

**STATE OF HAWAI'I  
OFFICE OF HAWAIIAN AFFAIRS  
560 N. NIMITZ HIGHWAY, SUITE 200  
(VIRTUAL MEETING - VIA ZOOM WEBINAR)  
COMMITTEE ON RESOURCE MANAGEMENT  
MINUTES**

**March 22, 2022 1:30 p.m.**

**ATTENDANCE:**

Chairperson John Waihe'e, IV  
Vice-Chairperson Luana Alapa  
Trustee Dan Ahuna  
Trustee Kaleihikina Akaka  
Trustee Keli'i Akina  
Trustee Brendon Kalei'aina Lee  
Trustee Mililani Trask

**BOT STAFF:**

Crayn Akina  
Melissa Wennihan

**ADMINISTRATION STAFF:**

Sylvia Hussey, CEO / Ka Pouhana / Administrator  
Casey Brown, COO / Ka Pou Nui  
Arlene Aguinaldo, IT  
Erin Nakama, IT  
Everett Ohta, Corporation Counsel  
Ramona Hinck, CFO

**EXCUSED:**

Trustee Leina'ala Ahu Isa  
Trustee C. Hulu Lindsey

**GUESTS:**

Charles Goodin, Sr. Mgr. N&K CPAs, Inc.  
Dwayne Takeno, Principal N&K CPAs, Inc.

**I. CALL TO ORDER**

**Chair Waihe'e** calls the Committee on Resource Management meeting for Tuesday, March 22, 2022 to order at **1:30 p.m.**

**Chair Waihe'e** notes for the record that **PRESENT** are:

MEMBERS			AT CALL TO ORDER (1:30 p.m.)	TIME ARRIVED
CHAIR	JOHN	WAIHE'E, IV	PRESENT	
VICE CHAIR	LUANA	ALAPA	PRESENT	
TRUSTEE	DAN	AHUNA	PRESENT	
TRUSTEE	KALEIHIKINA	AKAKA	PRESENT	
TRUSTEE	KELI'I	AKINA	PRESENT	
TRUSTEE	BRENDON KALEI'AINA	LEE	PRESENT	
TRUSTEE	MILILANI	TRASK	PRESENT	

At the Call to Order, **SEVEN (7) Trustees are PRESENT**, thereby constituting a quorum.

**EXCUSED from the RM Meeting** are:

MEMBERS			COMMENT
TRUSTEE	LEINA'ALA	AHU ISA	MEMO – REQUESTING TO BE EXCUSED
TRUSTEE	CARMEN HULU	LINDSEY	MEMO – REQUESTING TO BE EXCUSED

**II. PUBLIC TESTIMONY on Items Listed on the Agenda\***

None

**III. APPROVAL OF MINUTES**

None

**IV. UNFINISHED BUSINESS**

None

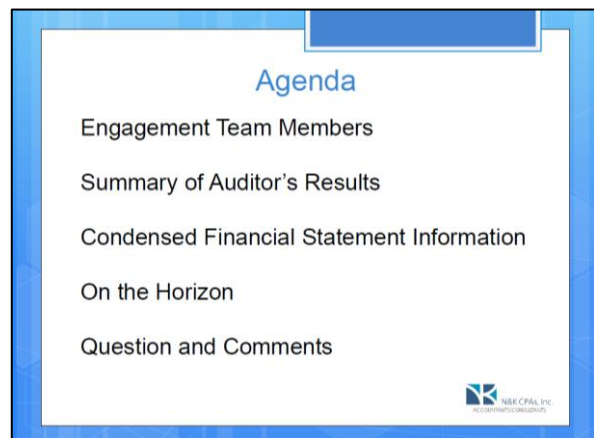
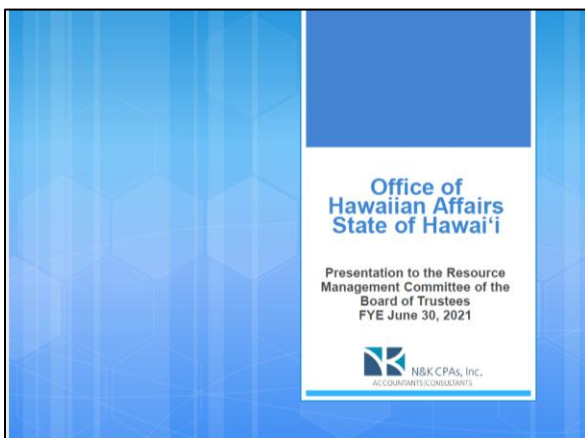
**V. NEW BUSINESS**

