037,879 has not been released to date. On February 14, OHA sued the State Auditor in First Circuit Court over his suspension of the audit.

VI. OHA’s General Funds Biennium Budget Request for FB 2022/2023

A. COVID-19 Impact

The COVID-19 pandemic and the abrupt tourism shutdown have put a strain on the State of Hawai‘i tax collection. Record-high unemployment has wreaked havoc on personal income taxes and general excise taxes. Latest Hawai‘i visitor statistics⁴, released September 28, 2020, show visitor arrivals fell 98% in August from same period prior year and decreased 69% for the first eight months of 2020, whereas in 2019, visitors to the Hawaiian Islands spent \$17.75 billion and generated \$2.07 billion in state tax revenue. KHON2⁵ Hawai‘i local news reported that the State is facing a budget shortfall \$2.3 billion in fiscal year 2020 and in 2021 and increasing to \$6.4 billion in 2026.

B. Budget Bill Proposal

Given the fragility of the Hawai‘i state economy, Administration believes it necessary to request BOT consideration and approval to maintain the status quo as appropriated

⁴ <https://www.hawaiitourismauthority.org/news/news-releases/2020/hawai-i-visitor-statistics-released-for-2019/#:~:text=A%20total%20of%2010%2C424%2C995%20visitors,rose%203.0%20percent%20in%202019.>

⁵ <https://www.khon2.com/coronavirus/state-facing-massive-projected-budget-shortfalls-increasing-to-6-4-billion-in-2026/>

in FB 2020/2021 with a general funds request to the State Legislature for the FB 2022/2023 of \$3,037,879 per fiscal year.

As discussed during the October 7, 2020 Joint BAE-RM Committee meeting, **Figure 1** below summarizes the Administration supported OHA Budget Bill and rationale.

