

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

**Committee on Resource Management  
Minutes**

**December 4, 2019 9:02 am**

**ATTENDANCE:**

Trustee Dan Ahuna, Chairperson  
Trustee Leina‘ala Ahu Isa  
Trustee Kalei Akaka  
Trustee Keli‘i Akina  
Trustee Carmen Hulu Lindsey

Trustee John Waihe‘e  
Trustee Brendon Kalei‘aina Lee

**STAFF PRESENT:**

Sylvia Hussey, ICEO  
Raina Gushiken  
Ray Matsuura  
Carol Ho‘omanawanui  
Dayna Pa  
Lehua Itokazu  
Alyssa Kau  
Claudine Calpito  
Anuheia Patoc  
Paul Harleman  
Maria Calderon  
Brandon Mitsuda  
Kauikeaolani Wailehua  
Zuri Aki  
Lei Ann Durant  
Priscilla Nakama  
Nathan Takeuchi

**Guest and Community:**

Robert G. Klein, Esq.  
Keli‘i Makekau  
Germaine Meyers  
Jenny Dominguez, CLA  
Ernie Cooper, CLA  
Ana Rodriguez, CLA  
John Marco, Segal Marco Advisors  
Joe Falcha, Commonfund Portfolio

## I. CALL TO ORDER

### **Gavel sounds.**

**Chair Ahuna** – Aloha mai kakou. I'd like to invite everyone to this meeting of the Committee on Resource Management for Wednesday December 4<sup>th</sup> 2019. It's 9:02am, I want to call this meeting to order with the roll call please.

### **Roll call taken.**

	<b>Present</b>	<b>Excused</b>	<b>Comments</b>
TRUSTEE LEI <b>AHU ISA</b>			arrived at 9:04am
TRUSTEE KALEI <b>AKAKA</b>	<b>x</b>		
TRUSTEE KELI 'I <b>AKINA</b>	<b>x</b>		
TRUSTEE BRENDON KALEI 'AINA <b>LEE</b>	<b>x</b>		
TRUSTEE HULU <b>LINDSEY</b>	<b>x</b>		
TRUSTEE ROBERT <b>LINDSEY</b>		<b>x</b>	<b>EXCUSED</b>
TRUSTEE COLETTE <b>MACHADO</b>	<b>x</b>		
TRUSTEE JOHN <b>WAIHE'E</b>			arrived at 9:08am
CHAIRPERSON <b>DAN AHUNA</b>	<b>x</b>		
<b>TOTAL</b>	<b>6</b>		
At the Call to Order, there are (6) Trustees present.			

**Chair Ahuna** – And for the record, I did receive an excuse letter from Trustee Bob Lindsey for today. for II. Public Testimony, today we have a beneficiary who wants to speak. I'd like to call up Germaine Meyers.

## II. PUBLIC TESTIMONY

**Germaine Meyers** - Aloha. Good morning. My name is Germaine Meyers. I am an OHA beneficiary for Beneficiary Advocacy and Empowerment and I'm also a Nanakuli Hawaiian Homestead lessee. Good morning trustees. Good morning Chair. I looked online last night, last Friday when the agenda got posted. I looked for the CLA report so that I could provide my data views and arguments. Unfortunately, none was posted. So, I'm just curious why it wasn't posted for us to be able to provide our data and our views and our arguments regarding the report. I understand there's going to be on tomorrow's agenda for ratification. But, again, just to give us a short period of time when some of us work, when some of us have families. Why aren't you guys posting it? I mean the report came out, we saw it on the Executive Session for last week's meeting. And why are we, the beneficiaries, whose trust funds - \$500,000- was used to create this report – why wasn't it provided to us? I mean couldn't we have had it last week Friday when the

agenda was posted? That's my concern. Why is there no transparency? So here we have an audit report when you're supposed to provide us with transparency. And then last week Thursday, or last week Wednesday we see it on the RM agenda for Executive Session. I was told at the last meeting that I attended the timeline in which it was going to be released. And yet, no packet. All I saw in the packet was the next agenda item. So, I'm just wondering is OHA really serious about transparency? Is OHA really serious about cleaning it up. Cleaning up things, addressing matters, addressing difficult situations, difficult circumstances. When we met with the 9 of you, last election there was 5 of you and I remember going to each of the campaigns you know, I went to CNHA, I read your guys' files, I read your questionnaires, in order for me to understand how you felt about an audit, how you felt about transparency for OHA. And 5 of you made promises and some of you are vice chair right now of the board. And I'm just wondering why it is – why wasn't there any type of advocacy, empowerment - to say hey the beneficiaries should have a sufficient time to review this report before we ratify it on Thursday. But instead I'm stuck here looking at you going I don't know what's in the report so tonight, when I have a planning and zoning meeting, between my planning and zoning meeting and tomorrow morning, I'm supposed to rush to read it in order to give my data views and arguments which is my right. How am I supposed to communicate to you when the RM committee no longer has community concerns? So, I cannot address it to this committee anymore because you don't want to hear 5 minutes' worth of my kuleana on community concerns. So instead I got to wait till it come on the agenda. And here it is on the agenda, the audit report, and then I'm not able to provide my kuleana about it. I'm not able to review it until after the meeting. I guess I'm going to be told when agenda item III comes around or this CLA report comes on the agenda then I'm going to be told how to retrieve the report. And then I gotta hustle to print it? Hustle to read the digital files? Is that the kind of obstacles you want us beneficiaries to jump through in order to engage with this trust? Again, I told you the last time I came here, people are saying this is no longer Office of Hawaiian Affairs. Instead, we are, I am told, this is Office of Hidden Affairs. And the fact that I cannot even look at this report before this meeting tells me there's some kind of truth to that – that this is Office of Hidden Affairs. So, I'm very concerned and I'm concerned that if you don't even want us to see the report, are you going to even do something about it? Well I hope that you are because you asked to be at this table, at this seat, in order to meet the challenges of the Native Hawaiian and Hawaiian community and so I hope, I hope that you will give us the report and you will engage with the community. My time is up. E hana kakou.

**Chair Ahuna** – Mahalo Germaine. I just wanted to make something clear that we all just received the final report just this morning.

**Germaine** – So when you guys had a report last week when we were told by Kama at the previous meeting that wasn't this report?

**Chair Ahuna** – That was a draft.

**Germaine** – That was draft? Ok.

**Chair Ahuna** – Today is the meeting that were agenizing the final report that were all getting right now.

**Germaine** – So in other words, between now and tomorrow morning, when it's on the agenda to be ratified or something, that's when all the trustees have to hustle to read the report?

**Trustee Hulu Lindsey** – Well, we can't do anything about the report anyway. The report is the report. So, we just need to accept it and then study it, you know, over whatever time our chair gives to study it. But we cannot change what's in the report. And actually, you'll hear what's in the report from the CLA people that are here today. So they should be able to enlighten us a little bit more.

**Germaine** – Ok well I look forward to a schedule of how were gonna go through the process of reviewing the report.

**Chair Ahuna** – And Germaine, there was a timeline and its stated with all the dates when they're gonna receive it – very transparent and accountable.

**Germaine** – Ok, no but as far as the follow ups of what is in the report. The follow up as far as what's in the report. We're gonna be engaged as a community.

**Chair Ahuna** – Well were gonna talk about it. That's what's on the agenda today. We're going to talk about this report today. So that's what you're going to be hearing today.

**Germaine** – Ok, and I'll see you guys also tomorrow. Thank you so much.

**Chair Ahuna** – Thank you.

**Trustee Machado** – Sorry Germaine. The other point is that we're going to have the discussion with the CLA principals in open session, not in executive session.

**Germaine** – Ok. And just for today and tomorrow? Or just for today?

**Trustee Machado** – Tomorrow is just a referral from the committee to the BOT. So normally, when we review the referral, it's just a matter of ratifying.

**Germaine** – Ok. I appreciate it. Mahalo.

**Chair Ahuna** – Trustee Akina.

**Trustee Akina** – Mr. Chair, I have a question and I hope someone can answer it. Were we obligated to include this report, the audit, in the online folder that is posted for the meeting in advance of the meeting?

**Trustee Lee** – No were not obligated.

**Chair Ahuna** – Were not obligated but we will do it.

**Trustee Machado** – Mr. Chairman, just to clarify, anything up until we make certain decisions on the receiving of the final report and how we proceed is not final. So, anything we discuss previously is not final until we take an action and accept this final report that has been revised from the draft. And hopefully today, with the principals

here, we'll be able to understand, more or less, what they've developed in their observations and the recommendations that they've attached.

**Germaine** – So Chair, I can go home this evening and download it from online?

**Trustee Machado** – I would refer to our administrator to provide that. Ka Pouhana?

**KP Sylvia Hussey** – Yes. Were prepared to because it's a public document discussed at the table. Were prepared, after the meeting, to post all the files. We do have to make sure (it's a very large file.... its over 1000 pages) it will be there. And it will be there in digestible bite sized pieces - executive summary, attachments, files....

**Germaine** – So no printed copies for the beneficiaries?

**KP Sylvia Hussey** – You can download the files and then take it to a ....

**Germaine** – That's normally \$0.12 a copy

**KP Sylvia Hussey** – Yeah. Its 1000.....

**Germaine** – That's \$120.00

**KP Sylvia Hussey** – This is a small forest, right that we have here.

**Germaine** – ... I would go printing company (audio indiscernible) .... otherwise everyone else pays \$0.12.

**Chair Ahuna** – It's going to be in a file. Thank You. Mahalo. Moving right along. Under III, New Business.

**Trustee Lee** – Only one person?

**Chair Ahuna** – That's all I got, one person. ... Under III New Business, we're going to defer the minutes and for letters B, C, D, I'd like to make a 72-hour rule – pursuant to OHA BOT Operations Manual, Section 49, shall be waived for distribution of new committee materials. So, without further ado, I'd like to call up for the NHTF Fiscal Year Quarter 1 Performance Review with Investment Consultant John Marco from Segal Marco Advisors and Joe Falcha from Commonfund Portfolio Update & Outlook.

### **III. NEW BUSINESS**

#### **A. Approval of Minutes**

##### **1. November 6, 2019**

### **III. NEW BUSINESS**

#### **B. NHTF FY Q1 Performance Review with Investment Consultant John Marco from Segal Marco Advisors and Joe Falcha from Communfund Portfolio Update & Outlook.**

**KP Sylvia Hussey** – Thank you Chair. As the gentlemen are making their way up to the table, I wanted to point out to the trustees the hard copy distribution of the primer. Easy read, but it's a good way for us to be on the same page in terms of terms. It's also important that it's going to help frame the next work that the trustees will be engaged in through the permitted interaction group regarding trustee level policies, which will include investment spending and land policy. So, we hope that as you listen to the information that our advisors have, that you will also think about our current state as is and also think about what our future state what might be as to our investments, our future business models. Today we'll talk a little bit about ESG type investing. So, we'd also like you to think about social impact investing and triple bottom line kinds of models in that investments have both commerce capital and culture impact and capacity impact in our communities. So, as you think about that, think about all of those pieces swirling as they provide not only the current assets portfolio, but also some things to think about in the future as we continue our work together. So, we'll just set that context and turn it over.

**Ray Matsuura** – Morning trustees. John Marco, from Segal Marco Advisors will be going over the first fiscal year quarter ending June 30 performance and Joe Falcha from Commonfund is coming to give you and update on Commonfund and again lead the discussion on ESG on kind of a primer on that. Before we start out, I thought I'd share – within your packets you have a one sheet just of fees, just to show you – that we are, our fees are lower than they were 3 years ago... which is a good thing. If you look on page 35 of the performance book, were still in the top quartile of performance among our peer group and other endowments. Even though our fees are low, we haven't sacrificed anything – in performance, relative to our peers. So, having said that, I'll turn it over to John to give the first quarter fiscal year.

**John Marco** - Good morning everyone. We have a very positive report. We've seen strong market conditions so far this year. We'll briefly touch on those, then walk through the performance of the report. At any time be please don't hesitate to pop in with any questions. Coming off of last year, around the fourth quarter of 2018, it was sharply negative. Since then, we've seen a significant rally and bounce back. You would think that if you slash corporate taxes, stock prices would just go straight up. They didn't because of these other concerns that are out there. But naturally, if this happens, this should happen. So ultimately, this run of the stock market is not unexpected, partly because of those factors. What we've is there's a lot of volatility, a lot of hesitation where the market seems to pull back before charging back ahead. And that's because of geopolitical concerns. We have issues like the trade wars, trade war with China, and all it takes is a little bit of news for that to drive the markets. Just this week there was a mention of the president said they would expect to push that back passed the 2020 election. The markets didn't like that. There was this one small comment – Coca cola didn't make less money last quarter. They didn't make more money. It went down because of something that was said about a trade deal with china. So those are the external factors that are driving the volatility of the market. Because when we look at the fundamentals, corporations are making profits, record profits, prices are going up, inflation is staying down, unemployment's very good. So those underlying factors all point to a consistency – it's the volatility, geopolitically that's driving a lot of the

concerns. Another unexpected thing that happened in 2019 was that the FED decided to reduce interest rates. The FED sets the baseline interest rates. All the other interest rates for mortgages, for corporate borrowing, things like that, they're all built off of this original short-term interest rate set by the FED. That rate had been going up since the 2008 financial collapse... trying to get back to a normal interest rate environment. Due to political pressures, this year we saw our rate decrease which was a surprise. A surprise has a big impact on the market. If everyone's expecting a rate decrease its gonna have a muted impact. But since it was a surprise you actually saw bomb prices. When interest rates go down, bomb prices go up. So that's what we've seen in the stock markets. Surprise and external factors have been driving the market and so pretty much driving for the year. I'm happy to answer any comments or questions. Otherwise, I'll jump right into the report.