**A. Presentation by Auditors: DRAFT Financial Statements with Independent Auditor's Report for the Year ended June 30, 2021, Dwayne Takeno, Principal & Charles Goodin, Senior Manager, N&K CPAs, Inc.**

Chair Waihe'e turns it over to Ka Pouhana Sylvia Hussey.

**Pouhana Hussey:** Thank you, Chair. Trustees, we have with us our auditors. Dwayne Takeno, who is the Principal and Charles Goodin, who is the Senior Manager and we'll turn it over to them to provide a brief presentation. What you have in the Action Item are: the actual draft financials, the final drafts of both the Office of Hawaiian Affairs, as well as the federal, which includes the Native Hawaiian Revolving Loan Fund. So, Dwayne and Charles.

**N&K CPAs Principal Takeno:** Good Afternoon, Trustees. Thank you for giving us the time today to discuss the results of our recently completed audit. My name is Dwayne Takeno, I am the engagement Principal and I have Charles Goodin, Senior Manager here with us today to go over the results of the audit. We have been auditing OHA for about five years now, and the past couple years have been challenging; I think, due to COVID, and this year there was some turnover in the Finance team. Fortunately we have with the help of management, been able to present the draft today for you. I'll turn it over to Charles.



**N&K CPAs Sr. Manager Goodin:** Okay, thank you very much. In line with what Dwayne was saying, this is the second year that we've been doing the audit now, with Ramona. Sylvia has been participating in the audit with us, I believe, for four years now. Even though this has been a challenging year, we're still doing everything remotely, which has been a little, helpful in actuality. This year with the turnover, it was a little bit delayed, but at the same time, I do want to really, thank Ramona and Sylvia, along with all of the accounting team for all of their cooperation during our audit. It made it as smooth as possible.

As far as the Summary of Auditor's Results, Financial Statements. Management's responsibility for the Financial Statements is the preparation and fair presentation of the Financial Statements in accordance with U.S. *Government Auditing Standards (GAS)*, which includes the design, implementation and maintenance of internal control relevant to the preparation and a fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities as the auditor is to express opinions on the Financial Statements, based on our audit. I do want to point out that we did not audit the Financial Statements of Hi'ilei Aloha, LLC, which was audited by another CPA firm. Hi'ilei Aloha, LLC represents 100% of the business type activities. Our opinion as it relates to Hi'ilei Aloha, is based solely on the audit report of the other auditor. We conducted our audit in accordance with U.S. *GAS* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibility is to plan and perform the audit to deem reasonable assurance about whether the Financial Statements are free from the material misstatement. As far as our opinion, based on our audit the Financial Statements do present fairly in all material respects. The financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of OHA and the respective changes and financial position, cash flows, and budgetary comparison of the general fund in conformity with U.S. *GAS*. There were no material weaknesses or significant deficiencies noted, as a result of our audit.

Any questions on the Financial Statement Audit portion as far as our results?

*There are zero questions.*

**Engagement Team Members**

- Dwayne Takeno – Audit Principal
- Charles Goodin – Audit Senior Manager

N&K CPAs, Inc.  
ACCOUNTING CONSULTANTS

**Summary of Auditor's Results**

<b>Financial Statements</b>	
Management's Responsibility for the Financial Statements	
Auditor's Responsibility	
Type of auditor's report issued	Unmodified
<b>Internal control over financial reporting</b>	
Material weakness(es)	No
Significant Deficiency(ies)	None reported

N&K CPAs, Inc.  
ACCOUNTING CONSULTANTS

**N&K CPAs Sr. Manager Goodin:** For federal awards, likewise, there are no material weaknesses or significant deficiencies identified. We are issuing an unmodified report as far as compliance for major federal programs, and there were no findings as a result of our audit.