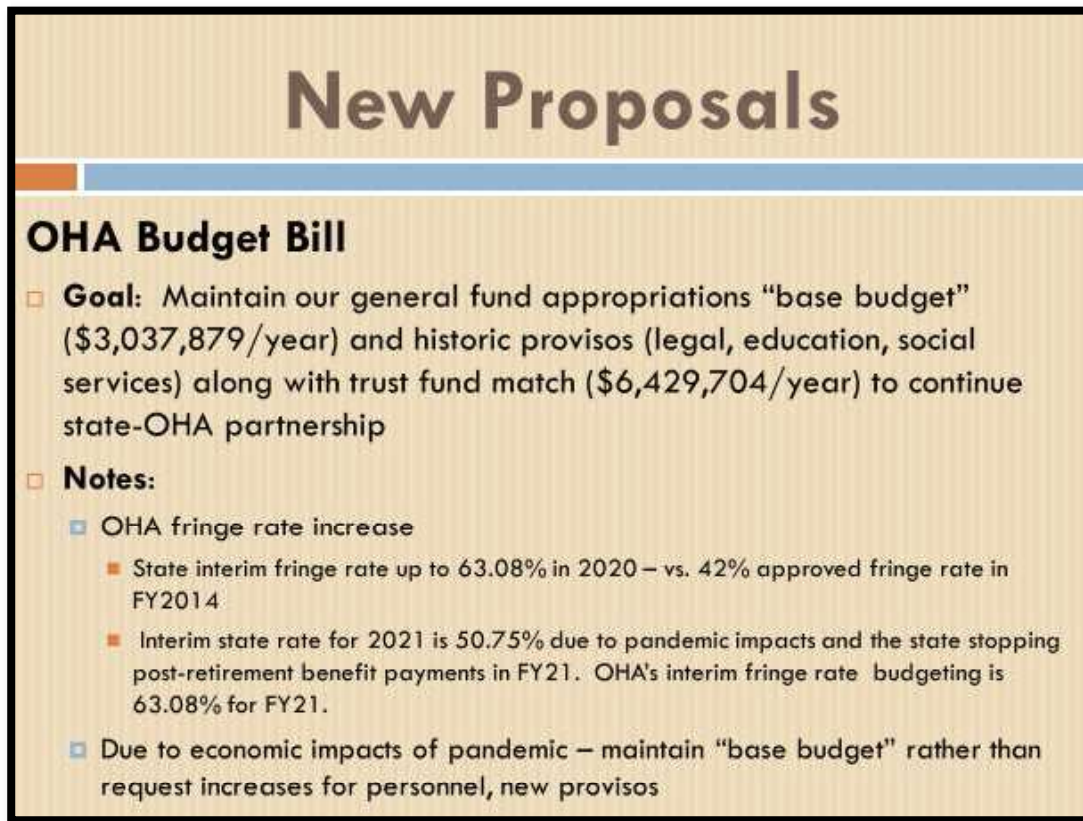


Figure 1: New Proposal for OHA Budget Bill

C. OHA’s Use of General Funds

The purpose of the state general funds contained in the proviso sections of OHA’s budget bill and matched dollar for dollar with OHA Native Hawaiian trust funds are to provide support and assistance to Hawaiians in the following areas: Social Services, Educational Improvement Programs, Legal Services and Legal Representation.⁶

Social Services. Shall be expended to provide for social services, including referral services and case management, to at-risk Office of Hawaiian Affairs beneficiaries to immediately address unexpected crises; provided further that program activities shall be designed with an overall objective to provide financial assistance to improve stability during emergency situations.

⁶ Description from Act 37

Educational Improvement Programs. Shall be expended to provide for educational improvement programs for native Hawaiian students; provided further that program activities shall be designed to help native Hawaiian students succeed academically.

Legal Services and Legal Representation. Shall be expended to provide for legal services and legal representation to Office of Hawaiian Affairs beneficiaries for: (1) The assertion and defense of quiet title actions; (2) Assistance with ahupuaa and kuleana tenant rights, including rights of access and rights to water; and (3) Land title assistance, including review of title and genealogy.

The BOT approved Strategic Foundations(‘Āina, Mo‘omeheu,‘Ohana) and Directions (Educational Pathways, Health Outcomes, Quality Housing and Economic Stability) for 2020-2035 will guide the disbursement of these general fund provisos for the FB 2022/2023 period. Historically, the general funds in the Legal Services and Legal Representation proviso have been disbursed through the State Procurement Code process while the general funds in the Social Services and Educational Improvement Programs have been disbursed through OHA’s competitive community grants program, pursuant to section 10-17, Hawaii Revised Statutes.

The approved Strategic Directions and related Strategies below will guide the disbursement of general funds disbursed through OHA’s community grants program:

Strategic Direction: Educational Pathways

Strategy 1: Support development and use of educational resources for all Hawaiian life-long learners in schools, communities and ‘ohana.

Strategy 2: Support education through Hawaiian language medium and focused Charter Schools.

Strategic Direction: Health Outcomes

Strategy 3: Advance policies, programs and practices that strengthen Hawaiian well-being, including physical, spiritual, mental and emotional health.

Strategy 4: Advance policies, programs and practices that strengthen the health of the ‘āina and mo‘omeheu.

Strategic Direction: Quality Housing

Strategy 5: Advance policies, programs and practices that strengthen Hawaiian resource management knowledge and skills to meet the housing needs of their ‘ohana.

Strategy 6: Support implementation of the Hawaiian Homes Commission Act and other efforts to meet the housing needs of ‘ohana.

Strategic Direction: Economic Stability

Strategy 7: Advance policies, programs and practices that strengthen ‘ohana abilities to pursue multiple pathways toward economic stability.

Strategy 8: Cultivate economic development in and for Hawaiian communities.

Action Item RM #20-01: OHA's Preliminary FB 2022/2023 General Funds and Community Grants Budgets

D. Administration Recommendation re: Budget Bill & General Funds

Administration recommends the approval of preliminary general funds budget of \$3,037,879 per fiscal year to fulfill its requirement of submitting OHA's fiscal biennium (FB) budget bill to the 2021 State Legislature for the FY 2021-2022 (FY22) and FY 2022-2023 (FY23) biennium as detailed in **Table 5** below.