**Chair Ahuna** – Trustees, any questions? Ok thank you we can proceed.

**John Marco** – For those of you who have books in front of you, I'd like you to go to tab 2. I'd like to start here on page 21. You can see the total client return as of September 30<sup>th</sup>. Look at the difference between the year to date and one year. 10.96 versus 4.49, that's because when you look back 12 months rather than just year to date, you were all in that terrible fourth quarter that I mentioned from last year. On the next page it shows our target allocations to each of the investments so page 22 on the top right, you can see total global equities targeted at 40%. Were at 38.4%, right in line with expectations. You can never be particularly on those targets.

**Chair Ahuna** – Trustee Lee

**Trustee Lee** – Thanks for being here, John. So when I look at our target allocations and our actual allocations, and when I look back at page 21 that you just went over, I noticed that not being at our target allocation and then looking at what our benchmarks would be - had we been at our allocations – I'm looking at roughly at 225 basis points difference. What can we... We as trustees, there's nothing we can do about that, right? - we don't direct the rebalancing of our portion. That's not our kuleana to do. That's not our responsibility to do. Is there anything we can do, as we are looking forward, to rewriting policies and revisiting our policies. Is there anything we can do, policy wise, to get us more in line with our target allocations? - And I understand about rebalancing, like were not always going to be right there. When I look at where we would be if we were at our target allocations versus – let me make it more clear – where we would be with our target allocations with the performance portfolio versus where we are with the performance of our portfolio and our actual allocation, I want to know, is there anything we can do, policy wise, and not necessarily specific - but is there a direction you can point us that we can try and help you guys with this so that we can be performing where we should be performing versus where we are performing.

**John Marco** - Sir, I appreciate your comments and you're absolutely right. It's something that all of our clients deal with - trying to keep in line with those target allocations. Over 90% of your investment returns is based on where your money is. Stocks, bonds, real estate, whatever. The other 8% is some of its noise, some is who you pick. Is it the best manager in the world or is it someone who's not so good - that's

on the fringe? It's really about that allocation. What happened at the end of last year in 2018 with that sharp downturn in the stock market, most clients went under weight relative to their targets, but unfortunately many of them didn't have a meeting between that downturn and the recovery. So, they couldn't proactively rebalance in between meetings. What you have in this...

**Trustee Lee** - I don't believe we did that though, did we? We didn't. We didn't make that decision. We didn't go running. We didn't say, oh, fourth quarter, horrible, lets rebalance, let's go underweight, we did not make that decision.

**John Marco** – No. The underweight happened naturally by the prices declining, right? So, if you're at your target allocations and the stock prices fall by 15%, you're not underweight relative to that target. So that is how it got out of balance. You have an OCIO Manager in JP Morgan that has exposures across the markets, and they are the ones making those short-term tactical decisions whether to rebalance the short term and where to invest that money. So, you've kind of given that responsibility within in that portfolio to JP Morgan. The structure of this portfolio, currently, is broken up into a few pieces. You have commonfund here who runs some of the private market investments, you have JP morgan in the OCIO capacity, so the segmentation of that makes it harder for this one to keep directly on these targets.

**Trustee Lee** – Ok I think that answers my question. Thank you.

**Chair Ahuna** – Trustee Akina

**Trustee Akina** – Thank you again for being here, but how significance is the variance between the target allocation and our actual allocation. I notice in global equities, its only 1.2% and overtime, I know this is just a snapshot for this quarter – are we really looking at anything problematic? How do we weigh the significance of that variance?

**John Marco** – So typically, you have a target for your investments, let's say 50% target equities. You're never gonna be right at 50, right? Even when you rebalance because the day you rebalance something else is going to move. It's a moving target. Typically for larger allocations we have a cluster of -5%. That's very typical across the industry. They have an automatic -

**Trustee Akina** – And were within that plus or minus 5%?

**John Marco** – Absolutely. For each of the asset classes you're within 2%....

**Trustee Akina** - that's right.

**John Marco** - ...in each of the asset classes. So, I don't feel too concerned about that in terms of where were at today. But to your point before, it's really about controlling that asset allocation and the structure and segmentation of the investments the way you have them today, that makes is a greater challenge.

**Trustee Lee** – Thanks for pointing that out John. It's not the 2% that were off that's concerning – it's not that its concerning – there's clearly room for us to improve on that,

right? 225 basis points is not something to sneeze at. So were well within our 5%. But given that were going to be looking at our policies (as someone who helps with the policies) I was asking is there a way that we can help you guys - because we don't make those daily decisions – is there a way we can write policy to help you guys to better maximize our money working for us. And that's really what it was.

**Ray Matsuura** – I'd just like to add that if you look on page 22, the total private equity is the significant overweight in the portfolio and theres really nothing you can do about that. We can't rebalance private equity. Rewriting policies. We can't take money away from private equity. Its committed. And if you look at the global equities, we are underweight in global equities but as a percentage of the 40%, its alot less than the 3% of 18%.

**Trustee Lee** – Well, yeah. So, since you brought that up, our overall allocation with 225 basis points down and were underweight some but were overweight some but when I look at the total allocation across the board, somethings lacking. Or we wouldn't need 225 basis points down.

**Ray Matsuura** – Well, again, that's for the year to date.

**Trustee Lee** – because that's the numbers I have in front of me.

**Ray Matsuura** - But I'm saying on private equity, you can look at less than a year. So if you look at the short term, we are performing, but I think the allocation - the private equity is probably understated.

**John Marco** - Yes, I apologize. It's important to note that the private equity returns are on a quarter lag, at least because they have to do the evaluations of these private owned companies and send us a report. They do an annual audited report but then they do these quarterly updates that we include in these reports. If we do not receive a private equity statement, we hold it at zero. If we don't imply like the rest of them, lets apply 5.... we do not. We take a very good servant approach. Many of these will be listed at a zero....If you'd like further information on that I can get the exact ones that we have, update numbers for this report, I don't have those on hand... there's about 40 of them.

**Trustee Lee** – Well since Ray brought up that this is the year to date, going back to page 35, from the onset, when I look at the 1, 3, 5, 7 and 10 years, if I look at our plan versus our benchmark, we are consistently in the lower percentage. And although it's been pointed out that were out performing, for lack of a better word, our equals out there, to be honest, I don't care how we perform against other people. I care about how we perform. And if I look that we are performing below where are benchmarks are, and when I look at ... I'm well aware that it's a quarter lag when we get private equities. So, I know that this is not completely up to date. But it shows that something is lacking. What do we, the 9 of us, do about that? How can we help? And if there isn't, then that's the answer that I expect. There's nothing we can do, it's the nature of the beast and.... I'm not going to like that answer but if that's the answer, that's the answer.

**John Marco** – If I may, to your point, on page 35, I want to walk through what this universe is and what it means.

**Trustee Ahu Isa** - Can I just say something Chair?

**Chair Ahuna** – Trustee Ahu Isa.

**Trustee Ahu Isa** – .... Because you're talking about policy so I just want to add to that before we go into page 35 and how we can help. If we're going to set policy, we also have to look at bottom line profit because we're going to look at the ESG which our Ka Pouhana mentioned because sometimes we use money on how we believe our funds should be invested. It's affecting us. Because I remember being an activist in college and going to that whole thing about environmental, social, and governmental... that's talking about policy. That's all I wanted to add, Chair.

**John Marco** – So what we have here in this report... this is the all endowments universe. So other endowments across the U.S. and Canada, they are included in this database which is the national third party that takes and creates these performances for us. It creates this universe that shows us what others are doing. Its led to this vertical green box. Its broken down into the 4 quartiles. There are two different markings within those boxes. The green square, that's OHA's for that time period. Then you have the yellow circle and that is representative of the custom index. Custom indexes are created based on your targets. So, if you recall before, you look at the allocation are underweight, a little overweight in private equities. That is a static allocation with 40% global equities x amount fix, so that is static in nature. We seen a lot of clients this year underperform because that down draft in the four quarter followed by the extremely swift rebound, very few investors were able to, institutional investors, were able to rebalance their portfolios in that short amount of time, so they were starting from an underweight at the start of the year, that underweight in the market, runs off, you're supposed to be getting 25%, you may have gotten 25% but you were underweight so you didn't get that full impact, that's happened to a lot of clients, the second I will note in the year of date that underperformance, if a large portion of it is within your fixed income portfolio, I mentioned earlier in the market environment about the surprise interest rate decrease, well a lot of investors, had taken an underweight to interest rates sensitive investments, what I mentioned before if straits go up bond prices go down. It's an inverse relationship. We've been in a rising rate environment and most investors say, I don't want to be exposed to bonds they are going to get hurt worse, by raising rates, so smart investors, ones that you have out here, underweighted things like treasuries which were yielding 2% on a ten year, which is next to nothing, and there very interest rate sensitive, when we had those interest rate moves, they were impacted in outside ways to the positive, so in that short term, we saw those bonds rally and that is not the long term strategy or investment, it was a short term positive for example year to date, the index is up by 8% the yield is 3 and a half so 8 % doesn't make any sense in the long run, that can't be sustained. That pop happened within those interest rate census, so long term as you look out to three year, five year, seven, ten, you're averaging at or above medium so, right in line with that custom index over time on the tenure being able to add a little more value the short term underperformance that we saw here year to date, let's go a few pages ahead and show you there: first off if I could ask the Trustees

to go to page 40. This is your equities, so equities year to date, pretty much right in line, 46 percentile the portfolio is nice, it's matching the index, it was slightly underweight at the start of the year so that added to total plan on performance throughout the index, if you get into global fixed income, they are trailing one year and a little bit year to date as well as most recent quarter you see that underperformance this has been a very hard index to beat recently but we have faith in the long term that active managers should be able to add value relative to the individual index. If you go to page 46, we got the global real assets. Strong performance year to date on the trailing one year still top, but slightly behind that index, it's important to note that in these real assets you can't actually index these things. You can't buy a private equity index, you can't buy a real estate index, private place of real estate index and so while you can buy the S&P 500, for very little cost, you can buy an index per bonds, you can't in some of these other assets. I will point out though, you look at this trailing performance here, we're looking at top core tile so while it may vary relative to the index, relative to other real asset portfolios assets, this is what is actually performing extremely well. Hedge funds, if we move two pages ahead to 49. One thing we've seen is a very consistent long term returns, hovering around that 4% as you go back in time, really tracking closely over that time period, overall this portfolio, is out performing its peers, the hedge fund over all had been disappointing, you look at these single digit returns, better than what we seen in stocks and what we seen in bonds, that's it's a disappointing run for hedge funds, across the industry, not just you're portfolios. Lastly we have private equity, as I mentioned this is slightly overweight at a 20% target, a little bit overweight here, when you lift money to private equity, they call it as the opportunities come up and they distribute the capital as transactions occur, it is impossible to get a specific target allocation, cause there is constant money going back and forth, so overall the portfolio is within the range for those targets so overall the portfolio is within the range for those targets, total allocation, your out performing peer groups significantly like over time, most recently the underperformance relative to that index is a short term one, I think long term we've seen being able to add value. As I've been working with this group and this fund for just about a year now, a few things that Ray and I discussed to more actively utilize capacity and capabilities, in particular with a search, we do investment manager searches for our clients, and that just means we help them find the right investment to plug into their international equity portfolio, their hedge fund investment, we do hundreds of meetings every year with investment managers, we evaluate their products, their companies, we do onsite and we write up a report on every approved one that typically is around 15 to 25 pages of detailed information for all those investments. It's a core confidence of ours and we utilize a lot of resources to do so. We have not been utilized in that capacity so far, until more recently, there's a change to the investment policy, we are in the process to taking the steps to replace your bond index book, you have a fixed income index fund as I mentioned before with those treasuries and what not, they are very interest rate sensitive and has extremely low yield, we believe active managers can beat that index over time and both on the downside protection and an incremental out performance of good tops. We have a stable of managers that reviewed, approved, recommended for our hundreds of clients and we'll be working with Ray's office to facilitate that process for the search to replace the stage three fixed income.