Our major federal program is the Native American Program, Native Hawaiian Revolving Loan Fund, which falls under the CFDA 93.612. This is the same major program that we've done for the last five years now. This is primarily, the only real, significant Federal program for OHA. The dollar threshold to distinguish between type A and B programs is \$750,000, and this program is in excess of that \$750,000 threshold. OHA did qualify as a low risk auditee. One thing I did want to note, as far as the compliance audit goes, is that OHA is required by the Administration for Native Americans (ANA) to conduct site visits have at least 20% of the new business loans annually. This was not performed during 2021, but OHA did request and receive a waiver from the ANA to waive that requirement because of OHA's work from home orders. With the plan of going back to office on April 1, 2022; OHA has committed to conduct four site visits to meet that requirement on a go forward basis, and ANA is fine with that.

As I mentioned, there are no findings that we had as a result of our compliance audit.

Summary of Auditor's Results	
<b>Federal Awards</b>	
Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Summary of Auditor's Results	
<b>Federal Awards</b>	
Major Federal Program	CFDA 93.612 Native American Program, Native Hawaiian Revolving Loan Fund
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**N&K CPAs Sr. Manager Goodin:** Continuing into the Condensed Statement of Net Position for OHA as a company 2021 and 2020. As you can see, as far as the assets go, the investments, make up approximately 60% of assets, as of 2021 versus 58% of total assets, as of 2020. However, there was a \$91 million increase in investments during the year. That's primarily the result of the market doing very well during the Fiscal Year ended June 30, 2021.

At the same time, at the end of Fiscal Year 2020; that was right near the beginning of the COVID-19 pandemic, and as a result of that there is a very sharp decline in OHA's investments from March 2020 to June 2020 and then a little after that is when the market picked up significantly. That's the primary reason why there's this \$91 million swing.

As you'll see on the next slide OHA did have interest in investment earnings of approximately \$114 million during the year, so that's the sole driver for that significant increase in investment balances.

Capital Assets, while they do represent approximately 31% and 36% of total assets, there really wasn't much activity in Capital Assets, which results in the less than one-million-dollar-swing from year to year, primarily as a result of depreciation expense.

**N&K CPAs Sr. Manager Goodin:** Other assets are primarily comprised of cash, which is about 38 million dollars and 28 million dollars as of 2021 to 2020, along with receivables, inventory, prepaid, and notes receivable, which are about 6 million each for both years. The increase in other assets is primarily a result of the increasing cash held in the banks and by Investment Managers.

As far as Other liabilities and Long-term liabilities, the Long-term liabilities are primarily comprised of notes and lines of credit outstanding of 21 million dollars as of 2021 and 23.6 million dollars as of 2020 - in addition to the net pension liability and the net OPEB liability that OHA has recorded.

Deferred inflows and deferred outflows of resources are 100% related to both the net pension liability and the net OPEB liability. There was a little bit of a swing in the deferred inflows of resources of about 1.4 million and that's primarily the result of OHA, along with other State Agencies having a significant reduction in their OPEB contributions during the year. In 2020, OHA had OPEB planned contributions of just over \$2 million versus under a million during 2021 and that's actually a result of the COVID-19 pandemic.

Condensed Statement of Activities, as far as revenues go there's generally just Program revenues and General revenues. Program revenues were about \$10 million in 2021 versus just under \$16 million during 2020 for a decrease of \$5.5 million. That's actually and primarily the result of the decreased revenue from Hi'iilei Aloha, LLC from \$6.7 million in 2020 to just over 2 million in 2021. While we did not perform that audit, just based on the review of their financial statements, Hi'iilei Aloha, LLC was significantly impacted by the COVID-19 pandemic. They did have some shutdowns during the year, they did lay off some staff, so they did have a pretty, significant decrease in both revenue and expenses.

As far as General revenues, there was a very significant swing of 112 million dollars from 20.6 million to 133 million and that's primarily a result of the interest and investment earnings that were earned during 2021 as a result of stronger market conditions.

As far as Total expenses go, expenses did decrease by approximately 2.9 million dollars related just to OHA and as I mentioned previously, that's in part as a result of OPEB contributions that OHA had a pretty big decrease during 2021.

The other big swing is for Hi'iilei Aloha, LLC and, as I mentioned - that's COVID-19 related.