Table 5: Biennium Budget by Purpose to the 2021 State Legislature for the FB 2022/2023

Purpose	FY 2022			FY 2023		
	General Funds	Trust Fund Match	Total Requirement	General Funds	Trust Fund Match	Total Requirement
Social Services	\$415,000	\$415,000	\$830,000	\$415,000	\$415,000	\$830,000
Legal Services	\$524,400	\$524,400	\$1,048,800	\$524,400	\$524,400	\$1,048,800
Education	\$615,000	\$615,000	\$1,230,000	\$615,000	\$615,000	\$1,230,000
Personnel	\$1,067,175	\$3,959,000	\$5,026,175	\$1,067,175	\$3,959,000	\$5,026,175
Operations	\$416,304	\$916,304	\$1,332,608	\$416,304	\$916,304	\$1,332,608
Totals:	\$3,037,879	\$6,429,704	\$9,467,583	\$3,037,879	\$6,429,704	\$9,467,583

VII. Background & Overview – Part B – Fiscal Biennium 2022-2023 Community Grants Program

OHA's preliminary Community Grants budget of up to \$3,700,000 per fiscal year for the FY 2021-2022 (FY22) and FY 2022-2023 (FY23) biennium is proposed, consistent with the prior biennium budget. The Community Grants Program (CGP) will continue to support programs and services for our Lāhui that are aligned with OHA's strategic foundation, directions and outcomes. Although OHA's Total Operating Budgets for the FY2022 FY2023 Biennium will not commence development and construction until January 2021, it is important for OHA to (A) begin solicitation for its FB 2022-2023 CGP by January 2021 and (B) prepare its case for its upcoming FB 2022-2023 General Funds Budget Bill. As described in **Table 6** below, the final biennium budget for OHA's FB 2022-2023 CGP, along with award recommendations, is expected to be presented to OHA's BOT for final discussion and approval no later than May 2021.

Therefore, Administration hereby recommends consideration to allocate to OHA's FB 2022-2023 CGP *an initial set-aside of \$3,700,000 annually* as presented in **Table 6** below:

Action Item RM #20-01: OHA's Preliminary FB 2022/2023 General Funds and Community Grants Budgets

Table 6: Preliminary FB 2022/2023 Community Grants Budget⁷

Strategic Priorities:	FY 2022 Funding	FY 2023 Funding	FB 2022/2023 Total Requested	FB 2020/2021 Total Approved	Difference
22-00 Higher Education	\$500,000	\$500,000	1,000,000	1,000,000	0
22-01 Housing	500,000	500,000	1,000,000	1,000,000	0
22-02 Income	500,000	500,000	1,000,000	1,000,000	0
22-03 Health	500,000	500,000	1,000,000	1,000,000	0
22-04 Education	500,000	500,000	1,000,000	1,000,000	0
22-05 Culture	500,000	500,000	1,000,000	1,000,000	0
22-06 Land	500,000	500,000	1,000,000	1,000,000	0
22-07 'Ahahui	200,000	200,000	400,000	400,000	0
Totals:	\$3,700,000	\$3,700,000	\$7,400,000	\$7,400,000	0

VIII. Recommended Action

To approve:

- A. OHA's preliminary general funds budget of \$3,037,879 per fiscal year to fulfill its requirement of submitting OHA's fiscal biennium (FB) budget bill to the 2021 State Legislature for the FY 2021-2022 (FY22) and FY 2022-2023 (FY23) biennium as detailed in Table 5; and
- B. OHA's preliminary community grants program budget up to \$3,700,000 per fiscal year for the FY 2021-2022 (FY22) and FY 2022-2023 (FY23) biennium as detailed in Table 6.

IX. Alternative Actions

- A. Approve the recommended action.
- B. Amend the recommended action.
- C. Do not approve the recommended action.

X. Attachment – Act 37

⁷ Administration requests that the above funding level be the maximum level allowable based upon the limitations of OHA's current funding sources. Any solicitation issued by OHA will disclose, "...final awards for the FY 2022-FY 2023 Biennium are subject to the availability of funds." The Budget does not include Charter School Education funds because such funds are not categorized as Community Grants. FB2022/2023 Core and Non-Core Budgets will be brought to the Board for approval in the late spring of 2021.



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

June 7, 2019

GOV. MSG. NO. 1138

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Thirtieth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirtieth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on June 7, 2019, the following bill was signed into law:

HB172 HD1 SD2 CD1

RELATING TO THE BUDGET OF THE OFFICE
OF HAWAIIAN AFFAIRS.
ACT 037 (19)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

Approved by the Governor
on JUN 7 2019

ORIGINAL

ACT 037

ATTACHMENT

HOUSE OF REPRESENTATIVES
THIRTIETH LEGISLATURE, 2019
STATE OF HAWAII

H.B. NO.