**Chair Ahuna** – any questions, Trustees? Good job.

**John Marco** – Thank you very much for your time.

**Ray Matsuura** - Let's turn it over to Joe, and give a overview of Commonfund one of our managers and take it away.

**Joe Falcha** – Thank you and thank you everyone on behalf of CommonFund, it was great to get out here and see everyone, so thank you for always being so welcoming. I see some of you had some of the Commonfund forms and so on so, it's always welcoming here. So, when Ray and I talked about with the go over, we thought it would be interesting to talk about ESG Investment, sustainable investment, I'll give a broad shoulder review of what that is what CommonFund is seeing as well as John's side, John will jump in as well. I have a couple of clients that are, they are at different parts of the process, one is at the beginning educational portion of the discussions and one about half way through we're we are going through some surveys with them which is very, very interesting. A third one that is actually adding a piece to their investment policy about very general, but about sustainability in the extreme vesting, just thought we would talk about a little bit about it and please jump in as I know you all well. Why don't we turn to page, I don't know if you have the CommonFund books in front of you. It will be page ten, so ESG, you know a lot of people talk about sustainability a lot of institutes that we talked to say this is great, let's do it, it makes perfect sense. When you start talking about and trying to get to that implementation portion it gets very challenging. On page 10 we kind of set this up you know it being environmental, right so it's really, you talk about global warming, the carbon footprint, trying to think about the future, not just next year, twenty, thirty, forty years and so on in the future. Which is social and that's been around for the longest, there is social screens, you have faith-based institutions that you would kind of screen and take out some of that so called in stocks, tobacco, gambling, fire arms, right? Some would consider it since, not everybody, put that on the record, and then Governance, that's really where the investment world looks at, they think about when they look at companies, is this company a green company or not a green company, there is a big grey area and we'll talk about that, that's really where investment side where you think about things and how to look at companies as we go forward.

**John Marco** – On the governance side it's important to know when you own stock, you're owner of that company, you have votes on every single one of those shares and for years the governance of these, the voting of these proxies, proxy votes that you get from a shares of the company, they were just a rubber stamp for the management and so that's when you run into a lot of the self-dealing, you got insiders, doing the Board the Chairman is the CEO, they are making their own salary and stuff like that, back in 1990 before we had merged with Segal that at Marco Consulting we launched a proxy voting program where we voted on behalf of our clients, since then, it was the early stages, we barely get 5% voting against some of these outrageous things, but it makes us think and we'd pound the table and try to gain more visibility for it. To these days their huge counsel, institutional investors there's a bunch of groups out there pushing for these governance issues, so that's very communal, that can be done and engaged upon, it's the only two that become a little more challenging for implementation.

**Joe Falcha** - thank you very much John. And so just from Communfund's perspective, we have an impact task force. And I'm sure John works with these institutions as well. When we do our due diligence with managers, and actually anytime we go through the process again with an existing manager, we have a questionnaire and we do some type of interview. Within that is embedded, ESG questions. 'What are you doing to think about ESG? How are you investing? Do you have any thoughts on your investing, surrounding ESG?' So we have statistics every year because everyone's thinking. Going back 2 years, the managers we looked at were around the 50% where they thought about ESG in their process. Today our equity managers are about 70-75%. Other managers are thinking about that. Its on the top of everyone's mind. I just read something..... there was a survey.... 70 of the largest executive firms...They all unequivocal said, this is on the top of our mind. Now, that doesn't mean that people are going all the way through the process of investing in the ESG, but its something to think about and you all think about that here in the islands. I'm sure its in your day to day lives thinking about the emissions, the carbon footprint, and all that fun stuff. Its on everybody's minds. I'll just give you a quick example on page 12. This is how challenging this is to evaluate companies. There's always such a big grey area when you evaluate. And one evaluation firm can be very different from another when they're evaluating. This is really just looking at "is amazon a green company?" So if you look on the first bullet where it says green peace and carbon disclosure private names amazon one of the worst for carbon reporting. So this was one evaluation done. And so, we kinda went through this process and said, yeah amazon has low estimating emissions, right? And so, if you look at some of the bullets below it says, amazon is a logistic company but it dolls out basically all of its travel to UPS. Just to give you a quick example on the table, it says emission scope #1 - that's really direct emissions from the company itself. And you compare UPS to Amazon and really, it looks as though is very low in direct carbon footprint to the company. If you scoot to the right a little bit these are more indirect. Like buying, purchasing, heat and oil and stuff like that for the company, and again, its very much lower than UPS. So, the question becomes, and I don't have an answer on this page, but the question becomes, is amazon a green company, right? One firm will say no way, no they are not, where another firm will look at this, evaluate and say, yes, they are. So, it is a very difficult challenge when you think about trying to invest in an ESG platform, because there are so many different opinions or evaluations on companies. On page 13, this is the prime example, 2 different environmental rankings, one is sustained analytics and one is RoboCo, and the interesting thing is the top field to the right there, 2 providers, 2 completely different scores when they were evaluating for green as a company. In one company they were looking at the top 25 is completely different from one to the other. From one end is the top 25 when you think about green companies and one is the bottom 25%. So, again, it's just the point that it's very, very challenging, when you try to evaluate a company and to think about investing in the ESG.

**John Marco** – I'm just going to jump in, I have a couple examples. Mr. Chair, if I may?

**Chair Ahuna** – Please go ahead.

**John Marco** – Thank you, so, I've worked with a lot of clients over the years that wanted to implement ESG programs and when I first started working in the investment industry back in 2000, what's important to note is, I think it was pretty well described here on this chart, was ESG means different things to different people and I have labor clients, plumbers pension funds I work with, they want the keystone pipeline, for them that's the social. They want good labor jobs, they want good paying, benefits, they want that job. The environmental folks are saying no way. So, it's really different things to different people. The best ways that I've seen it implemented is through the top down in the investment policies saying, these are the goals for the organization and here's, so, you start off with kind of a mission statement and then you get into specifics. Now the problem is the execution of it. Let's say, I'm throwing some examples out there, we don't want any exposures of fossil fuel companies, we want to cross out the oil and gas companies. That's fine, though your current structure can't do that, it can't. JPMorgan in there OCIO Structure allocating to their underlying mutual funds. They can't go there and cut out those holdings just for you. The only way to do that is to be a large enough fund were you have what we call separate accounts, so instead of investing in a mutual fund you literally put cash in a bank account and then the investment manager buys those stocks on your behalf, they create a custom portfolio for you. This fund is big enough to do that, but it would require a significant change in structure, to be able to do so. That's the only way you are going to be able to execute the will of the Board. When it comes to ESG cause certain things mean different things to different people. If you are going to go down that road, it's really important that these are significant issues, but the implementation execution is challenging but doable.

**Joe Falcha** – I was just going to add that John mentioned the different variations, who want what, talk about the pipeline, which adds value versus value, right? So, it's values, what the group wants as far as, you know the community, the ESG investing versus the value you get. If you change to an ESG portfolio, is that going to get you the same results as your current portfolio today? It's always a challenge there. You have to weight what's the most important thing? To John's point to it is very challenging, you do have to do it from your mission statement, there are ways to carve out, I do have one client that wanted to carve out a small portion of the portfolio, had to be in a separate account, but there's ways of doing that as well. There are different things to do but it's a process, and as an example, we had a client that is going through the process, I would say we're 20% of the way there, they believe they are about 90% of the way there. So that's how challenging it is. So we said let's do a survey, because they all felt as they were on the same page, this is to John's point, the survey came back and they were all over the map.

**John Marco** – This is one Board

**Joe Falcha** - One Board

**John Marco** – So you do a survey of what matters to you from an ESG, rank these things

**Joe Falcha** - It was all over. You know environment was important, to you know, I'd say for the mem, number one, so you get, kinda rate them and then governance, it was, it

was completely all over the map, and they felt like they were all in unison, right, in there thought process, so it is very challenging, we talk about it here because it is on everybody's minds and we wanted to make sure that the group is thinking about this, but we are not saying, change your portfolio, we just wanted to kinda talk about it and open it up to any questions you may have.

**Chair Ahuna** – I'm just curious, when you guys were talking about the carbon emissions and who burns more, amazon or UPS, who ends up paying for the carbon plants? Who ends up paying for all of that?

**John Marco & Joe Falcha** – there is no one. There is no one now ... only environment pays. We all collectively pay for it. They've talked about a carbon tax but it's, they've talked about it but it hasn't been implemented. There cap and trade and things like that, to try to limit the amount that we are putting in, stop, were we are at and try to control the damage.

**John Marco** – One last thing I will point out is, that, I mentioned before about the governance side in proxy, in when you own companies if you don't own them, you don't get to vote. So, I have clients, who wanted to target search companies, specifically because wanted to push them in the right direction and so, I've gone to facebook shareholders meetings and held them to account on behalf of my clients, it's kinda a fun thing to do. Get to wag your finger at Zuckerberg and what not! If you want Walmart to pay workers better, if you don't own them you can't introduce a proxy vote and be a thorn in their side until they do things right. We've wrestled with it, do you want to own these companies and engage with them, push them in the right direction or do you say I'm not going to mind, and it's important to note that when you buy a stock you're not giving that company money, that share is already floating out in space. So, unless you're buying direct from the company, who is issuing new shares, you're not giving a dollar to them, you are buying a share that is already floating out in the marketplace.

**Chair Ahuna** – Trustees, any questions?

**Ray Matsuura** – if not, I just want to introduce the topic again, we were going to meet with JPMorgan last month but I think it's an important topic as we plow through Segal's hard work and as you mentioned in the beginning that, you know, these are the kind of things we should keep in mind, how overall portfolio is run, as well as the organization. Thank you very much for your time.

**Chair Ahuna** – Thank you.

### **III. NEW BUSINESS**

#### **C. Presentation: CLA – OHA & LLCs Contract & Disbursement Review Final Report**

**Ernie Cooper, CLA** – Good Morning. Frist of all, on behalf of CliftonLarsonAllen-CLA, myself, Jenny and Anna, we really want to thank you personally for having us here today and allowing us to be of service to you, are engagement process, we had really,

along with you folks worked really, really hard on this engagement and I can't tell you again on behalf of our firm, how thankful we are to be of service, and what we want to do this morning is to spend some time on presenting our report dated December 4, 2019 it's entitled OHA and LLCs the Contract and Disbursement of Review of Report. We want to go through that this morning by separating out Jenny and Anna and then we want to be able to take on any questions that you may have. We'll go through our sections and certainly you can ask any questions at that time, but certainly when we are done with our presentation, then any questions you may have please ask them to us. This is our final report. It's dated December 4, 2019, this is our deliverable to you, and as I understood earlier, I believe this report is going to be posted on your website where you are, you know pleased about that, and this is it. This is the culmination of our work and what I'd like to do right now is turn it over to Jenny, she's going to introduce a little bit about herself, what's she's going to cover as going to do the same thing, and then it will come back to me and just real briefly, again the report is, as you have seen, you have received copies, it's very thick, I think the report itself is approximately 300 pages with attachments, couple hundred pages, there exhibits that are 500 pages, it's very voluminous, it's very detailed, but this is what was required.

**Trustee Lee** - I was going to say, how come your folder is smaller than mine

Laughter, **Ernie Cooper, CLA** – Yeah, I just have the 300 pages, double sided and very small thread, so in any of that our firm CLA, is a number eight firm, counting for nationally in the United States, we do not have an office here in Hawai'i, we are the team that worked from Southern California, different places in Southern California, basically is where we are based and Jenny, I want to have you talk a little bit about yourself and what you are going to be covering this morning.

**Ernie Cooper of CLA** turns it over to Jenny.

**Jenny Dominguez of CLA** – Thank you Ernie, I am going to turn this to me, hopefully you guys can hear me okay. I am first also going to apologize, because I woke up with a little bit of a hoarse voice this morning, so if I cough or have to clear my throat, I apologize. Good morning, Jenny Dominquez and I was kind of one of the key to member on this team from the very beginning, when we first met to negotiate this contract, it was Ernie and I, as we had an opportunity to watch folks early on. I been with CLA for over ten years, but I've also been working forensic accounting type of environment for well over seventeen years. I started my career doing financial statement audits then moved over into the consulting side of accounting. I am a Certified Public Accountant here in the State of Hawai'i, but I'm also a Certified Fraud Examiner and Certified in Financial Forensics. So, this is something I've been doing for quite of bit of time, engagements of this nature and different reviews, and internal controls reviews and stuff like that. In addition to the three of us, we did have several

other members on our team that were assisting throughout the project to obviously, with the magnitude and size of this engagement the three of us couldn't do it alone, so we do have other team members that aren't here with us today that did help with reviewing documents, financial analysis, helping prepare this report and the recommendations that are included with the report, but I'll go ahead and turn it over to Anna to give her introduction.

**Anna Rodriquez, CLA** - Thank you Jenny, and thank you for having us again, I am Anna Rodriquez, I am a manager with CliftonLarsonAllen and I too, was involved from the beginning in this project from the time that we responded to the RFP which has been a number of months now, and I am also a Certified Public Accountant, and Certified Product Examiner and I been doing forensic accounting for the last six years, so I don't have quite the level of experience that Jenny and Ernie have, but I learned a lot from them definitely, and again, thank you for having us, I will be discussing more of the work that we did related to the LLCs so that will be the section that I will be covering once we get to that.