Overall, OHA had just over 100 million dollars in change in net position versus a decrease of 10.7 million during 2020, so this past Fiscal Year OHA did very well, primarily as a result of OHA's investments doing very well.

Description	2021	2020	Difference
Investments	\$ 485,417	\$ 394,400	\$ 91,017
Capital assets	245,907	246,886	(979)
Other assets	50,794	38,283	12,511
Deferred outflows of resources	6,858	7,465	(607)
Other liabilities	7,621	6,945	676
Long-term liabilities	92,369	93,246	(877)
Deferred inflows of resources	2,140	698	1,442
Total net position	\$ 686,846	\$ 586,145	\$ 100,701

Description	2021	2020	Difference
Program revenues	10,175	15,763	(5,588)
General revenues	133,164	20,691	112,473
Total revenues	143,339	36,454	106,885
Beneficiary advocacy	14,155	16,862	(2,707)
Board of trustees	2,621	3,080	(459)
Support services	20,245	20,084	161
Unallocated depreciation	1,142	1,066	76
Hiilei Aloha LLC	4,639	6,584	(1,945)
Hookele Pono LLC	47	276	(229)
Total expenses	42,849	47,952	(5,103)
Net transfers from other funds	211	758	(547)
Change in net position	100,701	(10,740)	111,441

*Any questions on anything I covered so far?*

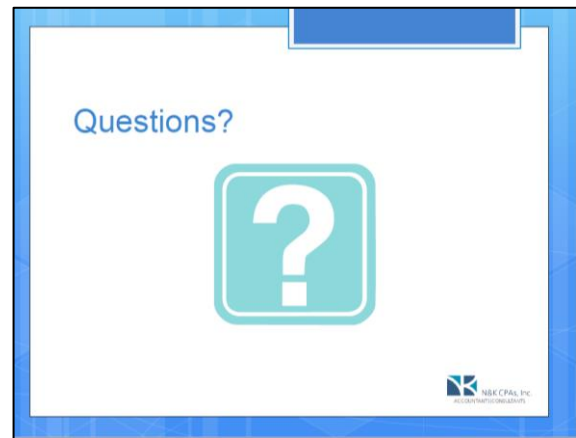
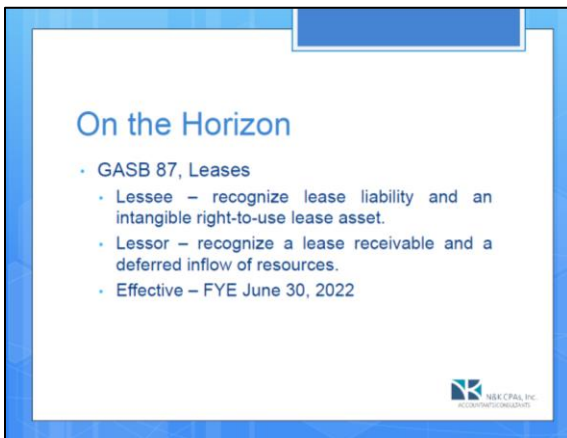
*There are zero questions.*

**N&K CPAs Sr. Manager Goodin:** The last thing that we did want to cover is on the horizon, so this is the most significant GASB statement that needs to be implemented during the next Fiscal Year - happening right now. For this GASB 87, lessees and lessors need to recognize either a lease liability or a lease receivable onto their Statement of that Position. I did discuss this with Ramona and luckily OHA has been working with DAGS and DAGS is helping with the implementation of this standard.

OHA has provided all of their leasing information, both as lessee and a lessor to DAGS, and DAGS is going to be providing them with the journal entries necessary to bring on the lease receivable and lease liabilities on to the balance sheet, basically as of July 1, 2021. This will be much more significant for OHA on the lessor side. OHA has significant leasing activity for both Nā Lama Kukui and Kaka'ako Makai. During 2021, lease revenue was about \$8 million, so we're talking about a pretty, big number here, so this is going to be a pretty significant receivable that gets recorded onto the books, along with a related deferred inflow of resources. Luckily, as I mentioned DAGS is working with all the State departments and this is going to be provided by DAGS. Hopefully it won't be too big of a headache on a go forward basis.