172
H.D. 1
S.D. 2
C.D. 1

A BILL FOR AN ACT

RELATING TO THE BUDGET OF THE OFFICE OF HAWAIIAN AFFAIRS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART I. GENERAL PROVISIONS

SECTION 1. SHORT TITLE. This Act shall be known and may be cited as the Office of Hawaiian Affairs Appropriations Act of 2019.

SECTION 2. DEFINITIONS. As used in this Act, unless the context otherwise requires:

"Means of financing" or "MOF" means the source from which funds are appropriated or authorized to be expended for the programs and projects specified in this Act. All appropriations are followed by letter symbols. These letter symbols, where used, shall mean the following:

A General funds

T Trust funds

"Position ceiling" means the maximum number of permanent and temporary full-time equivalent positions authorized for a particular program during a specified period or periods, as denoted by an asterisk (*) for permanent full-time equivalent



1 positions and a pound sign (#) for temporary full-time
2 equivalent positions.

3 "Program ID" means the unique identifier for the specific
4 program and consists of OHA, the abbreviation for the office of
5 Hawaiian affairs, followed by the organization number for the
6 program.

7 **PART II. PROGRAM APPROPRIATIONS**

8 **SECTION 3. APPROPRIATIONS.** The following sums, or so much
9 thereof as may be sufficient to accomplish the purposes and
10 programs designated herein, are appropriated or authorized from
11 the means of financing specified to the office of Hawaiian
12 affairs for the fiscal biennium beginning July 1, 2019, and
13 ending June 30, 2021. The total expenditures and the number of
14 positions in each fiscal year of the biennium shall not exceed
15 the sums and the numbers indicated for each fiscal year, except
16 as provided elsewhere in this Act, or as provided by general
17 law.



H.B. NO. 172
H.D. 1
S.D. 2
C.D. 1

PROGRAM APPROPRIATIONS

ITEM NO.	PROG. ID.	PROGRAM	EXPENDING AGENCY	APPROPRIATIONS			
				FISCAL YEAR 2019-2020	M O F	FISCAL YEAR 2020-2021	M O F
Hawaiian Affairs							
1.	OHA150	OFFICE OF THE TRUSTEES					
	OPERATING		OHA	0.47*		0.47*	
			OHA	58,323A		58,323A	
				4.53*		4.53*	
			OHA	275,687T		275,687T	
2.	OHA160	ADMINISTRATION					
	OPERATING		OHA	5.03*		5.03*	
			OHA	1,124,042A		1,124,042A	
				31.97*		31.97*	
			OHA	2,861,727T		2,861,727T	
3.	OHA175	BENEFICIARY ADVOCACY					
	OPERATING		OHA	1.47*		1.47*	
			OHA	1,855,514A		1,855,514A	
				18.53*		18.53*	
			OHA	3,292,290T		3,292,290T	



1 PART III. PROGRAM PROVISIONS

2 SECTION 4. Provided that the general fund appropriations
3 in part II of this Act shall be expended by the Office of
4 Hawaiian Affairs.

5 SECTION 5. Provided that of the funds appropriated for
6 beneficiary advocacy (OHA175), the sum of \$415,000 in general
7 funds and \$415,000 in trust funds for fiscal year 2019-2020 and
8 the same sums for fiscal year 2020-2021 shall be expended to
9 provide for social services, including referral services and
10 case management, to at-risk Office of Hawaiian Affairs
11 beneficiaries to immediately address unexpected crises; provided
12 further that program activities shall be designed with an
13 overall objective to provide financial assistance to improve
14 stability during emergency situations; and provided further that
15 notwithstanding section 10-17(e), Hawaii Revised Statutes, any
16 funds expended for the purposes of this section shall be in
17 accordance with chapter 103D or 103F, Hawaii Revised Statutes,
18 or a competitive grants process, as appropriate.

19 SECTION 6. Provided that of the funds appropriated for
20 beneficiary advocacy (OHA175), the sum of \$615,000 in general
21 funds and \$615,000 in trust funds for fiscal year 2019-2020 and



1 the same sums for fiscal year 2020-2021 shall be expended to
2 provide for educational improvement programs for native Hawaiian
3 students; provided further that program activities shall be
4 designed to help native Hawaiian students succeed academically;
5 and provided further that notwithstanding section 10-17(e),
6 Hawaii Revised Statutes, any expenditures for the purposes of
7 this section shall be in accordance with chapter 103D or 103F,
8 Hawaii Revised Statutes, or a competitive grants process, as
9 appropriate.