**Ernie Cooper, CLA** - Thank you Jenny and Anna and again, I'm Ernie Cooper, I'm the Lead Principal of this engagement, I don't know if you can tell, but I'm the oldest of the three. (Laughter) I've been involved, I'm a CPA, Certified Fraud Examiner, CFF, I'm also an Attorney, but I'm not a practicing attorney, and I've been involved in this professional line of work starting way back many years ago as an auditor with PricewaterhouseCoopers (International Limited). I did some time with KPMG (KPMG International – KPMG Global) But I am a retired FBI Special Agent, spent over twenty years with the FBI, doing a variety of criminal type of investigations, public corruption, white collar crime, narcotics, drug investigations, and a lot of other ancillary duties, my assignments took me throughout the United States, and including here in Hawai'i, I have a very fond relationship with the islands of Hawai'i, first came out here approximately 1994 when I was with the FBI, and I'm not going to spend too much time on it, but I did meet my wife, who is a resident of Hawai'i and got married out here in 1999, then she left beautiful Hawai'i and went to beautiful Los Angeles. (laughter) cause I hear it, everyday! In any event with all that background, is what we started with OHA, we did not know anyone, with OHA. Even though we had some connection, did not know anybody from OHA and no relationships with anybody here at the table, or anybody associated with the table. So, I wanted to make sure I get that out. In a little bit of background, I'm going to spend about ten, fifteen minutes giving a little bit of background on the report that Jenny is going to talk about the OHA results then as Anna mentioned she's going to talk about the LLCs. Even prior to

**Jenny Dominguez, CLA** - Thank you Ernie, as Ernie mentioned, I'm sorry I failed to mention that when I first spoke, but I'll be going through the OHA procedures performed and results and those start on page 30, so as we walk through that section it goes from

page 30 to roughly 20 (something), so it's quite a large section, I'm going to walk through a very high level and I will refer to the pages I am talking about as I go and try to give time for pages to be pulled up on the screen. Everyone can hear me okay. Yes. Perfect. Starting on page 30 is where the results for OHA are discussed and it starts with the summary of work performed which Ernie did address some of these areas already, but I want to touch on a few points. We did begin our process by conducting information gathering and process interviews which are discussed on page 30 and through 31. It talks about that process and as Ernie mentioned, we first actually began gathering information in June of 2018 when we came out to meet with the representatives of the Resource Management Committee to negotiate this contract, so that was the initial attempt in start to gathering information. Then once that contract was signed, we submitted a detailed document request list to OHA to gather addition documents and information that was need to conduct our financial analysis on the activity of OHA on the five fiscal years as well as information to understand the organization, like organizational charts, that type of thing, general ledgers, registers, quite a bit of information. In September of 2018 we conducted process interviews to gain a more detailed understanding of the processes and procedures obtaining to contracts and disbursements and then after receiving all the financial data that we did request, we conducted various financial analyses, this is discussed starting on page 32. We performed reconciliations to ensure the completeness of the financial data we received so that when we go to select our sample, we know we are selecting it from the full population of transactions. We summarized the check register in the general ledger activity to identify total disbursements by vendor name, payee name, and fiscal year so we know who was paid by the organization in those five years. We also summarized the expense account data to identify fluctuations in expense accounts over that five year period just to look for large fluctuations and we also obtained data from Ki'i, which is used by OHA and documents the details of purchased requisitions and payment requests, so we requested that data cause that actually documents who's requesting certain disbursements and that type of thing and did some analysis on that. So, after gathering, after doing our interviews, gathering that data and conducting our analyses, that's when we began selecting our sample. So that started well into the process of our engagement and as Ernie mentioned we selected a sample of 80 contracts and 50 disbursements for OHA, so our sample collection process, that is discussed on page 34. I'll touch on a few points there. The contracts and disbursements that were selected was based on the information that we learned up through that point based on the interviews and or analysis, and our scope of work was to develop procedures to identify potential areas of fraud, waste and abuse specifically in the scope of work on page 24, you don't have to go back to that, but just wasn't to emphasize that point because our samples selection process was a judgmental process. We took a risk-based approach to selecting our sample which is different than other sample selection methodologies.

So in a risk basis approach we look for those transactions that may pose a greater risk to the organization just based on our understanding of processes through the interviews and also looking at the financial data, so like I mentioned a judgmental sample process is different than something like a random sample or a statistically significant sample, cause the intention of our judgmental sample was not to select a sample of contracts and disbursements that were representative of the entire population. Our goal which was in our scope was to identify areas of potential fraud, waste and abuse so therefore our results are not necessarily representative of the full populations of transactions from where we selected our samples. Just wanted to make that clear it was a very intentional approach that we took through our samples. Then starting on page 35: Document production to CLA, so supporting documents, when we provided our sample selection to OHA we identified the specific types of supporting documents that we needed to be able to detect each contract and disbursement and the types of documents requested are listed on page 35 and 36 so that OHA knew upfront, here's everything you need to gather because we knew that it was going to be quite a large task at hand. Ultimately OHA provided supporting documentation to us and scanned PDF files which was very helpful for us to get that documentation electronically, so we didn't have to go through hard copy documents at all that allowed us to retain a copy of all the documentation to refer to throughout the process of completing our work and preparing this report. In total approximately 870 scanned PDF files were provided to us just for OHA samples, some of the PDF files contained multiple documents pertaining to a contract or disbursements such as the purchase requisition, purchase order, contract, contract or deliverables, invoices, etc. One file contained well over 100 pages related to a contract or disbursement. So, there were eight hundred, not all of them were over 100 but it was quite a large volume of documents, just so everyone understands the efforts taken by staff as well the effort on our end to review all that information. Then we also wanted to perform inquiries with OHA staff, that starts on the bottom of page 36 and goes on to page 37, again when we submitted our sample selection to OHA we requested that OHA provide the name of the contract manager for each contract, so one of the things we learned through our process interviews was that OHA did assign a contract manager to each contract that's executed and that person is responsible for overseeing that contract. So, we requested from our aide that we selected who the contract manager for each contract and that would allow us to identify the individual within OHA that we wanted to inquire with, if we had any questions pertaining to a contract. When OHA responded to our request for those names, they did indicate whether the staff were still with OHA, whether the staff were in a different position within the organization or the staff had left the organization and I'll talk a little bit more about that later on when I get into our results of just the impact of that, part of it. On page 38 begins the testing criteria, and I really want to make sure we are spending time walking through our approach, so everyone understands how we went about our work. The testing criteria

basically refers to the specific requirements of the statutes and OHAs internal policies and procedures that we identify, that were identified, I apologize, to be covered in our scope of work, so the scope of work, which I know Ernie touched on a little bit, but it provided form a very high level the areas that we were supposed to task the contracts and disbursements against. On page 38 B and then Section 1: it says contract specifically for OHA Contracts: 1A, we were supposed to, or we did task the approval and execution of the OHA contracts for a compliance with HRS Chapter 103D, which is Hawaii Procurement Code HRS Chapter 84 which is Standards of Conduct and OHAs applicable internal policies and procedures that is directly from the scope of work. What we had to do is now look at those documents to say okay what are the specifics requirements within those statutes and OHA's internal policies and procedures that dictate how a contract has to be approved and executed, so that's our testing criteria, that's the specific requirements in those codes and the policies and procedures that we had to test against, we also, of course tested the sufficiency of contract oversight provided by the assigned contract manager, that deliverables were met by the contractor and looked for the identification of possible fraud, waste and abuse. For disbursements there were two contracts we tested compliance for HRS Chapter 103D, Hawaii Procurement Code, HRS Chapter 84 Standards of Conduct and then OHA's Internal Policies and Procedures, for disbursements we tested compliance with budget restrictions and then also again looked for the identification of possible fraud, waste and abuse. So, for each type of contract and disbursement that we selected we created a list of specific criteria that we are going to task. So a list of that criteria are included in the attachments that are included with this report there's an attachment by each contract type and by each disbursement type and it lists out all the criteria and the results of our testing associated with each of that and when I talk about all the types of contracts and grants, at the bottom of page 38, sorry not grants, contracts and disbursements, at the bottom of page 38 we identify the different kind of categories of the contracts of disbursement, cause once we select the sample and as we were looking through the policies and procedures in the procurement code we realized there's different types of contract and different processes and procedures that have to be followed based on the type of contract and disbursement so we define those different contract types and disbursements types starting on page 38 and that goes through page 43, I'm not going to go into details on each of those but that information is in there. It also references the specific attachments associated with each of those. Beginning on page 45 is what we call our testing methodology, this is basically referring to the strategy and analysis that we imply in reviewing the supporting documentation and information to determine whether a contract or disbursement complies with HRS OHA's internal policies and procedures and the other areas that we were testing so we've walked through for each of the areas as we are testing, how do we go about testing that area. So, I will touch on that a little bit. So for HRS 84 which is Standards of Conduct we

identified three subsections that were specific to the approval and execution to contracts and disbursements, those subsections relate to conflicts of interests, contracts with legislators and contracts with former employees so to assess whether a contract or disbursement applied to the specific subsection we relied on the information provided in the supporting documentation as well as upon publicly available information. For HRS 103D Hawaii Procurement Code, we requested that OHA provided procurement method used for each contract selected for testing. When reviewing the supporting documents provided we assessed two things, we assess whether OHA categorized the contract correctly based on the type and amount of the goods of services purchased, so if they said that we procured this contract, via the professional services method we verified that was the appropriate method to use based on the type of service that was being procured, also we assessed whether the appropriate steps were taken by OHA as outlined in HRS 103D to procure approve and execute each contract. A significant number of the contracts and disbursements tested, and I apologize, a significant number of the contracts and disbursements tested included grants, which are specifically exempted from 103D, however HRS 10 which is specific to the Office of Hawaiian Affairs does include a subsection that speaks to grants and process required for awarding and monitoring grants, so although it wasn't specifically identified in the scope of work we did apply HRS 1017 to look at the grants that we selected for testing, so I did want to point that out, for OHA's applicable internal policies and procedures with that is discussed at the top of page 46 item number 3, we obtained the most current approved version of OHA's fiscal procedures manual which was revised on March 2, 2009, as Ernie mentioned, we are testing a five year period that went through the fiscal year 2016, so we need to look at policies were in place and approved at the time of those transactions, that those transactions occurred so that was the most current approved process manual. We identified from that manual the specific procedures that were required to approve and execute each contract and disbursement based on the type of the procurement and then through the review of the supporting documents that were provided we basically verified whether the procedures were adhered to and a lot of those procedures mirror what's required in like HRS 103D but there may be even more specific requirements just as internal policies of the organization. In addition, OHA provided to us what is call the Operational Manual Authority Delegation for the five fiscal years that were in effect for the five fiscal years that we tested, and that document identified who is responsible for approving and signing different documents so the purchase requisition and the purchase order and the contracts request for payments, etc based on the type of transaction, the dollar amount etc, so we used that as well when testing the documents to make sure the appropriate signatures were noted on the various documents. For the section on whether deliverables were met by the contractor and that's discussed at the bottom of page 46, that's specific only to the contracts that we tested for OHA, for each contract that we selected for testing we requested a copy of

the contract and then reviewed the contract to identify what deliverables were required of the vendor for the contract or related to that contract so that's specifically: what were they, what was the final product that was supposed to be provided to OHA and then we also requested that OHA provided those deliverables for review and comparison to the contract and we made an assessment on whether the contractor provided a product that appeared to comply with the deliverable requirement specified in the contract in the related amendments and I want to say it appears to comply, cause we do go through the effort to assess that product comply with industry standards, you know, we really looked at this is what the contract says you need to provide, did we see a product that looked like what was laid out in the contract, and then if we were able to interview contract managers we also asked them if the overall results of that contract met their expectations so if we were able to do an inquiry we did inquire about that. For the areas of sufficiency of contract oversight by the assigned contract manger that's discussed on page 47, again that's specific to contracts only and through our discussion with OHA personnel and the review of internal policies and procedures OHA actually does not have a written policy that specifies how the contract manager must provide oversight of a contract, they basically did convey to us there is a contract manager, so if the contract manager was still employed with OHA we attempted an interview with that individual to be able to ask questions to discuss how oversight was provided. Based on the discussion with that contract manager and the available documentation we made an assessment on whether or not there appeared to be sufficient oversight, so if the deliverables were provided, if the documentation for approvals and such appeared appropriate and based on our interview we made that overall assessment. Compliance with budget restrictions was related to disbursements only and for each disbursement we required a copy of the purchase requisitions related to those disbursement cause on the purchase requisitions there is a section where the budget analysis does review and sign that the purchase accordance with the Board of Trustees approval of the programs budget, and it does exceed the Board of Trustees approved program budget for the fiscal year so we've verified that process took place by reviewing that documentation and then we also requested that all the cheques pertaining to, I'm sorry, all the purchase reqs, uh, all the cheque disbursements related to the cheque requests, related to each disbursements just to make sure that the purchase requisition and the cheques matched, there weren't any disbursements that exceeded what was the approved purchased amount. Now related to fraud, waste and abuse, that section and our methodology is discussed on page 46, Ernie did touch on it, but I want to touch on it again, again our procedures were design to detect and identify possible fraud, waste and abuse, however we have not made conclusions as to the existence of fraud, waste or abuse and based on the totality of information gathered through our testing procedures we identify whether there were red flags or indicators of possible fraud, waste or abuse those contract with red flags indicators are identified throughout the