Other than that, I did want to thank Ramona and Sylvia again, along with their team for helping us to complete this audit on a timely basis. Even with the turnover that that the financial department did have. I will open it up for any questions that any of you may have.

*There are zero questions.*



**Chair Waihe'e** recognizes CFO Ramona Hinck.

**CFO Hinck:** I would like to thank Dwayne and Charles, and recognize Marissa Pati, and the rest of the N & K staff for getting us here again. It's been a really, great partnership for five years; five audits. My team consisted of consultants from the Resource Global Professionals; Toshiko Vu, Gerald Kawamura, Sylvie Chun, Wayne Tomita and our own Grace Chen who all stepped up in September when we needed to close Fiscal Year 21. At that time, all of OHA's accountant positions were vacant two, for four months, and the Controller position for at least seven months, and the team caught us up and we soft, closed in three months, and what a tremendous job that we did.

**CFO Hinck:** Also, our financial information is so squeaky, clean because N & K has searched every nook and cranny and helped us get to this point and it's been a really, good audit and if that's not an oxymoron, then I don't know what is. Mahalo Nui Loa, Dwayne and Charles, I appreciate the excellent work that you and your team provide us and the great partnership that we have. Mahalo.

**N&K CPAs Principal Takeno:** Thank you.

**Chair Waihe'e:** Thank you, Ramona. Are there any further questions?

There are no further questions.

## **V. NEW BUSINESS**

### **B. ACTION ITEM RM #22-04: Approval of the OHA Financial Statements with Independent Auditor's Report for the Year ended June 30, 2021; and the OHA Report of Independent Certified Public Accountants in Accordance with Government Auditing Standards and Uniform Guidance, Year Ended June 30, 2021**

**Chair Waihe'e** turns it over to Ka Pouhana Sylvia Hussey.

**Pouhana Hussey:** Thank you, Chair. Trustees, the action item asked for two things. In the past, what we've done is have a workshop with the draft, but because the deadline for filing the Federal Audit Data Clearing House is the 31<sup>st</sup>, we asked Trustee Waihe'e, and we brought everything together. The Action Item asks for Attachment A, which are the financials for OHA and then it asks for approval for the Final Draft of Attachment B, which is the Federal Native Hawaiian Revolving Loan report that we file in the Federal Audit Clearing House.

Then the last piece is a learning that we had from previous experience, it is to Authorize Administration to just take any of those final touch ups. We've already gone through the work, but we just want to make sure one final look through, typos, any kinds of alignment pieces, before we produce that final. So, what we're asking for is approval of those two reports and audits, as we did in prior years, as well as authorizing Administration to make those cleanup edits and items as needed, non-substantive edits.

Thus, the motion in the Action item; the first one is for the actual audit, the second is for the Federal Native Hawaiian Revolving Loan Fund, and then the third is to authorize us to make those final cleanup edits before filing. As in the prior year, all of this will be posted on our website under the financial transparency tabs and available for our beneficiaries, as well as others.

Trustee Akina moves to:

- Approve the draft Office of Hawaiian Affairs Financial Statements with Independent Auditor’s Report for the Year Ended June 30, 2021 at Attachment A;
- Approve the draft Office of Hawaiian Affairs Report of Independent Public Accountants in Accordance with Government Auditing Standards and Uniform Guidance, Year Ended June 30, 2021, at Attachment B; and
- Authorize the OHA Chief Executive Officer and Administration to take all other reasonable actions necessary and appropriate to complete, issue, file and distribute the reports.

Trustee Trask seconds the motion.

Chair Waihe’e asks if there is any discussion.

There is no further discussion.

Chair Waihe’e calls for a **ROLL CALL VOTE**.

							Motion: 1:51 p.m. Vote: 1:52 p.m.
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED	
LEINA'ALA	AHU ISA					EXCUSED	
DAN	AHUNA		X				
KALEIHIKINA	AKAKA		X				
KELI'I	AKINA	1	X				
VICE-CHAIR LUANA	ALAPA		X				
BRENDON KALEI'ĀINA	LEE		X				
CARMEN HULU	LINDSEY					EXCUSED	
MILILANI	TRASK	2	X				
CHAIR JOHN	WAIHE'E		X				
<b>TOTAL VOTE COUNT</b>			<b>7</b>	<b>0</b>	<b>0</b>	<b>2</b>	

**VOTE: [ X ] UNANIMOUS [ ] PASSED [ ] DEFERRED [ ] FAILED**

Chair Waihe’e notes for the record that all members present vote 'AE (YES) and the **MOTION PASSES**.