10 SECTION 7. Provided that of the funds appropriated for
11 beneficiary advocacy (OHA175), the sum of \$524,400 in general
12 funds and \$524,400 in trust funds for fiscal year 2019-2020 and
13 the same sums for fiscal year 2020-2021 shall be expended to
14 provide for legal services and legal representation to Office of
15 Hawaiian Affairs beneficiaries for:

- 16 (1) The assertion and defense of quiet title actions;
17 (2) Assistance with ahupuaa and kuleana tenant rights,
18 including rights of access and rights to water;
19 (3) Land title assistance, including review of title
20 and genealogy;

1 (4) Preservation of traditional and customary
2 practices;
3 (5) Protection of culturally significant places;
4 (6) Preservation of native Hawaiian land trust
5 entitlements; and
6 provided further that notwithstanding section 10-17(e), Hawaii
7 Revised Statutes, any funds expended for the purposes of this
8 section shall be made in accordance with chapter 103D or 103F,
9 Hawaii Revised Statutes, as appropriate.

10 SECTION 8. (a) Provided that of the trust funds
11 appropriated in part II of this Act, the sum of \$500,000 for
12 fiscal year 2019-2020 shall be expended for the costs for the
13 auditor to conduct or contract for a financial and management
14 audit of the Office of Hawaiian Affairs.

15 The auditor shall submit a report of the findings and
16 recommendations of the audit to the legislature, governor, and
17 the chairperson of the board of trustees of the office of
18 Hawaiian affairs no later than twenty days prior to the
19 convening of the regular session of 2020.

20 (b) Provided that the general funds appropriated for
21 fiscal year 2020-2021 pursuant to part II of this Act shall not

1 be released to the Office of Hawaiian Affairs until after the
2 audit report required by subsection (a) is received by the
3 legislature.

4 **PART IV. MISCELLANEOUS PROVISIONS AND EFFECTIVE DATE**

5 **SECTION 9.** Provided that whenever necessary, the board of
6 trustees of the Office of Hawaiian Affairs or the board's
7 designee may transfer sufficient funds and positions between
8 programs for operating purposes; provided further that these
9 transfers shall be consistent with legislative intent; and
10 provided further that the Office of Hawaiian Affairs shall
11 submit a report to the legislature of all uses of this authority
12 for the previous twelve month period from December 1 to November
13 30, no later than twenty days prior to the convening of the
14 regular sessions of 2020 and 2021.

15 **SECTION 10.** If any provision of this Act, or the
16 application thereto to any person or circumstance, is held
17 invalid, the invalidity does not affect other provisions or
18 applications of the Act that can be given effect without the
19 invalid provision or application, and to this end the provisions
20 of this Act are severable. If any portion of a specific
21 appropriation is held to be invalid for any reason, the



1 remaining portion shall be expended to fulfill the objective of
2 that appropriation to the extent possible.

3 SECTION 11. If manifest clerical, typographical, or other
4 mechanical errors are found in this Act, the board of trustees
5 of the Office of Hawaiian Affairs may correct these errors. All
6 changes made pursuant to this section shall be reported to the
7 legislature at its next session.

8 SECTION 12. This Act shall take effect on July 1, 2019.

APPROVED this 7 day of JUN, 2019

David Y. Ige

GOVERNOR OF THE STATE OF HAWAII



HB No. 172, HD 1, SD 2, CD 1

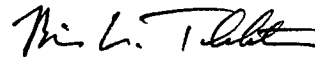
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 1, 2019
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirtieth Legislature of the State of Hawaii, Regular Session of 2019.



Scott K. Saiki
Speaker
House of Representatives



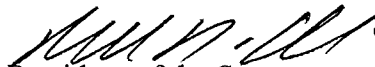
Brian L. Takeshita
Chief Clerk
House of Representatives


H.B. No. 172, H.D. 1, S.D. 2, C.D. 1

THE SENATE OF THE STATE OF HAWAI'I

Date: April 30, 2019
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the
Senate of the Thirtieth Legislature of the State of Hawai'i, Regular Session of 2019.


President of the Senate


Clerk of the Senate