result section of the report which does begin on page 49 and we'll get to that in a second, but there are multitude of transactions characteristics or situations that can be a red flag or indicator of fraud, waste or abuse and there's not one comprehensive list, to say here's the list of anything that could be a red flag or indicator, and red flags can also be specific to a transaction such as how a transaction is processed or could be the attitude or the environment within an organization such as the get it done and now mentality. So red flags and indicators can also vary by the nature and type of transaction. So, we did include page 48, just a very short list of a sample of some common red flags, indicators, related to contracts and disbursements, and exhibit 4 includes a more comprehensive list that was provided and can be looked at. So, beginning on page 49 and really the rest of the OHA section now focuses on the results of the work performed we're really going to address this from somewhat a high level, but the results are organized, kind of in two major sections, contracts and then disbursements, the contracts starts on page 49 and the disbursements start on page 160, but to focus on the contracts right now on page 49 you'll see underneath the contracts testing we do list out the different types of contracts and the total number tested within each of those categories and so that section is laid out in that way, we first discuss grant contracts, then we discussed competitive sealed proposal contracts and we go through each of those, five sections and go through all the different criteria tested, compliance with HRS, compliance with Internal Policies, sufficient oversight of the contract deliverables were met, evidence of fraud, waste or abuse, or red flags, fraud, waste or abuse. So, each of those kind of testing areas are then discussed within each of those subsections. Ernie already mentioned this too, but the results of our work are reported as observations of this report are basically defined the instance of which the result of testing revealed an occurrence of non-compliance with statutory requirements and/or internal policies as well as the instances that revealed red flags or indicators of fraud, waste or abuse. So, as we talk about observations, you're going to see that throughout the report, that is basically what an observation is and how we define it for this report. There are two larger areas that I want to discuss just briefly on the results and then I'm going to talk about the other common themes we saw through our testing for OHA, but the first one, cause this is the highlight for what the purpose of this work was, was that assessment of whether or not there was potential fraud, waste or abuse. So, within those sections we did identify approximately 30 contracts and disbursements for which red flags and indicators where identified, that suggests the possibility of fraud, waste and abuse, we are not going to go through each of those cause it's quite an extensive amount of information and that information, why we identified them that way and what those red flags were are included in the section of report by contract, but what we do want to state again and Ernie mentioned this, but I want to emphasize that the identification of a red flag or indicator does not on its own confirm that fraud, waste or abuse did actually occurred, we are simply identifying those

observations that are red flags are indicators of fraud, waste or abuse. Ultimately, we made 16 recommendations as a result of the observations identified related to the possibilities of fraud, waste and abuse. So, as you go through again those sections in OHA, when you get to the end of the fraud, waste and abuse section within each contracted disbursement section we do list out which recommendations to refer to. Those recommendations include implementing or improving processes and procedures related to identifying, documenting, and clearing potential conflicts of interest, the oversight of contracts and monitoring and evaluation of grants is better documented, and that documentation is retained in the files, documenting decisions pertained to the procurement process used and justification for the contractor that selected, particularly when a less competitive method is used and taking steps to increase competition in the contract procurement process, and documenting the receipt of deliverables from the contractors as well as ensuring that work is not performed and goods are not purchased before having an assigned contract or approved purchase request in place, including a signed amendment if work is going to exceed the original costs identified in the contract and then taking steps to ensure current policies are followed; those are the very high level kind of the type of recommendations are made related to those observations. The second area I want to point out is exempt contracts in disbursement through our testing, we identified contracts and disbursements that were procured through the exempt basically processed under HRS 103D there is a subsection 102B, and also Hawaii Administrative Rules section 3124 Exhibit A, those two areas specifically identify goods and services that are exempt from the procurement requirements of Hawaii Procurement Code. When we did our sample selection, we did not know at the time which contracts were disbursement were procured through exempt method, but ultimately found that 17 contracts and 30 disbursements were processed in using the exempt procurement method, now that excludes grants, because as I discuss grants, grants are specifically exempted and they have a separate process, so when you look at all the other types of contracts there were 17 contracts processed through the exempt procurement method, of those there were 22 contracts in disbursement for which the nature of the services purchased not appear to qualify as an exempt based on that list outlined in HRS and in the Hawaii Administrative rule section, and each of those contracts are again discussed within those respective session and I point out this particular observation because the exempt procurement method does not require OHA to obtain competitive quotes or bids unlike other forms; other procurement methods. So, when a contractor disbursement is improperly awarded through the exempt procurement method all forms of competition are essentially removed from the procurement process, so, this removes the ability of OHA to ensure that it's awarding contracts fairly and obtaining the best value for its money. Additionally, it makes it easier to direct work with potentially to specific contractors, which could increase the risk of vendor favoritism or conflicts of interest. So, this is just a risk area that we are pointing

out to you, and this area of using these exempt procurement methods is one of the areas that we assessed when identifying whether a contractor disbursement had a red flag or indicator for fraud, waste or abuse. It wasn't the exempt procurement method solely, but that was one of the factors that we looked at as to whether we identified a contract disbursement within that category. We made three recommendations pertaining to the use of the exempt procurement methods, so, those recommendations are also included in this report, again, that goes back to just taking steps to increase competition on the procurement method, to ensure that OHA is getting the best price possible out there for the services that are needed, and documenting that information, that's another thing as well. So, some of the other observations, so those are just two of the large areas, but other observations that we had overall within the contracts and disbursement testing for OHA, these are kinda just general themes, I think, throughout all of the testing for this area, was that there was some missing documentation related to the procurement process and the grant application and approval process and we detail in each section which ones, you know, which documents were missing or could not be provided. Things such as not documenting or not retaining documentation pertaining to those selection process for contracts, not documenting or retaining documentation pertaining to the qualification of the grant applicant or OHA's verification of requirements; a lot of it comes down to the documentation of certain decisions being made. The effective period of the contractor grant beginning prior to when the contract was executed, so we saw instances where work began and a contract was executed two months later, three months later, varying time period, and contractor deliverables not, couldn't, in some instances be located and provided to as in again those are all identified by contract within the report. We also noticed things such as fiscal procedures manual was outdated and we had to use what was in place and approved at the time, that the transactions occurred, but we did see where there were certain procedures that were no longer being followed. Certain forms were no longer being used, titles were outdated, so one of our recommendations does talk about getting that fiscal procedures manual updated to current policies occurred practices as well as best practices. The last thing, the operational authority delegation hierarchy, we just noticed that there was some lack of clarity within that document, as, because we were using that document to determine who was supposed to approve or sign certain contracts, for example: non-contract disbursements stated only that the appropriate budgets authority was required to approve, but we had a hard time actually, in working with OHA really being able to define, well who is the appropriate budget authority, so it made it a little difficult on our end to assess; was the right person signing? So, we had, to kind of do a more, hey it looks appropriate based on the type of purchase, the department, and level, but it wasn't very clear, so somethings like that, we have recommendations on clarifying some of those requirements to make it clear to staff as well as from the outside that may come in and do an audit. The last section for OHA, then I will turn it over to Anna is

really to the Annual Report to the Board of Trustees. We where to look at processes to see if there were sufficient internal controls and compiling that annual report that goes to the Board of Trustees, that section starts on page 212, so it is near the very end of the OHA section. Just really quickly some of the observations, there important other information related to that report, so, that report is gather and put together by the community engagement department and so we saw that some of the documentation related to that wasn't retained but the Community Engagement Department does obtain the financial information from the various departments from accounting, from grants, that type of thing. Not all of the grants are listed in the Annual Report, that were listed in the Annual Report were included in the grant tracking schedules that were provided to us, but it looked like it was just that the grant tacking schedules may not have been complete, so that maybe speaks more do we have recommendations to about that about grant tacking. Then some clarity on the report about the amounts that are recorded on grant awards, whether surmounts awarded or dispersed and how much is actually dispersed in the fiscal year, because it does take some time to disperse funds to related to some grants and so therefore, recommendation is pertaining to that. I'm going to turn it back over to Ernie real quick. (lost her voice).

**Chair Ahuna** - Good job Jenny

**Ernie Cooper, CLA** - So Chair, unless you have any, if anybody has any burning questions right now, I would recommend to keep the momentum going, focus, and this part is much shorter as it pertains to the LLC's, there's a lot of the overlap with the OHA so, if I can turn it over to Anna, and she can do the discussion of the LLC's.

**Chair Ahuna** - Yes, thank you Ernie, I want to Anna to finish and we're gonna have those burning questions.

**Ernie Cooper, CLA** – Exactly

**Chair Ahuna** – Ready for you, thank you so much Anna

**Anna Rodriguez, CLA** – Thank you, so we were also asked to review contracts and disbursement for the LLC's as you know, and we had, we were tasked with selecting 30 contracts for the LLC's and this a combination of the different LLC's that just, you know, certain LLC, so it was all of them, however, not all of the LLC's had contracts at during the period that we were reviewing, so for this reason, there were only 3 LLC's that had contracts tested, and for the disbursements similarly we had 25 disbursements to select and we selected them from all the different LLC's and the summary of work performed relating to the LLC's starts on page 225 so we are two-thirds of the way into the report, it's a similar process as to what we follow with the LLC's and to what we follow with OHA. First, we wanted to get our arms around getting to know the LLC's and how they function in relation to OHA. So, in order to do that, we met with LLC's representatives,

Hi'ilei Aloha, Chief Operating Officer and also Hiipaka Executive Director. Just again to gain that understanding, during that process CLA was provided with access to a file share that contained documents for all of the LLC's, and this included general ledgers, cheque register's, policy documents, quarterly reports to OHA, published annual reports, it also included some contracts, so we used that information to gain a better understanding, then we needed to circle back to the LLC representatives, this time to understand or to gain a deeper understanding of the policies and procedures used by the LLC's for contracts and disbursements, and we talk about that again in page 225, item 2 process interviews of LLC staff. Then we went through the data collection and analysis and selection of sample and contract disbursement, as both Ernie and Jen mentioned, this was a risk based approach. It wasn't a random sample, it wasn't a statistical sample, it was more geared towards, where do we think based on the information that we've reviewed, based on the interviews that we conducted, based on the data analytics that we applied to the general ledgers, to the cheque registers, to those records, what areas look like there could be any potential for, you know, fraud, waste or abuse. So we narrowed our selection to those areas. So, we selected as we mentioned 30 contracts and 25 disbursements, Now, only Hi'ilei Aloha, Hiipaka and Ho'okipaipai had entered into contracts for that period, as I mentioned before. So, we selected contracts for those entities, we have 9 contracts for Hi'ilei Aloha, 18 contracts for Hiipaka they have larger volume of contracts, so of course we selected more from Hiipaka than the rest. Now Ho'okipaipai, a lot smaller, they had a lot fewer contracts, so we only selected 3. Now for our sample, for the disbursements, we have 7 disbursements selected for Hi'ilei Aloha, 9 disbursements for Hiipaka, 3 for Hiipoi, and 6 for Ho'okipaipai. Now Hookelepono contained only the activity for Ho'okipaipai, so they didn't have a separate general ledger so there was no activity for that one LLC to review in terms of contract or disbursement. Now moving on to the testing criteria, and starts on page 230, based on the scope of work that we had included in the contract for the LLC's 30 contract we selected 4 specific areas, one of the areas was the sufficiency of contracts and grant oversight and the next one was the deliverables were met by the contractor, the third one is whether there were indications of a conflict of interest with the LLC Managers or the Directors, COO and the Executive Director of Hiipaka. Ultimately whether there were any indications of fraudulent or wasteful disbursements made. For the LLC's the 25 financial disbursements that were selected, there was a different scope of testing the conflict of interest with LLC managers and Directors, the compliance with internal policy and procedures, and again this was for all contracts and disbursements, whether no fraudulent and or wasteful disbursements were made or any indications of that. Now for the testing methodology, we want to talk a little bit about that, the testing methodology is kind of the strategy or the thought process that we go through when reviewing the supporting documentation, so, we have very specific areas that we need to test, we reviewed their policies and procedures for each one of those to

see if they process that was followed for the contracts the execution of the contract, the disbursements and payments of contracts or disbursements that were not related to contracts whether that fell in line with that. So, think of our methodologies with that thought process we follow with every time we review these documents. For the conflict of interest with LLC managers and directors, very similar to the process we use for OHA, however for the LLC we were not testing against HRS 84, we were not testing against HRS 103, what we were testing based on their fiscal policies and procedures in what we know of the organization. The LLC's all have included with the written fiscal policies and procedures a financial conflict of interest policies, so we reviewed to see that this policy was annually completed as for the policy and whether they forms were kept and retained, provided to us ultimately, we also conducted some public information searches for example for the contracts, we took a look at the names of the contractors, the main individuals executed in the contract, the main individuals who own the company for example and we conducted again public searches to see if we identified any indications of family relationships, friendships or any other type of relationship with again the LLC managers and they LLC's directors, for the deliverables for each contract we again requested that they provide us the deliverables. Now sometimes a deliverable looks like this and they could include it in the contract file, if they were able to locate it, and for that we again refer to the contract, what does the contract say that the deliverable will be. We looked at the deliverable does it look like it met, you know, those requirements, as Jen mentioned, we were not assessing for the quality of the product, that was not part of our scope, but it was more along the line of does it look like they met the expectations and we also asked the CEO of Leialoha and the Executive Director of Hiipaka whether they contractor had met the expectations, now for Hiipaka's specifically, some of those contracts are for capital improvement projects, so there was no document that they could, you know, add to the file, so what Hiipaka Executive Director did is he took us around Waimea Valley to show us the areas of capital improvement, the farthest one we went to was some restrooms built up by the waterfall so he took us out there to see, you know, inside the restrooms, so they look like, you know, they were according to the contract.