## V. NEW BUSINESS

### **C. Presentation by Administration: State Auditor Report No. 22-04: Follow-Up on Recommendations from Report No. 18-03, Audit of the Office of Hawaiian Affairs, March 2022**

**Chair Waihe'e** turns it over to Ka Pouhana Sylvia Hussey.

**Pouhana Hussey:** Thank you, Chair. Thank you, Trustees. I will be brief, but informative. I wanted to take the time to thank CFO Hinck, as many of you know she just joined us and after a few months she wears five hats, even as of today.

Trustees just for context, at one point, we had five audits open; we had four State Auditor audits and one Financial Audit, so we are slowly ticking and checking them off. So now that we've checked off the Financial Audit, all we have left is the 2021 Performance Audit and what we've closed out is the 2017 Performance Audit that resulted in those two reports 18-08 and 18-03.

18-08 we closed out, 18-03 just closed out and that's what you have in the packet. It is the 2017 Performance Audit Report and the number of items of implemented, partially implemented. Your memo starts out in reverse and explains why the not implemented and not applicable were there. In the memo, we also talk about Administration's agreement or disagreement with the classification by the State Auditor, but this closes the 2017 Performance Audit.

That leaves only one State Audit that's open and that's the 2021 Performance Audit.

So going from five audits all running at the same time, literally down to one, now puts us into a rhythm, so we will bring back to the Trustees the results of the 2021, as the State Auditor's office is performing their field work now. In December, the State Auditor provided their objectives, and so they're doing their field work now. So, we expect a report when they complete their field work.

This report goes to close out and explain, what most of the N/A's are, as a result of the Kūlia initiatives or anything to do with Fiscal Reserve, because that is no longer a policy or practice. There is a Fiscal Stabilization Cash Policy in place.

The Ad Hoc Committee of Grants and Sponsorships is still open, and Trustee Hulu as well Waihee will bring that forward for the Board. The Board no longer has Kūlia initiatives, which was the former name for BOT Initiatives. Those are all on moratorium and subject to the Board's decision as to how to move forward. All the sponsorships are brought forward to the Board for approval. Administration, including the CEO does not approve any sponsorships. It all comes to the Board for approval. So, we just wanted to go on record, with the Trustees - close out this 2017 Performance, then work on the improvements, then look forward to the 2021 Performance Audit that's in place. That's it Chair Waihe'e.

**Chair Waihe'e:** Thank you, Pouhana.

**VI. ANNOUNCEMENTS**

**Chair Waihe'e:** I did want to announce that there is a live stream hearing on Senate Bill 2021 that's going to be happening in about 4 minutes.

**VII. ADJOURNMENT**

**Trustee Ahuna moves to adjourn the RM meeting.**

**RM Vice-Chair Alapa seconds the motion.**

**Chair Waihe'e asks if there is any discussion.**

There is zero discussion.

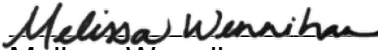
**Chair Waihe'e calls for a ROLL CALL VOTE.**

							1:56 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEINA'ALA	AHU ISA						EXCUSED
DAN	AHUNA	1		X			
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA		2	X			
BRENDON KALEI'ĀINA	LEE			X			
CARMEN HULU	LINDSEY						EXCUSED
MILILANI	TRASK			X			
CHAIR JOHN	WAIHE'E			X			
<b>TOTAL VOTE COUNT</b>				<b>7</b>	<b>0</b>	<b>0</b>	<b>2</b>


**VOTE: [ X ] UNANIMOUS [ ] PASSED [ ] DEFERRED [ ] FAILED**

**Chair Waihe'e adjourns the RM meeting at 1:56 p.m.**

Respectfully submitted,

  
\_\_\_\_\_  
Melissa Wennihan  
Trustee Aide  
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on April 12, 2022.

  
\_\_\_\_\_  
Trustee John Waihe'e, IV  
Chair  
Committee on Resource Management