**Random voice:** no work

**Anna Rodriquez, CLA** – yeah, (laughter) there was a nursery, we went to, there's certain things that I remember, there was an ADA compliance ramp that was built, does it look like it's there, yes, it looks like it's there. So that was the extent, we didn't do measurements, we didn't say, you know, does it look like it's good quality work, so that was not part of our scope. Now for the sufficiency of the contract oversight provided by the contract manager for the LLC's much different from what OHA in the situation where OHA employees have left and were some employees were not available to answer our questions if we had them the LLC managers have had the same directors, so the COO

for Hi'ilei Aloha and in charge of the other LLC's has been there from day, uh, beginning of scope period through the end of the scope period, same thing Hiipaka Executive Director has been there the entire time, so it's based on the documents that we were reviewing, we had questions and we had a lot of those, we went to them, and we asked them, you know, about the contracts and they were able to give us additional information, and again, everything that they told us that was relevant to the testing to the ultimate assessment that they were making included in this report, now for the evidence of fraud, waste and abuse, as Jenny and Ernie both mentioned, we took the totality of the observations that we had made for this contracts and disbursements to arrive at that assessment and again, CLA's procedures were not designed to detect and identify possible, uh, to determine, or make a determination of fraud, waste or abuse, that's against our, uhm, professional standards, that's a legal interpretation that we are not able to make but we are able to tell you whether we saw indications or red flags of, you know, fraud, waste or abuse, and that's what we have done in this report. Now, that's a lot of information to process, so just take a quick second and we are going to move onto the results of work performed. That is going to start on page 225.

**Random voice:** on 225

**Anna Rodriquez, CLA** – that's where they, uhm, liable, that's where the LLC's section begins, so the actual page is 261. Let me see, actually let me get, hold on just a second, 239, results of work performed. 239. For the results of work performed, and I apologize for misspeaking on page 225, it's page 239, so contracts begin on page 239 and disbursements begin on page 261, but we'll get to the disbursements in a second. If we can scroll down a little bit, on that one page, I want to show the schedules, so maybe scroll into page 240. Those schedules we have included in the report and this is kind of like a snapshot, a really quick look at our assessment related to the contracts that we tested for each LLC for each OHA, you know, contract, and here you have a very high level overview. You have the criteria as we assessed it and those were kind of like our testing work papers really, so we went through that for each contract, and this is a condensed version so you don't have all the lines for each one of the contracts but you do have those in the attachments, and I don't know if you what to navigate to the attachments really quickly, but the attachments are laid out

**Random voice:** is there a specific one you want us to look at

**Anna Rodriquez, CLA** – yeah, if we go to attachment 14. There is a navigation pane on the side if you want to pull it up, you can do that really quickly, but you don't have to do that, I can just show you really fast. For those, for the testing, it was very, it's a voluminous report as Jenny mentioned, both Ernie mentioned and basically there's two ways to read our report, you can look at the attachments and this will show you all of the contracts that we tested and the information that's relevant for each of those contracts,

some of them expand for a few pages, of you have the criteria and basically you have that schedule but included all of the contracts or all of the disbursements so it's easy to read, and whenever we have an observation, we've indicated that observation there, and it's in red font just to make it stand out and then we do also have the observation so as summary of the observation, so that's a quick way to read the report also, so I wanted to make sure, we are comfortable with that, but going back to the results of work performed, generally we attempted to verify the information pertaining to each contract or disbursement as follows, that supporting documentation was validated by the criteria tested again inquires of the COO for Hi'ilei Aloha and the Executive Director for Hiipaka and again performed those visual observations that we talked about and the publicly available information. As Jenny mentioned, the results of our observations throughout the report we want to say an observation for the purpose of this report as again, as Jenny mentioned is define as the instances in which the results of testing review occurrences of non-compliance with statutory requirements and or internal polices as well as the instances that reveal a red flags are indicators of waste, fraud or abuse. From a high level, just you know, the way Jenny did for OHA I'm gonna do for the LLC's. From a high level we want to give you the results of the indications of fraud, waste or abuse that we observed for the LLC's. For Hi'ilei Aloha there were 2 contracts that we identified with those red flags, or indicators. For Hi'ilei Aloha, again, we identified 3 disbursements that had those indicators, and for Hiipoi we had 1 disbursement that has those indicators and again you can refer to the report for that specific section to gain a deep understanding of our observation. Recommendations that we made based on those observations are also included in the report, and we want to make sure Ernie has done that, Jenny has done that and we want to stress, whenever we do this type of engagements, it's a great value to not just learn what has happened, but learn from what has happened, and how do we do that by looking at our observations, looking at our recommendations and attempting to implement those recommendations so that this issues are not there in the future, so that's the great value that you bring to the organization by doing this type of engagements. So, the recommendations that we made related to the possibility of waste, fraud and abuse of the LLC's are indicated there, and there were 5, as I mentioned, related to the utilization of product delivered by vendor related to the payment processing, making sure it's in accordance to the contract. That there is an appropriate review process if any loans or grants are to be made by the LLC's. In taking steps to ensure that a complete and appropriate documentation exists for any disbursements made, in both of the LLC's were good about providing most of the documentations that we needed, and again this has to do with the fact that they CEO of Hi'ilei Aloha and Executive Director of Hiipaka have been there the whole time, so they were able to gather that information for us, I don't know if easily or it was more readily available, that's one difference that we identified. Some other observations, this a general observations for the testing that we

did, whenever you look at our schedules, our expanded schedules, included in the attachments, you'll notice that sometimes you see the observations, read, like pretty much straight across certain criteria, so what that tells us is that it's a basically an observation that applies to all of those contracts so it's very difficult, I guess for the organization to make sure that they follow the appropriate procedure, or maybe they might not have realized there was an issue until they looked at it like, well, all of the contracts had x observations and we need to address it more globally, so, we noticed that there's a purchase order system in place in contracts or not assigned contracts numbers, and that becomes a difficulty when you have more than one contract with a vendor and your trying to think, oh well, what is this payment made on this contract or that contract, because you don't have any way to separate those. There were procedure manuals were outdated similarly to OHA, the LLCs did not always retain the conflict of interest forms that were completed, or they were not provided to us, they were not able to locate it, excuse me. If the required documentation was not included in the contract files, and we saw this for Hiipaka, where there were certain documents that needed to be reviewed in order for that contract to be awarded or processed, and they did review that information but they did not include in the contract file, so, when we asked for it they said, well we don't have it because we don't keep it, then they went through the process of obtaining that documentation, these are like the certificates of compliance for example that they can go online and identify and provided them to us, and again, all that information is included in the report that these are important documents to retain. From a high level, those were the observations we made for the review of contracts and disbursements for the LLCs, now similarly to OHA, we were asked to review the reports for the Board of Trustees, and we do have some observations made there and it's my last page so I'm very close to the end, thank you for your patience, we assessed the sufficiency of the internal controls in place of the quarterly reports that's ultimately submitted to this Board. We assessed the quarterly reports for the year 2016 just to gain a good understanding of the process for that, we conducted inquireies which again are LLC staff and did within math checks and reconciliations so that, you know the information as presented accurately. Some of those observations we noticed that they were finalized quarterly reports were not always reviewed for example Hiipaka, Executive Director, prior to them being submitted to this Board. They were budget compared reports and balance sheets, they did not disclose the fact that they are audited and that's a good foot note or disclosure to have in any type of financial information presenting. Also the quarterly reports did not have a mechanism to communicate the changes that might have taken place after quarterly report was provided, so if there was a transaction that had to be paid for, let's say in July, but it was related to work that was performed in March, then there was no method for them to say well, no the March quarterly report is x amount instead of this amount. We discussed all the recommendations and observations with LLC staff so the CEO for Hi'ilei Aloha, the

Director for Hiipaka, so there's no surprises anyone of them for this report. The recommendations for this report which is very important, we made 31 recommendations based on the results of our testing and the recommendations are very similar to what we discuss already, again, updating those written policies to align with current processes, increasing documentation of the decision making process of authorizations monitoring an oversight of contracts and I apologize the recommendations begin on page 290. This employee training and developments, there's recommendations related to that, increase in transparency again that's very important and lastly the oversight in governance organizations. So, with that, and we really appreciate your patience it's been a long presentation, but that concludes my section and it's Ernie's time.

**Ernie Cooper, CLA** – Mr. Chairman, we'll take a pause for discussion, questions, I will have some final closing remarks, but I think this point will be a good time to, our section was a lot of information, thank you for your patience and listening to this, so with that I will

**Chair Ahuna** – Thank you Ernie, Jenny and Anna. Thank you so much. Members this is our time to ask questions, so if there is anyone .. first up, Trustee Hulu Lindsey.

**Trustee Hulu Lindsey** – I have a couple of questions; how did you determine whether there was any conflict of interest between the managers and let's say the people that received contracts?

**Jenny Dominguez, CLA** - and are you speaking with for the LLCs or

**Trustee Hulu Lindsey** – for the LLCs, yes because our managers had dual authority, yeah.

**Anna Rodriguez, CLA** - when we looked at contracts and looked at disbursements, we looked at that receipt and that cheque and there was at least one contract that there was an inherent conflict of interest, because the contract was between the LLCs and OHA, so for that one from the time we selected, of course we knew, there was that inherent conflict of interest. There are other contracts that are also mentioned there that we did identify the conflict of interest based on the documents that we reviewed in the contract or disbursement file, based on those public information searches that we did, based on the interviews that we had with the LLC staff and even with OHA too, we were able to make certain connections or identify certain of those conflicts, and those are included in the reports. There were a few contracts in I think I believe one disbursements, they were for Hi'ilei Aloha and one for Hiipoi that we did make that assessment on. So, that was our procedure, but you can stand on that.

**Jenny Dominguez, CLA** - yeah, and I think also the LLCs also had a policy related to what a conflict of interest was, so we tried to look at, is there a policy that defines it,

especially because with LLCs we weren't looking at what the standards of HRS 84, Standards of Conducts, we looked at what their policy said as well as best practices. So, when we talk about a potential conflict, you can talk about it from an actual and financial and direct conflict of interest versus the appearance, so, you can talk about even relationships that may indicate a possibility of a conflict, because, uhm, even if it's not under statutory requirements of conflict or under a legal definition of conflict, even the appearance can erode the public trust, and give the perception that someone maybe benefiting outside of the organization, so those are fully disclosed, we don't make an absolute determination, this is a conflict, we say this is indicators there might be a conflict here, because of X, Y, Z. We weight out usually those points, so this is true for both OHA section and the LLC section.

**Trustee Hulu Lindsey** – Thank you, my second question, could you please explain to the Board, the purpose of CLA requesting an extension to the contract?

**Jenny Dominguez, CLA** - Of our contract? Do you want to address to them

**Ernie Cooper, CLA** – Go ahead and I'll comment

**Jenny Dominguez, CLA** - you should probably turn that on too

**Ernie Cooper, CLA** - turn it on

**Jenny Dominguez, CLA** - and I, there's a lot of events that occurred, so I'm going to address this as probably a fairly high level, but there, through our status updates we started, you know, we were giving status updates to the Resource Management Committee Chair, and Vice Chair throughout our work, there was a point in time, we think a couple things that occurred that were not, we hadn't yet collected all the documents that we needed to be able to select a sample so, this process did require we do a lot of time and effort into understanding the organizations getting the data, doing our analysis before we select a sample because you don't want to go for something like this you want to go in blind, just randomly selecting a sample, and so, through that process we needed to make sure we're getting all our documents we needed to select a sample and there was a concern brought up by the LLCs about the impact of this engagement on, their information, and I'm high level summarizing this, based on memory so if I mistake something I do apologize, but and I don't know to what extent that we discussed that in here, maybe discuss from a very high level, but there was a concern raised and so we weren't getting really much documentation from the LLCs for quite a while, and there were some events that had to occur, that we were not involved in, we were kind of a third party in here that we had to wait until the documents, we could get the documents we needed to proceed. Those concerns were resolved which I think happened near the beginning of this year, we saw some progress moving and we were able to meet with the new committee chair and vice chair and get an update and

get a plan or moving forward and get the rest of the documents we needed to be able to select our sample and move forward with our work.

**Ernie Cooper, CLA** - that's how I remember it, that's pretty much it (slightly soft spoken)

**Chair Ahuna** – Trustee Akina

Trustee Akina – Well Ernie, Jenny and Anna, thank you so much for CLA's work, it's outstanding and I do want to stress this, I do remiss if I didn't, I'm also grateful to the staff of OHA and to many Trustees who cooperated with you and who worked very, very hard, taking away from their regular duties, this is a great work that you've done and to me it's a treasure trove of raw data and you've been very responsible in the limiting your descriptions and stating your disclaimers that you are not to make any pronouncements with fraud, waste and abuse and very clear about that, that with the scope of your work you had best showed indicators of the potential for this and you're making recommendations on that, so you're fulfilling your role very well. My role on the other hand along with my colleagues, is a fiduciary role, we have to take the data you've given and we have to make judgement calls, we have to protect the organization in the trust based upon this information, so, I just have a couple of broad questions first, I won't ask all my questions now, I'll defer to my colleagues because they may have questions well, when we look at what you've done, you'd look at 185 different transactions, contacts, or disbursements, and of that, 158 were found to have observations, audit observations, that's eighty five percent, that's a very large percentage, and then if we take a look further, 32 were found to be red flags, which is seventeen percent, so that suggest to me it's a fiduciary, that we're not looking at an isolated incidents, but there's something going on systemically, and I just appreciate, from your experience in organizations what your thoughts are as to what the systemic indicator is here, what may be going on systemically as opposed to isolated events, if any, Ernie?

**Ernie Cooper, CLA** – I could give you the comments

**Chair Ahuna** – Use your mic please

**Ernie Cooper, CLA** - Couple of points, one, our scope did not have us take a look at your question, take a look at the systemic issues, like an internal control review process, which is a septic type of engagement, so, in answer, in trying to get you an answer, our scope didn't allow up to do that. The recommendations that we put in there that flow from the observations are extremely important because an observation in our mind, those are the things that will go towards for instance minimizing risk of fraud, strengthen internal controls, because it's hard to give a specific answer to that question, that was in our scope, this is in general, my best answer is there is to say is to take a look at the,

the recommendations, there's quite a few of them, and understand where those flow from on the observations and you may be able to get a better idea of the question you're asking, but as far as the specific, do we look at the scope of totality, that was not within the scope and then I wanted to make one other comment on that, I think it's importance of the, in follow up to your question on page 303, section 9, the section called CLA Suggestion for the implementation for the recommendations. This kinda goes to maybe, one of our thoughts of suggestions as next steps for you, the challenge of individuals here, you have invested, not only monies and costs and 500,000.00 but the time, the efforts, the labor by the folks, the staff, the length of time in the work that we've done, this is kinda like maybe the continuation of the next step, one of the things we talked about we strongly encourage the Trustees to delegate to OHA's Administration the development of a recommendation, implementation plan, that includes the following activities and considerations. Comparisons of the recommendations to the current processes for contracts and disbursements for example, you heard a lot about the observations, the policy, the procedures, the practices, the training, the documentations, etc., and implementation actions including accountability measured of time tables of monitoring and reporting to the Resource Management Committee and the Board of Trustees. I really want to emphasize that. That there is a lot of information that's in the report, that's very, very detailed, that you can drill down on as far as you want on contracts and observations, I mean it's in here. Anna and Jenny, we've covered it, you know at high level, try to walk you through the report, form the report to the charts, schedule to the attachment, we'll give you that specific contract, has our sample number, then it has that particular contract and the observations for that contract, then it drills down, it goes form there. So, that's, we wanted that information in this report, cause this report is almost like a living document. In our mind that's going to go forward so that there can be hopefully the suggestion that we have an implementation plan. I kinda hope that answers part of your question?

**Jenny Dominguez, CLA** - Can I add to points if that's okay? One I want to point out, that our work only went through the end of fiscal year 2016. So, what was happening through June 30, 2016, which is three and a half years ago, so, we don't know what's happening today. We weren't testing processes with procedures today, so I think that's something when in this recommendation that Ernie just read, one of the pieces of it is comparing the, our recommendations to what's currently happening, because some of our recommendations already, they've already been implemented, that's possible, you know that portion of them. It's important to look at what's happening today and what's the plan moving forward. The second piece is I want to reiterate the fact that our sample selection was specifically designed to look for potential fraud, waste and abuse so, and I menti, I know I said this already, but it's not, it wouldn't be appropriate to try to extrapolate that to the entire population of transactions, cause that might be overstating that potential there. Only, cause, if you wanted to extrapolate you have to use a different

sampling methodology which is typically happens in a financial statement audit in other types of audits that happen, so our protocol is a little bit different for this with that specific kind mind, you know goal in mind based on this scope of work, so I just wanted to reiterate with that to make sure, you folks

**Trustee Ahu-Isa** – Can I say something?

**Chair Ahuna** – Trustee Akaka

**Trustee Ahu-Isa** – I asked first because I'm going to forget because I'm older and I can't remember, if I don't write it down, I forget

**Chair Ahuna** – Ask me, so I can pick you, you no ask me, I going forget too.

**Chair Ahuna** – So, Trustee Akaka, go ahead

**Trustee Ahu-Isa** - I went ask, my hand was up before

**Chair Ahuna** – Ask, Trustee Akaka, go ahead

**Trustee Ahu-Isa** – he never lets me talk so I'm not going say nothing already, this is really

**Trustee Akaka** – I will make this real quick, I just

**Trustee Ahu-Isa** – I can't remember

**Trustee Akaka** – abuse on your expertise, is it recommended that we staff on hand in the organization specifically for compliance purposes?

**Jenny Dominguez, CLA** - So, that, yeah, I want to say that's addressed, we kinda were probably rushing through a little bit at the end to give you guys opportunity to ask questions, but the section in the report that addresses kinda governanece touches on that for sure, I want to look at what that page number is.

**Trustee Akaka** – Yeah, if you can kind of go into some talking points of information to share

**Jenny Dominguez, CLA** – Starting on page 294, we speak about the Trustees oversight of OHA and LLCs, we have observations and recommendation related to governance and so that governance need to kind of does speak to kind of, do you need to have staff or what should be doing internally to kind of help monitor ourselves right on an ongoing bases, so I would say that a couple of those that speak directly to your question is going to be on 295, Governance internal audit, you guys do not have an internal audit, you are not required to have an internal audit department, you're not required to have an internal audit department but if there is a desire for an ongoing

monitoring to see were implementing recommendations do we want to know how we are doing on an on-going basis, and to continue to look at organization, that's something that can be considered and that would typically be either staff or you can outsource, you don't have to have a staff, you can hire a firm that does internal audit work, so that would be one that speaks to it, as well as on page 298, a hotline, a lot of organizations implement a hotline, there are a few pages in here that talk about that process, I'm not going to go into depth on that, but that allows an organization to one set a precedence of with an organization, we don't allow, we don't want this type, of you know, bad behavior, and there is a mechanism to bringing that to life if needed. So a hotline that's not really staff necessary, but that's something that can be implemented to allow for some of that governance, can take place, and I think that might ... yeah go ahead

**Ernie Cooper, CLA** – We are not recommending any of these recommendations, go out and hire x person to do the following, we are recommending for some of the best practices to consider the possibility of the internal audit, individual or a outline on fraud and training, in my mind your implementation plan group takes a look at that and does an, there is plenty of information out there regarding internal audits, benefits, how to utilize an internal auditor, or instance if you do end up with an internal auditor, whether it's bringing somebody in or you bring somebody from the inside, so many organizations that do have it, do not use the internal auditor properly, an internal auditor is supposed to be independent, kinda reviewing assessing internal controls in a high risk areas, what happens is that internal auditor that people borrow to do work on an ongoing operation that's a no-no. It's very tempting, but that does happen. So, we are not recommending to go out and hire anybody, we are recommending really take a look at these things cause they are best practices especially for an organization like OHA, we've seen internal auditors not only, in the corporate America, but also in government entities. In speaking an outline

**Trustee Ahu-Isa** – Chair, I have to talk because I'm going to leave.

**Ernie Cooper, CLA** - Okay

**Chair Ahuna** – Let him

**Trustee Ahu-Isa** – I have to go

**Trustee Machado** – Give her the floor please

**Chair Ahuna** – I know, I should have done that

**Trustee Ahu-Isa** – I had my hand up first and Ernie said wait to we finish, he's my friend, I'm not gonna say nothing bad against Ernie

**Chair Ahuna** – I don't know why you gotta leave, but go ahead

**Trustee Ahu-Isa** – because it's almost twelve and I work, okay mine is more fast than yours

**Trustee Lee** – You have to work? Weren't you elected to be here Trustee?

**Trustee Ahu-Isa** – I have three jobs

**Trustee Lee** – So your jobs take precedence over your elective?

**Trustee Ahu-Isa** – Are we gonna talk about my jobs now because I raised my hand first and I wish we had a number system so I can pull number one Akina number two, Chair saw me and Ernie saw me,

**Random voice:** stop fighting

**Trustee Ahu-Isa** - I'm going to forget, I have a heart condition, that's why I have this watch on, cause it shows my pulse rate right now. I'm going to have a mini stroke if you don't, I'm not kidding you, that's why I gotta say this, and I have to go to my cardiologist, so I raise my hand, and Trustee Lee, please bear with me, I'm going to talk fast, page 56, I'm gonna talk about fraud, waste and abuse, cause I know that wasn't the scope of this audit, I did work at UH, I was in budget finance, disbursement, procurement under President Mastuda so and we do have a CPA as a new CEO so we already, we talked about the internal auditor, we talked about compliance risk management, compliance management, risk based approach, that's what you said, someone said risk based approach, the scope on it, but yet I found on page 56, contract, identify as a possible non-compliant to HRS 84 dash 15 and this contract is a, I consider kinda like a fraud, but it's going to be, I want to thank you guys cause you did a really good job, I just want to say, it's not our responsibility as Trustees and fiduciary, to go through this document and look at it, cause I kinda did and I'm looking at the detail things that did talked about, it is all in here and it's our job, I thank them and they did a great job, I love all of these detailed referencing back and linking to, I talked about our CEO and how all of these things happen we can read it on page 56, 57, cause I consider that Ed, but you weren't, it wasn't in your scope, that's all I wanted to say. Thank you Chair.

**Chair Ahuna** – What was your question again?

**Trustee Ahu-Isa** – That is our job as Trustees to go through this and point out that there was more than a possibility of fraud and abuse.

**Chair Ahuna** – You didn't have a question, okay Trustee Waihe'e go ahead

**Trustee Waihe'e** - Oh, no no I was

**Chair Ahuna** – Oh, you were kidding, nah nah – Trustee Akina

**Trustee Akina** - Why, thank you Trustee Ahu-Isa for giving your instincts, what you've done, you've addressed content, and I would just like to say to my fellow Trustees, I think that, the CLA audit firm has done a good job of limiting this, it's role, or identifying it's limitations of it's role that they have served up to it's data, and now we have to discuss that data, we have to take a look, for example there are 32 instances of red flags and as I have read through them I have to say that in many instances, I see things that beneficiaries have brought to our attention over the last several years, I see concerns that have been expressed at this Board, I see some serious concerns and in fact within the 32 red flag, disbursements and contracts, there are things that really require our attention and one of the things we need to be aware of is that now that this document is public it's out there in the media or it will be out there in the media, it will be out there for our beneficiaries and so I hope that we'll have that discussion that goes beyond simply the presentation of the audit, but the concerns that the audit points to because that's our fiduciary duty, I myself am going to bring that tomorrow to the Board, if I may, Madame Chair, my summary of the 32 red flags, so that it can be a guide to helping us better understand and what we have to take a look at, I'll forego that for now because I appreciate the input we've had and I'll be able to use that in putting that together, I just do want to state clearly that we are looking at something very seriously, when we look at the extent to which there are audit observations as well as the extent to which there are red flags, we have a duty to dive in and go deeper and to call for changes as well as to recommendations and so I thank the audit for working on that and putting us aware with all to do that.

**Chair Ahuna** – Trustee Lee

**Trustee Lee** – Ah, Mister Chair, I have a point of clarification, we do not have raw data in front of us, we have a detailed report, by qualified firm that did an audit on OHA and the LLCs. We have supporting data of their report, what was not, we were not provided with data for us to analyze we were provided a detailed report by forensic CPAs even though they did not do a forensic audit, they are forensic CPAs and we have the supporting data for their audit, Trustee Akina, are you a CPA?

**Trustee Akina** - Thank you for inviting me to speak with your question, I'm absolutely not a CPA.

**Trustee Lee** – Thank you

**Trustee Akina** – and my use of the term raw data,

**Trustee Lee** – I believe, you answered my question and I believe I still have the floor Mr. Chair.

**Trustee Akina** – My use of the term raw

**Trustee Lee** – I believe I still have the floor Mr. Chair

**Chair Ahuna** – Yes, you do

**Trustee Lee** – Thank you

**Trustee Akina** – Mr. Chair, if I may speak afterwards

**Trustee Akina** – I thank you Mr. Chair

**Trustee Lee** – So, I find it, what I find concerning, originally the amount of red flags that are pointing, until CLA, pointed out that they did a risk based sample not a random based sample, by doing a risk based sampling, which I believe Jenny did a very good job in explaining they specifically picked disbursements that they believed would produce red flags, so the 85 percent Trustee Akina said occurred is something that I would expect if they were specifically picking contracts and disbursements that they felt were going to be risky ones versus random ones that they don't know anything about, what is concerning to me is someone who is not a CPA, says that they are going to provide their analysis to this Board. When we have a detailed analysis by professionals. Thank you, Mr. Chair.

**Chair Ahuna** – Thank you, our point of clarification well taken. Trustee Akina

**Trustee Akina** - Well, thank Mr. Chair for allowing me to respond, Trustee Lee it would have been better to have asked me the question what I meant by raw data by rather than assuming that I was referring to the data points that are used by a CPA firm, which I was not. I'm talking about the fact that, we're not CPA's, we are not the investigators, we are not the accountants, we as a Board are fiduciaries, we are called to use judgement, we're called to do something that goes beyond what has been done by this office, we're to take a look at the instances that they point out potential fraud waste and abuse and examine them and make some judgements on that, and that's what I am speaking of, referring to what they done as a report as raw data in a metaphorical sense, in the most general sense, and this is our data base, that we use, it's now before us and we have to have that discussion as to really what has happened in OHA and what we are going to do about it and deal with it. I thank you.

**Chair Ahuna** – Thank you Trustee Akina, you may respond Trustee Lee.

**Trustee Lee** – Trustee Akina, thank you for clarifying what you meant by, I appreciate that, I caution this Board about statements such as going beyond as our fiduciary responsibility going beyond what professionals have provided us. No one at this table, that has been elected of the nine Trustees, is qualified to go beyond what qualified professionals have provide a report for, so I caution this Board about using statements

like that and trying to go forward thinking that we, non-CPAs can go beyond a very detailed report provided by professionals.

**Chair Ahuna** – Thank you Trustee Lee. Trustee Akina wants to comment.

**Trustee Akina** – Thank you very much, I'm in complete agreement with Trustee Lee as to the limitations of our roles of being non-accountants, so in no way would I be suggesting that we provide any greater accountancy to this that has been provided well. What I'm talking about in going beyond is that we are dealing with something that we are imminently qualified to do and we are responsible to do which is to use our judgement, which is to be fiduciaries to protect the organization and that something we are on this Board to do and that's what I'm encouraging us to do to take a look at the 20 the 32 instances of the red flags and use our judgement as we discuss them together, thank you.

**Chair Ahuna** – Thank you. Anybody else? Members? Trustee Hulu Lindsey

**Trustee Hulu Lindsey** - I just want to say thank you to Ernie, Jenny and Anna for the portion of the contract that I worked with you on, you folks have been super cooperative and so, so helpful, I just want to say I'm just amazed at the work that you folks have done, actually in the short time that you took to, mahalo from us and I know that it will be, further discussion on the board on the content of this report. Mahalo.

**Ernie Cooper, CLA** – Mahalo, thank you very much.

**Chair Ahuna** – Trustee Machado first then I'll let Ernie make some final accounts.  
Trustee Machado

**Trustee Machado** – In your opinion Ernie, you think the funding, or your observations would be considered as server or flagrant?

**Ernie Copper, CLA** – One of the things within our scope is we don't comment on the severity of recommendations and so in answer to your question, what we comment on are the facts that we have the recommendations, and the recommendations as we explained will flow from the observations, for instance, the observations, the recommendations pertaining to like grants, there's those recommendations, everything in the financial world, financial activity, is it critical and important so you look at it terms of the recommendations that we made, what areas they input, but no there is nowhere in here, within our scope, that we are to determine the severity is one more severe than others. It's looking in terms of the recommendations and how are those, what the notes go towards.

**Trustee Machado** – I was intrigued with prior to the open discussion with the Trustees, you've had highlighted, you had a small piece up there that had some, it sounded like this is something that you want the Board to consider in how we move forward.

**Ernie Copper, CLA** – Oh yes, page 303, section 9. It's entitled CLA suggestions implementation of recommendations and again

**Trustee Machado** – Can you pull that up? Can you read that paragraph? Read it for the record. Thank you, can you read it.

**Ernie Copper, CLA** - CLA understand that the task at hand where Board of Trustee, the RMC, OHA and LLCs staff in addressing assessing, considering implementing these recommendations can be daunting. Therefore, CLA strongly encourages the Trustees to delegate to OHA Administration the development of a recommendations implementation plan, that includes the following activities in consideration, comparison of recommendations to the current processes or contracts and disbursements examples, policies, procedures, practices, training, documentation, etc., and implementation actions including accountability measures, time tables, monitoring and reporting to the RMC and the BOT.

**Trustee Machado** – I so move

(laughter)

**Trustee Machado** – Thank you for that encouraging words.

**Chair Ahuna** – Continue Ernie

**Ernie Copper, CLA** - So just to finalize statement as I mentioned earlier, concludes the work that we've done for you and again, we cannot thank you enough for the opportunity that we have serviced, and one other point, as for as the protocol for us and our firm, we don't, discuss this, we don't make any comments about our work, this report outside of where we are today, so don't think of me or us as being rude, is somebody tries to as me, or ask us any of the CLA individuals any questions pertaining to this, it's our policy and practice, we just don't comment, we don't comment or discuss with media, third parties or anything like that, that's just our protocol our process, again we have experience in other engagements if somebody ever tries to call our office, again we have a policy in place, there's no discussion, if you ever hear that anybody from our group was discussing this, you can absolutely reach out to me and we can tell you that we didn't talk to them, but please don't think of me or anybody else in being rude if we don't talk about this, with that being said I would love to talk to anybody at any point in time outside regarding anything to do with this. So, I just want to make sure that message was out there.

**Chair Ahuna** – Well to all of you, thank you so much for your work, very thorough report, and I want to thank you for everything you did and working with us, thank you so much. I also want to thank our staff, Kauai and Dini and Kama for doing a great job.

(applause)

**Chair Ahuna** – This work has gone on for months and months and I just want to say to everyone, I know I've thanked my staff but I also want to thank Sylvia's staff, they've worked very hard and all the people who worked with this committee.

(applause)

**Chair Ahuna** – Also the enormous amount of work, that they did in getting the information that they needed, thank you and we heard that got all the information, thank you so much for that Sylvia. Right now we have a motion on the Board, on the table. I'd like to move to recommend that one of the Board of Trustees receive the final report on OHA and OHA's LLC contract and disbursement review prepared by CliftonLarsonAllen LLP. Commissioned by the Board under contract 3284 as amended and number two direct Administration to review and analyze the recommendations contained in the final report and report back to the Board with it's analysis and plan to implement the recommendations at the first Resource Management Committee Meeting in January 2020.

**Trustee Machado** – moves

**Chair Ahuna** – Trustee Machado has moved it and Trustee Akina has second it.

**Chair Ahuna** – We are open for discussion, Trustee Lee

**Trustee Lee** – I move to amend the motion.

**Chair Ahuna** – There's an amendment on the table.

**Trustee Lee** – So, in the number two where it says report back to the Board, strike Board and report back to the Committee. This body is not the Board, this body is the Committee. If we are so moving, report back to the RM Committee. Thank you Mr. Chair.

**Trustee Machado** – I withdraw my motion, the original motion, so we don't need to go first party, to the second party. Will you be willing to withdraw your

**Trustee Akina** – I will withdraw my second

**Chair Ahuna** – Trustee Machado is going to withdraw her motion and Trustee Akina is going to withdraw his second, and we are going to go with this motion on the board.

**Trustee Machdo** – So I move to insert replace the Board with the RM Committee.

**Trustee Lee** – No, just read the whole motion.

**Chair Ahuna** – I'll read it, motion moved to recommend that number one: that the Board of Trustees receive the final report on OHA and OHA's LLC contracts and disbursements review prepared by CliftonLarsonAllen, LLP and commissioned by the Board under contract 3284 as amended and number two direct administration to review and analyze the recommendation contained in the final report and report back to the RM Committee with its analysis and plan to implement the recommendations at first Recourse Management Committee meeting in January 2020.

**Trustee Machado** – Moves

**Chair Ahuna** – It has been moved by Trustee Machado and second by

**Trustee Akina** – Second

**Chair Ahuna** – Trustee Ahuna second. Is there any discussion. Trustee Lee?

Trustee Lee - No it's okay. I have an inquiry for Ka Pouhana. So, we are directing you basically to do this work and report back by January 20, the first meeting of January 2020, which in my estimation is in about four weeks away, so, you're nodding, that's enough time for administration to do this work?

Sylvia Hussey – Yes

Trustee Lee – Okay, mahalo. I didn't want to, we moved this, and you're like, can I have more than four weeks?

Sylvia Hussey – I think at the first meeting, the earliest will be at the first full week of January, so that's like six or so, so yeah.

Trustee Lee – Thank you

Chair Ahuna – Just so you guys know the first meeting of the new year will be January 22<sup>nd</sup>. Is there any more discussion? If there is no discussion, call for vote.

<b>Trustee Machado, MOVED, SECOND by Trustee Akina.</b>						
<b>TRUSTEE</b>	<b>1</b>	<b>2</b>	<b>'AE (YES)</b>	<b>'A'OLE (NO)</b>	<b>KANALUA (ABSTAIN)</b>	<b>EXCUSED</b>
TRUSTEE LEI <b>AHU ISA</b>						<b>NOT PRESENT</b>
TRUSTEE KALEI <b>AKAKA</b>			X			
TRUSTEE KELI'I <b>AKINA</b>		<b>2</b>	X			
TRUSTEE BRENDON <b>LEE</b>			X			
TRUSTEE HULU <b>LINDSEY</b>			X			
TRUSTEE ROBERT <b>LINDSEY</b>						<b>EXCUSED</b>
TRUSTEE COLETTE <b>MACHADO</b>	<b>1</b>		X			
TRUSTEE JOHN <b>WAIHE'E</b>			X			
CHAIRPERSON DAN <b>AHUNA</b>			X			
<b>TOTAL VOTE COUNT</b>			<b>7</b>			
<b>MOTION:</b> [ ] UNANIMOUS [ X ] PASSED [ ] DEFERRED [ ] FAILED						
<b>Motion passes with seven (7) YES votes.</b>						

Chair Ahuna – We deferred our Workshop on Kaka'ako so that will be the end of this meeting for today, I'd like to get a motion to adjourn.

#### **IV. ADJOURNMENT**

**Chair Ahuna** calls for motion to adjourn. It has been motioned by Trustee Akaka.

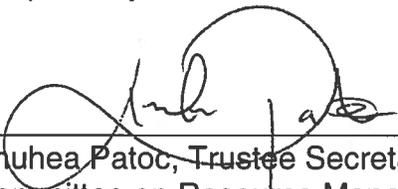
**Trustee Waihe`e** - seconded, seconded.

<b>Trustee Machado, MOVED, SECOND by Trustee Kalei Akaka. Motion to adjourn.</b>						
	<b>1</b>	<b>2</b>	<b>'AE (YES)</b>	<b>'A'OLE (NO)</b>	<b>KANALUA (ABSTAIN )</b>	<b>EXCUSED</b>
TRUSTEE LEI <b>AHU ISA</b>						
TRUSTEE KALEI <b>AKAKA</b>	<b>1</b>		X			
TRUSTEE KELI'I <b>AKINA</b>			X			
TRUSTEE BRENDON <b>LEE</b>			X			
TRUSTEE HULU <b>LINDSEY</b>			X			

TRUSTEE ROBERT LINDSEY						<b>Excused</b>
TRUSTEE COLETTE MACHADO			X			
TRUSTEE JOHN WAIHE'E	2		X			
CHAIRPERSON DAN AHUNA			X			
<b>TOTAL VOTE COUNT</b>			<b>7</b>			
MOTION: <input type="checkbox"/> UNANIMOUS <input type="checkbox"/> PASSED <input checked="" type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
Motion passes with seven (7) YES votes.						

**Chair Ahuna** adjourned meeting at 2:47 pm.

Respectfully Submitted,

  
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 Anuhea Patoc, Trustee Secretary  
 Committee on Resource Management

  
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 Dan Ahuna, Chairperson  
 Committee on Resource Management

Approved: RM Committee meeting 2/19/20

Attachment(s):